

The nature of the bank-customer relationship has permanently changed. In a new environment of increased regulation and government scrutiny, bankers' energies are pulled in many directions at once. This article demonstrates how to direct research activity to drive fast and reliable growth within tight resource constraints, with special advice for community banks.

Gone with the Wind

The forever-changed banking landscape and how to navigate it



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The residents of Tara, the fictional homestead in the romanticized Georgia of Margaret Mitchell's *Gone with the Wind* wake up to a whole new world in the Civil War's aftermath. Past customs are swept away, and they are forced to face an uncertain future. The old ways are...gone with the wind.

The 21st century banking and financial services industries are waking up to a similar reality. Trillions of dollars in lost savings, record-high home foreclosures, a massive loss of consumer and small business credit availability and an unprecedented number of bankruptcies have contributed to the deepest decline in economic performance and consumer confidence since the Great Depression. This has been exacerbated by press reports of outrageous executive bonus payouts and other perceived bank excesses.

The dim economic outlook, along with tightened industry regulation and a growing array of communication and delivery channels to market constitute the new normal -- leaving banks a jumbled mess from which to rebuild.

New tools and new market understanding are necessary for banks to go forward efficiently, certain that revenue and profit growth will follow.

Banks are tempted to utilize old methods to return to revenue and account growth, but they have lost the old underlying consumer trust given the role of banking in the economic collapse and perceived diminished customer service. Nontraditional competitors, now more numerous due to deregulation and loopholes in local laws, are similarly weakened but do provide consumers with more choices. Simultaneously, some of the old competitors have been largely swept aside. Adding to the mix is the steady growth of new media, which give consumers endless sources of information on banks, including the experiences of current and former customers.

The problem for banks and financial service providers is that few are equipped to succeed in this new marketplace now that dimensions have changed.

Market research, paradigms and rules-of-thumb from more than a year ago are marks on a roadmap to a marketplace destination that no longer exists. A new map is required to navigate new territory safely. However, bankers have a lot on their plates. Increased regulation will bring increased work just to maintain business as usual. There's no time to search randomly for answers.

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Leopoldo Toralballa writes of the permanently changed nature of the bank-customer relationship, and how targeted research can drive growth in the *Ohio Record*, the official magazine of the **Ohio Bankers League**.

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The first question for any bank must be what it wants to stand for in this new and changed world. This is called defining one's image, and large banks pay millions of dollars to do it. At first blush, it would seem that a community bank would lack the resources to play in this rarefied arena. We hold exactly the opposite. Here are two key reasons why.

1. Community banks, by their nature, have not been affected by the financial crisis to the same extent as the big banks.
2. Their images can be tracked and manipulated more easily - and inexpensively - than those of large banks. Local and direct tactics will work where big banks need network television.

Wise bank marketers will prepare now by carefully mapping the return to sustainable market growth. The first step will always be to determine where you are: what you stand for and mean to your customers and your community. Here again, the community bank has an advantage. Its customers and environment are concentrated, and access to them is easy and (relatively) inexpensive. A quick, but thorough and brutally honest, analysis of your current collateral and marketing materials plus some research with customers will yield answers which are quite revealing.

After that, determine what you stand for. This is something you can do with your team. Here are a few ways to do this.

An assessment of your targets or customers and the environments in

which they operate is needed. In other words, meet your customers in their own neighborhoods. Where are they now versus five years ago? What do they value? What do their attitudes and behaviors tell you about them?

Next step is to go back to your current message. How does what you're saying differ from what you want to be? Again, this is something you can initiate with your team although some simple market research can help fill in the blind spots we all have.

The last part is a bit more technical. You'll need to take a look at all the ways your message reaches people, your customers and others in the community. You'll ask questions like:

- How do people hear about you?
- What do they learn and when? From what sources?
- How do your neighbors become your customers?

This is called Channel Mapping and, despite the fancy title, it needn't be expensive.

These steps are the beginnings of a sound marketing plan. And though it may sound like a tool for big banks, it needn't be. On the contrary, market research can:

- Illuminate the new attitudinal environment within which you **MUST** operate;
- Reveal the most attractive and available target market segments;
- Build a dynamic picture of the new and old channels used by each segment and point out how to utilize

them without increased spending; and

- Apply behavioral understanding and channel-screening methods to efficiently capture the desired market segments by intersecting existing customer behavior.

Marketing budgets notwithstanding, community banks do have the tools at hand to identify targets and find the proper channels to reach them. This toolbox can be easily (and inexpensively) revealed by a short examination conducted with the aid of external marketing counsel.

Armed with a new road map, community and national banks today are indeed prepared to navigate a permanently changed marketplace. **I**

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