

Welcome to IF Consulting's weekly e-mail newsletter

October 1, 2004

Our regular email tackles the topical issues that surround all marketing channels and their underlying strategies.

Banking on customers a clear winner

While brick-and-mortar branches have long been the public face of most banks, there has been considerable debate over the last decade as to the best way to use them. Claiming that they are expensive and ineffective, some banks have abandoned their branches altogether. But others, like the Bank of America, are committed to the branch networks with which they have had longstanding success.

Bank of America's consumer business is run by executives who call its bank branches "stores," refer to their banking clients as "customers," and measure branch performance the way retailers do, by comparing sales at stores open at least a year. Now heading the bank's consumer operations in the New York metropolitan area, former Barnes & Noble manager Jeff Barker says, 'You go in the store early, you get your selling floor ready and when the bell rings, it's showtime. It's a focused attention on every customer who walks into the store. For me, as a former retailer, it's a very refreshing approach.'

Bank of America promotes its branches as familiar havens for consumers seeking financial products and advice, in a similar fashion to the way national retailers, hotels and restaurant chains provide a common experience wherever people want to shop, sleep or eat. The bank's customer research shows that consumers favor branches that offer enhanced services and a wide choice of financial products. However, some analysts disagree and say that enthusiasm for branches was driven by consumer needs and will diminish as interest rates rise.

"Our theory is that customers were going back into branches because they wanted mortgages and home equity loans, not because better services and products are bringing them there," said Richard Bove, a banking analyst with Punk, Ziegel & Company, a New York research firm. "Once mortgage lending cools down, you may see banks saddled with expensive branches that are not profitable to maintain."

<http://www.nytimes.com/2004/09/24/business/24bank.html>(Free registration required)

IF Comment

One cliché is that a leopard can't change its spots. Another is that banks are staid organizations that are slow to change. Yet, over the last 10 years, banking in the Western World has moved from eliminating branches because branch structures were deemed to be an inefficient use of real estate and people, to making apologies and fighting with governments about closing branches, followed by the establishment of community banks and most latterly, to deciding that bank branches were retail outlets that should be staffed by retail oriented people.



Marketing Channel
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Maximizing shareholder value
through creating the best route
to market

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Because of its size, Bank of America gets significant publicity for being innovative, but a small Australian bank, BankWest, a subsidiary of Scottish giant HBOS, started hiring retailers years ago, with instant increases in sales and, more importantly, customer satisfaction.

In the old banking days, customers, or clients, as they were then known, doffed their hats to their bank managers who, in small communities were treated like deities. So what changed?

Marketing channels changed, first slowly with ATM's, then with online banking and, finally with bankers' absolute belief that personal service wasn't nearly as important as the savings earned from the electronic age. The reopening and repositioning of branches proves there are no absolutes in business.

We, the public, want to be noticed, appreciated and treated with respect – a message hard to display on line or via an ATM. We at IF totally disagree with Punk, Sigil & Company's theory that customers go to banks for mortgages and home equity loans. They go to branches for the experience.

Look for increasing innovation in banking - an industry that has been staid and boring.

Snippets

Despite its best efforts to reverse the stream of bad publicity, fast food giant McDonald's profits have plunged in Britain to the worst level since they launched 30 years ago. Facing a growing backlash against junk food, the burger chain's pre-tax profits tumbled by nearly three-quarters in the UK last year, falling to £23.6m from £83.8m.

<http://media.guardian.co.uk/site/story/0,14173,1314770,00.html>

Franchise-and-travel giant Cendant announced this week that it will buy online travel agent Orbitz in a deal estimated at \$1.25 billion. The deal will make Cendant, whose wide range of brands includes Avis Rent A Car, Days Inn and Century 21 Real Estate, the No. 2 online travel agency behind Expedia.

http://www.usatoday.com/money/biztravel/2004-09-28-cendant-orbitz_x.htm

Danish-based Cyros International, the world's largest sperm bank, sends its frozen goods to as many as 40 countries. Destinations include Spain, Paraguay, Kenya, Hong Kong and New York, where the company opened an office last year to meet the demands of descendants of people from the Nordic countries. The company is working on franchises in Africa and Asia, countries where prospective clients do not necessarily want blond, blue-eyed Scandinavians, so it is looking for ethnically diverse donors.

<http://www.nytimes.com/2004/09/30/international/europe/30sperm.html>

(Free registration required)

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<http://www.i-f.com>