

THE ART OF POSITIONING

bancography

BRANCH PRODUCT RESEARCH BRAND

Great Names...

- > are short - preferably three or fewer syllables
- > are well balanced
- > resonate... when a great name sounds right, you just know it
- > often imply speed and dominance
- > are durable and elastic
- > fit the branding concept
- > are memorable
- > propel themselves and become self-sustaining

Brand: More Than a Logo

In our previous issue, we introduced the *Bancography Brand Value Index*, a quantitative measure of brand strength. The index measures brand value as the premium that intangible factors such as service, image and reputation add to an institution's value. Though these factors themselves are intangible, they are embodied in some very tangible,

measurable attributes in an institution's financial statements.

Two measurable attributes that reflect a brand's power are cost of funds and earnings consistency. An institution's cost of funds offers an outstanding benchmark of how attractive its value and service propositions are.

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What's in a Name? Plenty

A rose by any other name would be a Sowthistle Weed. Can you imagine giving your loved one a dozen long-stemmed Sowthistle Weeds for Valentine's Day? Unusual as it is, do you think a Sowthistle Weed would have become the symbol of romance?

We are programmed to think, organize and connect by name, starting with our own, the first word we learn. Names are special words that hold magic. The very best names are easy to pronounce, appealing to the ear, sticky to the memory and whenever possible, link us to an associated emotion. That means the very mention of a name should be a complete mini-selling pitch of your brand. Now that's efficient.

Identifying the right name for a company is critically important. Not only is it the first line of communication with an existing client, but often a company's name makes a substantial impression before a potential new client learns about the products, services and distinct experience the company offers.

A name must define a company's place in the market, be persuasive and pique curiosity for trial. With all these roles, it's imperative to have the right name that communicates on both overt and subliminal levels. A great name involves not only the art of poetry and the science of linguistics, but also a good measure of old-fashioned business sense.

At Bancography, our Name Development process and initial name candidate list universe always meet these conditions. It's what we do next that makes the difference when it comes to choosing the right name. Using research for name development is common, but it usually comes down to a choice between qualitative or quantitative. We employ both in our quest for the appropriate name. Too many naming companies rely solely on focus groups. Or they only create hundreds of computer-generated derivatives for you to wade through.

Both methodologies can be dangerous if used alone. Focus groups tend to weed out the weak names but do not guarantee a selection will be a winner among the masses.

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A bank that needs to pay top-of-market rates to attract depositors shows evidence of a weak brand, because it essentially needs to bribe customers, through higher rates, to do business at its branches. In contrast, an institution with a strong brand will show a low cost of funds, as consumers will be willing to accept lower rates in exchange for superior service, greater convenience or the more subjective feeling of conducting business with an organization that shares their values and invests in their community.

Similarly, earnings consistency is also a hallmark of strong brands. At many banks, churn continues at pandemic levels; it is not uncommon to find banks opening 12 to 15 new accounts just to net one account, as closures nearly offset opens. Institutions with severe attrition – an illustration of a weak brand – suffer volatile earnings as they continually struggle to replenish lost balances.

The institutions at the top of the rankings exemplify these traits. For example, Wells Fargo, our top-ranking institution in the large asset tier (assets \$30B+), shows one of the lowest funding costs of any other bank in its peer group, and the absolute lowest of any bank with at least 500 branches. And in a time of massive industry losses, Wells Fargo was one of the money center banks to show an increase in earnings in the second quarter. How did it achieve this performance? In addition to its ubiquitous branch network, Wells Fargo provides outstanding service in its other delivery channels: 24-hour call center access, multi-ATM deployments to insure customers don't wait in line for cash and a premier online banking site. Further, the bank maintains an active program of corporate social responsibility and a heritage it reinforces

through Wells Fargo museums in its key market headquarters. The bank's vision statement underscores the importance of service over product, and it deems convenience and multi-channel access as paramount, while also emphasizing the importance of community relations.

Other banks define service excellence in different ways. For example, Woodforest Bank, the top-ranking bank in the \$2B - \$30B peer group, operates primarily in-store branches. How does the bank lure customers with only a limited freestanding branch network? Some Woodforest branches in Walmart stores remain open 24 hours, and most of its branches operate seven days a week. To this bank's customer base, value equals "where I shop, and anytime I want." And while not every consumer would define value in this way, Woodforest clearly understands its target segments' loyalty drivers.

Of course, to build a powerful brand, it helps if the institution's employees understand the objectives. Toward that end, the top-ranking large (assets \$1B+) credit union brand, Mountain America Credit Union of Salt Lake City, Utah, actually trains its employees on the importance of brand. The credit union has identified five key characteristics of its brand value, and it trains employees specifically on each: attitude, character, consistency, image and performance.

Wells Fargo, Woodforest, and Mountain America each target different segments that define value differently. But by orienting their institutions around their target segments' key values, these institutions have built enduring customer relationships, and powerful brands.

Earnings consistency is also a hallmark of strong brands.

How to Survive the Slowdown

The second and third quarters of 2008 have proven to be especially challenging times for financial institutions. Slowdowns in the economy overall, and in the housing market in particular, have forced many consistently profitable institutions to face severe earnings declines or even losses.

