

Scaling Back? Not on the Ad Budgets

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By [Kevin Dobbs](#)

Industrywide caution about expense levels has intensified by an order of magnitude this year, and few areas have been spared the knife.

But for some bankers who see an opportunity to gain market share, spending on marketing is not just being maintained - it's getting buttressed.

PNC Financial Services Group Inc. ramped up promotions in the third quarter; its marketing budget grew 5.5% from a year earlier, to \$38 million. Average deposits rose 1% from the second quarter and 8% from a year earlier, to \$85 billion. The Pittsburgh company said it added 36,000 accounts in the third quarter.

James Rohr, its chairman and chief executive, credited much of the gain to promotional activity.

"We like to think that the flight to quality has been positive for us," Mr. Rohr told analysts on an October call. In addition, "we like to think that our marketing has been particularly good."

U.S. Bancorp, which is in the middle of a national ad campaign launched in August, said its third-quarter marketing and advertising budget increased 5.6% from a year earlier, to \$75 million, despite concerns about a contracting economy and a desire to control expenses.

The company's third-quarter deposits rose 3% from the second quarter, to nearly \$140 billion.

Richard Hartnack, its vice chairman of consumer banking, said in an interview last week that the deposit growth is accelerating, in part because of a commitment to advertising.

U.S. Bancorp's deposits grew every business day last month, he said, and on several days it gathered more than \$100 million. "We've had some of the best deposit growth days we've seen" in three decades.

The ads, which emphasize the Minneapolis company's stability, include lines such as "145 years without missing a dividend" and "the future looks brighter with U.S. Bank." Mr. Hartnack said the campaign will continue this quarter as part of an effort to attract new customers.

"We've seen a correlation between advertising in markets where there are institutions getting negative headlines and where we did well," he said, though he did not name specific markets. "It's working now, so we wouldn't want to stop it."

Given that ad spending overall is down, observers said a commitment to advertising sends a strong message.

"Many banks are repositioning their ads around safety and soundness, and those that are profitable and with strong capital positions are advertising noticeably more than others," said Les Dinkin, a managing director in the New York consulting firm Novantas LLC. "The strong banks clearly have a very unique opportunity right now to gain share."

Mark Hendrix, executive vice president and director of corporate marketing at PNC, said marketing the company's name to new customers remains critical as competitors falter further.

"We have increased our advertising at the height of a recession to opportunistically attract prospects," Mr. Hendrix said. "We emphasize that we're playing from strength."

Among regional banking companies, KeyCorp has been especially aggressive of late. The Cleveland company increased its third-quarter marketing spending 29% from a year earlier, to \$27 million, to tout an ongoing modernization of two-thirds of its nearly 1,000 branches and to lure customers from troubled competitors such as National City Corp., which is selling itself to PNC.

One of the primary messages in KeyCorp's ads: "In turbulent times, turn to those you trust."

Despite lofty mortgage losses, third-quarter deposits in its community banking division grew 1% from the previous quarter and 7.8% from a year earlier, to \$50 billion.

"We felt very strongly that we needed to create a message of calm," Beth Mooney, KeyCorp's vice chairman and head of community banking, said in an interview Friday. "It is intended to make us the beneficiary of the turmoil. And I think we saw the results of that. As others struggled with deposits, we actually grew."

Bank of America Corp. boosted its third-quarter ad and marketing budget 9.6% from a year earlier, to \$605 million. Some of that was invested in ads to welcome new customers after the acquisitions of Countrywide Financial Corp. and Merrill Lynch & Co. Inc. Last month the Charlotte company launched an updated campaign, billing itself as a safe place to ride out the financial crisis.

As a result, "more prospects are coming in and asking for advice and solutions to navigate through these challenging times," said Joseph Goode, a B of A spokesman. Its third-quarter deposits rose 8% from the previous quarter, to \$874 billion.

Not all major companies are boosting their ad budgets. As part of a broad effort to control costs, Citigroup Inc.'s third-quarter marketing and advertising budget fell 33% from a year earlier, to \$515 million. The company scaled back credit card advertising in particular. A spokesman would not discuss the matter, but Citi has said it is still spending heavily on advertising to would-be customers.

Observers expect other large-cap companies that have closed major acquisitions or will do so soon to bolster marketing budgets this quarter or early next year to promote themselves to newly acquired customers. That list would include Wells Fargo & Co., which plans to close its deal for Wachovia Corp. this year; PNC, which plans to close the Nat City deal next month; and JPMorgan Chase & Co., which bought Washington Mutual Inc.'s banking operation in September.

"They need to keep those customers. You'll see community banks and smaller regional banks trying to sneak in and take some of those Wamu or National City or Wachovia customers away from the bigger players," Charles Wendel, the founder and president of Financial Institutions Consulting Inc. in New York, said.

A spokeswoman for Wells, whose third-quarter ad budget fell 11% from a year earlier, to \$96 million, would not discuss specifics, but she said the San Francisco company would "consider" new advertising to "welcome new customers as we proceed with the Wells Fargo and Wachovia merger."

Thomas Kelly, a retail banking spokesman for JPMorgan Chase, said that even though its third-quarter advertising budget was flat overall from a year earlier, the company did spend money in the first few weeks after the Wamu purchase to simply "tell Wamu customers that your deposits are safe, keep them here."

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