USBanker
Beyond Business as Usual

Loosening the Purse Strings

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By Matthew Monks

Wall Street may or may not be helping Main Street but it is funneling money to another iconic address: Madison Avenue.

Some of the country's largest banks are ramping up spending on marketing after sharply scaling back advertising and other promotional expenses in the past year. According to Federal Deposit Insurance Corp. call report data, 29 of the 70 U.S. commercial banks with assets of at least $10 billion increased marketing buys in the third quarter. Those 70 spent $2.12 billion, up 10 percent from the prior quarter, though down nearly 16 percent from a year earlier, according to SNL Financial LC.

The rebound shows how some lenders are shifting attention from stanching losses to boosting earnings as the recession eases. Meanwhile some lenders are spending more online, while others are shying away from mass marketing in favor of campaigns aimed at more tightly defined groups - such as broke college students or first-time homebuyers.

"We saw companies cutting back big time, given the financial crisis of a year ago," said Rich Weissman, the president and chief executive of DMA, a financial services marketing consultant in Portland, Ore. "When you're out of the survival mode, and you're now back into thinking about long-term sustainability, you come back to the marketing table and ask yourself: What kind of things should we now be doing?"

The bank units of Wells Fargo & Co. and U.S. Bancorp reported some of the sharpest increases in quarter-to-quarter marketing expenses this fall. Wells went from $71 million to $121 million (70.4 percent), while U.S. Bank spent $105 million, up 64 percent from the prior quarter and more than double from a year earlier. Bank of America, which had the sector's largest third-quarter marketing budget at $282.1 million, was up 9.5 percent from the $257.6 million spent in the second quarter.

Wells and U.S. Bank, along with J.P. Morgan Chase & Co. (which increased spending 10.5 percent to $168 million), are among the healthier banks wanting to steal business from struggling rivals by peddling products like rewards-based credit cards and business-friendly checking accounts. They are also spending more to rebrand branches and run ads in new markets following some high-profile acquisitions.

Jenny Powell, director of corporate marketing for the $266 billion-asset U.S. Bancorp, says the Minneapolis company has viewed the financial meltdown as an opportunity to raise its profile outside of its 24-state retail footprint. In 2009 it ran its first national television ads and placed more spots in mainstream publications, targeting business execs. "It was important to us that businesses looking to borrow money [know] that we're very much open for business," she says.

Some other firms in the $10 billion-plus tier that are on less-sound financial footing, such as Huntington Bancshares Inc. in Columbus, Ohio, are spending more, too. Huntington increased spending from $7.5 million to $8.3 million, seeing a chance to draw attention while rivals pull back on advertising.

With marketing budgets still tight, online or niche campaigns are more popular because they are easier to track than mass-market campaigns. Steve Treppo, a principal at consulting firm Booz & Co. says his clients want more for their marketing buck. As a result, billboards and high-profile stadium-naming rights deals are out. Blogs and viral videos are in.

Weissman says measuring impact was not a big a concern during the boom times. Now, though, banks "are beginning to ask the question: 'Does this add to my bottom line?'" he says. Bankers are saying, "Let's be smarter - let's sell to particular segments that are going to generate the kind of profits we need."

Wells Fargo has a blog called the "Student Loan Down" for college borrowers. Huntington unveiled a new feature on its Web site in November that helps cash-strapped consumers manage holiday spending.

Fifth Third has also had Web-specific campaigns this year aimed at homebuyers and college students. Larry Magnesen, Fifth Third's chief marketing officer, said online ads are preferable because they let the bank track how many people saw its search-engine-related ads, followed links and eventually opened an account. About 8 to 10 percent of Fifth Third's marketing budget was allocated to online expenses in 2009 and is to grow to 15 percent next 2010, Magnesen says.

Fedelina Madrid, vice president of marketing at Berkshire Hills Bancorp in Pittsfield, Mass., says the $2.7 billion-asset company has been doing more online marketing targeting women and young people. Marketing online "costs us less money," she says. "It reaches people on a level that is more personal, and it allows them to tell us what they want and what's important to them."

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