Combined with nine bank failures so far this year (as of September 1), these trends have yielded a near daily run of negative press coverage of the industry. Well-publicized failures such as the closure of IndyMac Bank may have caused consumers to question the stability of their own institutions.

Against this troubling backdrop, there are several steps you can take to insure that your institution preserves its reputation and relationships in this most troubling environment:

Keep perspective: As bad as the news has been, from a historic perspective the industry remains quite healthy according to its primary regulator. In its June 30, 2008 historic trends report, the FDIC listed 117 problem institutions, or about 1.5% of all banks and thrifts. While this compares unfavorably to only 50 problem institutions in 2006, it remains exponentially below the levels experienced in previous crises. *In 1990, there were 1,500 problem institutions, representing 1 out of every 8 US banks and thrifts.* The number of problem institutions remained above 500 through 1993 and was above 100 as recently as 2003; so in context, the situation is not near as dire as it may appear in the media.

Communicate with your customers:

The best way to keep customers calm and confident is to keep customers informed. Be sure to reinforce your institution's strengths, but be open and honest in communications. If you do not already post quarterly reports on your web site, consider doing so, with some explanatory notes, even if your ownership structure does not mandate such disclosures. In short, act like a scrutinized publicly traded bank, even if yours is a small privately held institution. If contacted by the media about a specific problem (for example, the bank just foreclosed on a prominent new condominium project), explain not only the bank's role in the workout, but also take the opportunity to discuss the steps the bank has taken to improve its balance sheet and the overall safety and soundness of the institution. Consumers fear uncertainty, and an open and forthright discussion of issues will go a long way toward preserving customer confidence in the institution.

Communicate with your employees:

It is just as important to keep employees informed as it is customers. The last thing you want is for employees to learn of potential problems in the newspaper or from their neighbors. Every employee, front and back office, represents a point of contact for current and potential customers. Rumors of impending losses and layoffs, whether factual or not, can

quickly pervade an organization and poison the workplace environment.

Take time to invest in people and processes:

In some regions the economic slowdown will endure for at least the next year, and the reality is that new account activity will slow, despite the branch's best sales efforts. If you face this type of slower environment, turn it into an opportunity to improve people and processes. Take advantage of slower times to send employees to continuing education and professional development classes, to deliver training on new systems and to provide one-on-one coaching or role-play sessions between sales trainers and branch personnel. Often in busy times, personal development and training initiatives are sacrificed as employees believe they are too busy for such classes; the slowdown offers a great chance to catch-up on training. Similarly, slower demand allows line of business managers time to reexamine processes such as staffing allocation models, account opening procedures and product design.

Continue to invest in your communities:

Even if earnings declines force your institution to reduce its philanthropic donations, remember that volunteer hours are free. Counteract declines in contributions budgets with increases in loaned executives, volunteer assistants and other helping hands. Show your community that your bank, thrift or credit union remains committed to them even in the toughest times, and the community will reward you with their loyalty and business as the economy recovers.

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Statistically verifiable confirmation is needed after directional guidance is obtained from groups.

Bancography's approach is to involve management, clients, potential clients and associates during the qualitative exploration of the new names. Then we survey the community marketplace to quantifiably determine the winner(s).

During the focus groups and telephone calling, other information is collected for the

organization's benefit. Specific topics are finalized before implementation.

What's in a name? A favorite example is a story that first appeared in *The New York Times*. It was about an obscure fish from South America called the Patagonian Tooth Fish. It was delicious and plentiful, but the market for it was nil because nobody wanted to eat a Patagonian Tooth Fish, let alone see one . . .

until someone renamed it Chilean Sea Bass. The rest is food service history.

The right name is your most powerful single tool. If your company's name is doing a great job selling your organization, then a dozen Sowthistle Weeds goes out to you.

Talk to John Mathes, Bancography's director of brand strategy, about your company's name. Contact him at (770) 360-5710 or john@bancography.com.

NEWS

Bancography will exhibit at the *BAI Retail Delivery Conference & Expo*, November 18 - 20, in Orlando. Stop by and visit us at Booth 2056.

Bancography has released the latest update to its *Bancography Plan* market analysis and branch planning software tool. The new release contains updated 2008 demographics and several new features. Users can compare their branch performance to market potential; find overlaps in their own networks; and analyze prospective mergers by measuring overlaps with other banks' networks. The new release also includes bank level financial data to complement the branch level deposit statistics. To test drive the new release, visit www.bancography.com/bancography_plan.html or call (205) 252-6671.

Bancography recently published its *Onboarding White Paper*, which explores why consumers selected their primary financial institution, examines the account-opening process and analyzes the consequences of a poor onboarding process on loyalty and attrition. This white paper will reveal what pitfalls to avoid in order to mitigate run-off and ensure loyal and profitable clients. It also suggests ways institutions can better manage the onboarding process. Contact Bancography at (205) 251-6227 or research@bancography.com for more information.

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*Welcome to Bancology,
a Quarterly Journal from Bancography*