

Financial Frenzy

Banks are dropping like flies — or mating like bunnies.

By Jessica Tsai – December 2008

When Washington Mutual and Wachovia — two of the largest retail banks — were snapped up by former competitors JPMorgan Chase and Wells Fargo, respectively, the deals were just part of the country's — and the world's — financial crisis. As exceptional as the game of musical chairs has become, some customers seemed to have no trouble finding their seats.

Given the volatile stock market, people just want a safe place to put their money. "One thing that drives consumers in banking is this notion that they're protected," says Kyle LaMalfa, manager of the best-practice consulting team at Allegiance, a provider of enterprise feedback management solutions. But with institutions as large as Wachovia and WaMu getting gobbled, he says, "that statistic is going to go down the tank."

Acquirers seem intent on forestalling that. Chase, JPMorgan's retail banking unit, launched its "Welcome WaMu Customers" Web page the Friday after the announcement, followed by on and offline campaigns that attempted to allay concerns. Over the next few weeks, says Nancy Norris, a JPMorgan Chase spokesperson, WaMu actually saw a surge in deposits, particularly in areas where Chase had no branches, such as California, Washington, and Florida. Chase and WaMu ATMs were interoperable within two weeks, but it will be another two years before WaMu accounts actually become Chase accounts, Norris says, citing challenges with "converting the computer system."

Chase may have dodged a bullet, but observers are skeptical. Banks have historically struggled to make emotional connections with their customers, says Nate Fisher, a principal at consultancy Customer Value Partners. In a 2007 customer advocacy report by Forrester Research, the largest retail banks — Bank of America, Citigroup, JPMorgan Chase, and Wells Fargo, all survivors of the recent tumult — were among the bottom 25 percent of 53 leading U.S. banks, brokerages, insurers, and credit-card issuers.

"There's no checklist of emotional attributes that enhance customer experience," Fisher says, "but...trust, caring, respect, and dignity need to be consistently communicated during customer interactions." Banks are clearly handicapped, he says, by siloed operations; uncoordinated channels (branch, online, mobile); product-based targeting; and cost-cutting, sales-driven environments.

Ironically, this could be when banks turn things around. "You have so many companies out there where their motto is 'acquire, acquire, acquire'...but right now you have such a dramatic shift to the other side, which is 'protect, protect, protect,'" says Chris Cottle, vice president of corporate marketing at Allegiance. Consequently, the traditional selling points — price, quality, service — are inadequate. Now, it's all about engagement.

"Four years ago, [people] were lining up in front of their banks because they were getting their dream home for less than they expected," Cottle says. "Now, they're lining up...and they're angry because they can't afford their mortgages. It's important that an organization understands what the drivers of engagement are — in good or bad times."

While it's too late for true proactivity, banks need to reach out to their customers, beginning with transparent communication. (See this month's cover story for more on transparency.) "The worst thing for consumers is hearing nothing," Fisher says. Yet you'd be hard-pressed to find a customer of an acquired bank who received even an email notification about the deal. Company Web sites mask any sign of trouble, stashing news in press releases below the scroll line. Fisher recommends a stronger push not only toward individuals, but toward communities as well, via ads on TV or participation in forums.

But banks tend to be very traditional and conservative when interacting with customers, and have rarely engaged in social media. Amid this crisis, however, came a very different acquisition: Bankaholic, a blog started in 2006 by a 20-year-old, sold for \$15 million to Bankrate, a network of financial Web sites. Cottle says this acquisition suggests a major shift.

Financial services firms have typically been early adopters of CRM, revealing who bought what, when, and where, but they don't know why people buy and haven't had real-time response. "The speed of business today has to be fast and it needs a social component," Cottle says. "That's where the world is moving."

And Cottle says firms often insulate employees from reality — a bad habit. "We won't know until [a] deal closes," says Barry Yip, an integrated-database strategy consultant at Wells Fargo. "[We know] what we read in the news."