"We Want Customers to Love Banking Again"
by Charles Wendel

The title of this week's newsletter quotes one of the speakers at the recent Source Media Digital Banking conference. Love is not a word commonly associated with banking and for good reason. Banks should understand how customers view them today and aim elsewhere than "love", instead focusing on earning trust and respect.

An article in this week's *American Banker* states that the reputation scores for banks dropped for the second straight year. Only one industry (telecommunications) suffers from a worse reputation. The Reputation Institute grades banks on seven criteria: products and services, innovation, leadership, workplace, performance, citizenship, and governance. Twenty-eight of the 40 banks reviewed had lower customer scores in 2019 than in 2018; non customers ranked them even lower with 36 of 40 banks receiving lower scores on a year-over-year basis. The good news is that existing customers view 35 of the 40 banks as having strong or excellent reputations. This is a bit reminiscent of people condemning Congress while reelecting their own Congressperson time after time.

The article goes on to discuss ten banks that had significant positive moves in reputation ranking. Reviewing that list indicates some of the factors that improve or harm a bank's reputation with customers and noncustomers.

First, let's look at some negative factors:

Acquisitions. It is no surprise that the article states, "Scores tend to fall when [banks] are in the midst of buying another bank." Increasingly, customers are aware that bank M&A may harm their customer experience, particularly in the near term. Many customers are skeptical about the value of the "newco" bank to them; they ought to be. I have seen too many deals in which the customer takes second priority to internal politics as management plays the banking equivalent of *Survivor.* Acquisitions usually offer up a juicy opportunity for other banks to take share.

*Wage in*equality. Media accounts frequently mention the pay gaps between men and women. Citibank disclosed that women personnel receive 70% of a man's compensation. Apparently, they are trying to turn this negative into a positive by acknowledging and addressing this issue. More customers care about this type of statistic.

Rebranding. The article states, "A rebranding can potentially hurt a bank's reputation as the customers get used to a new name." This is a short-term problem versus the longer term issue of managing a smooth acquisition, one that does not alienate a large number of customers. However, with the recent SunTrust/BB&T deal customers and employees will experience both the impact of an acquisition and a name change. (In addition the name chosen, to use a highly technical consulting term, is silly.)

As for positive factors:

Innovation. The article highlights an 18 place jump for Union Bank and cites PurePoint, its deposit-focused initiative as a reason. The article also mentioned Union's hiring of a nonbanker as head of digital banking.

Culture and citizenship. Webster Bank's and FNB's rankings improved in part because they were named as a top place to work in their respective states of Connecticut and Pennsylvania. Webster also received an "outstanding" CRA rating.

Employee support. Fifth Third offers concierge services to employees who are new mothers as well as a financial planning service for newer employees. Citizens Financial engages employees in suggesting steps to improve the customer experience as well as helping out in the community. All part of creating an internal culture of respect and concern that carries over to customers.

Looking Green. Banks such as Citibank and Chase have taken stands against gun manufacturers and other controversial industries. They may be just scratching the surface of being socially active (some would say politically correct), but their PR machines are taking full advantage of their initial actions. Banks have a great opportunity to position themselves as "green". That goes beyond avoiding certain industries to include policies like curtailing overdraft and other onerous fees. This involves putting the bank's money where its PR mouth is. Few banks will be willing to do that; some startups, with no business to lose, are already focusing in this area.

Note that while innovation is mentioned above, rankings are not determined by any one area such as leadership in digital banking, state of the art products, AI, or data analytics, many of the topics that senior bankers focus on.

The last time I loved my bank was when I was a little boy and went with my mother to the local savings bank to make a deposit in my Christmas Club account. It was a LONG time ago, so I was cute, and everyone smiled at me and, I think someone gave me a lollipop. But that is not my expectation today.

I do not know the weighting used for the rankings, but many of the most successful banks we know put increased focus on their employees, both to retain the best ones and hire the people who can transition the bank to a digital world while meeting the needs of current customers. Excellent people and strong risk management build success. As a consultant, I have worked with bankers who respect their bosses and teams and others that are just phoning it in. For example, one banker commented on a person in another bank area saying: "We think he has a second job." Not good.

Banks are just not lovable, but they can be worthy of employee *and* customer respect, of trust, and even of loyalty. Inevitably, focusing on those areas will move banks up the reputation list.