

Banking New York



Can't Buy Trust

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Banks Must Counter Bad Publicity with
Good Customer Relations.
Who's Doing Well, and Who's Not?

Usually, it isn't news when a bank puts its ad account up for review. Banks, like all businesses, change messages on a fairly regular basis. But when Bank of America announced that its account was up for review, that was news. In fact, anything BoA and the other "too big to fail banks" do is news.

But is a new ad campaign enough to regain trust?

"Reputation is based on trust, respect, fairness and integrity. Consumers have lost faith in the banking industry," said Shannon Wilkinson, founder of Reputation Communications. "In the last decade, the feeling is that banks have focused on how to make the most profits and have contributed to the economic issues that the country and world both face. On the micro-level, many feel they don't matter to the banks. You regain your reputation by changing your behavior. Some of the major banks are becoming involved with their communities and large scale philanthropy. Consumers realize that businesses make mistakes and are willing to give most a second chance. If you look at the websites, BoA and JPMorgan Chase seem to want to serve their customers beyond just making a profit. People don't know where to focus their anger and fears. So the financial institutions became the target. And Occupy Wall Street represents a fundamental mood change in America; as major as the sentiment and demonstrations in the 1960s. Some of the ads by banks seem to respond to that sentiment by reaching out to the communities they serve."

Michael Germanovsky, editor-in-chief of Credit-Land.com, said that out of the more than 1.2 million complaint inquiries against banks, mortgage lenders and credit card companies submitted to the Better Business Bureau in 2011, the three issues that arise most often are billing, interest rates and fraud.

"That means that many consumers are still having a hard time understanding terms of their contractual agreements and the type of protection coverage they receive from the banks," he said. "Although the CARD Act established some guidelines for clearer terms and conditions, there is still lack of clarity that confuses consumers. Cautious about big banks looking to make up lost profits from Durbin Amendment that capped interchange fees, customers tend to look towards those financial institutions that are more transparent, more lenient, and consumer friendly. With all the bad publicity banks got in 2011, it will take something beyond generous rewards programs to win back consumer's trust."

"Small businesses are looking for personal service from banks and financial institutions," said Chicago-based attorney Charles Krugel. "Small business owners are aware that bankers pay lip-service to them as being job creators. But most bankers don't seem to really care about helping small businesses with either financing options or reducing bureaucracy as an obstacle to obtaining financing. Additionally, most banks seem to take a 'one size fits all' way of providing loans and credit. This doesn't work for small businesses. Most small businesses are run in an entrepreneurial and more creative way than larger businesses. In order to establish credibility with small businesses, banks don't necessarily have to reflect that creativity and entrepreneurialism, but they do

need to prove that they understand and support that in small businesses. One way of doing this is to provide flexible financing options.”

Banking consultant Dean Crutchfield was somewhat harsh in his opinion. “I think we need to see people falling on their swords. What we believe they did to us was total outrage and we need to see what they’re really doing to change. I believe that is difficult with just a campaign message. How are they taking that message into their business operations. OWS made it clear that people are not happy. How do bankers say they really care when it was clear they didn’t?”

For Edward Boches, chief innovation officer at advertising firm Mullen, getting in touch is key. “It’s possible we’ll see something new but banks usually tout community involvement and low-income loans and the like,” he said. “In the case of BoA, they do a pretty good job of offering free admission to museums in the communities they serve and other initiatives. But in my opinion, their management people are four to five steps removed from actual customers. Despite all of the technology, they seem to make things harder for customers than easier.”

Boches cites a bank in Boston called Perk Street, which is online only. “Many people I know in their 20s bank with them. One reason is the CEO is talking about the responsibilities of a financial institution to its customers. Instead of doing ‘penalize banking’ with their customers, they reward them for using the bank and its services. We all remember when we had great customer service, perhaps with Zappos, LL Bean or American Express. If you have a credit card problem with American Express versus Citi, it’s like night and day.”

While some commercial banks turn to educating communities through programs like Minority/Women Business Enterprise Development by Capital One or Banking for Women-Owned Businesses by Sovereign Bank, these education programs may not compensate for lost faith in big banks. Many consumers are turning to credit unions, community development banks, and loan funds to get financing. Without improving lending opportunities for average consumers, big banks will continue to lose customers to smaller banks and credit unions and even WalMart.

“We need banks,” said Crutchfield. “They are a part of everyday life. Community banks and credit unions are immersed in their communities. As for the major banks, Wells Fargo has always had a large retail presence and they’re an excellent example of how a brand communicates. Flimsy advertising with throwaway phrases isn’t going to work. BoA had a great idea with ‘Bank of Opportunity’ because it was America and the flag. It was a campaign-led initiative but didn’t go far enough into the organization to create that mindset. I would tell the banks to employ shuttle diplomacy; as opposed to campaign advertising. That is what countries use to appease people.” ■