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ANNUAL SURVEY OF BANK REPUTATIONS

REPUTATION RESET

UNION BANK SPENT TWO YEARS ENSURING IT COULD TALK CREDIBLY WITH CUSTOMERS ABOUT DOING RIGHT. NOW, THE MESSAGE IS RESONATING.

Union Bank CEO
Masashi Oka

Getty Images

They Love You Not . . . .
They Love You

Corbis

It's been five years since the financial crisis began, and banking still has a weaker reputation than the airline industry, big pharma and the energy sector. At least there's someone out there who more likely than not has a decent impression of you: **your customer**.

By Heather Landy

It's probably not much of a consolation to bankers to know that the financial services industry, which has a poorer reputation than any other major sector of the U.S. economy, still seems to be held in higher esteem than Congress.

But the reprobates on Capitol Hill at least provide an instructive example of how, at the individual level, it is possible to rise above the very negative perceptions people may have about the institution to which you belong.

You know that old saying about how Americans hate Congress but love their congressman? There is a similar dynamic at work in the U.S. banking system. Five years after the financial crisis began, the industry remains deeply unpopular. The foreclosure debacle involving the largest mortgage servicers, the London Whale incident at JPMorgan Chase, the money-laundering probe into HSBC—all of this has only accentuated the public's mistrust of the banking sector. But ask consumers what they make of their own banks, and the results may pleasantly surprise you.

Nearly half of the 30 major brands studied in this year's American Banker/Reputation Institute Survey of Bank Reputations enjoy a strong reputation with customers. Led by San Francisco-based Union Bank, these institutions scored above 70 on our 100-point scale. (According to Reputation Institute, a reputation management consultancy, a score of 70 or better indicates reputational strength.) Another large slice of the banks in the survey performed moderately well with customers, leaving only three brands (HSBC, Wells Fargo and Bank of America) with scores below 60, which indicate a weak or vulnerable position.

Scores from noncustomers paint a far more unsettling picture, however.

Here, not one bank managed a score above 70. Only five mustered moderate scores, Charles Schwab and Huntington Bank among them, while 22 of the 30 were in the weak-to-vulnerable category. One bank, BofA, did even worse than that. Its score of 35.1 put it in the "poor" category, the lowest tier on Reputation Institute's reputational hierarchy.

Reputation scores on our 100-point scale

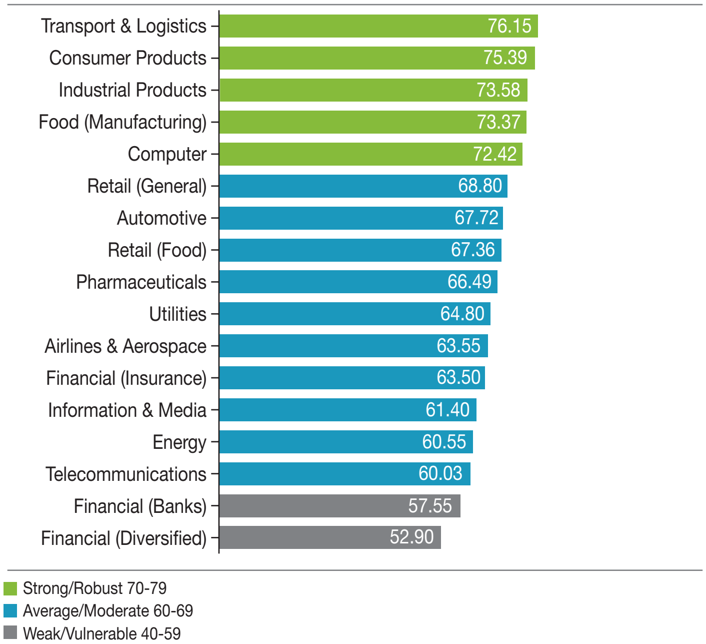
Company Name	Customer	Non-Customer	Gap
Union Bank	78.15	57.09	21.06
Ally Bank	77.10	58.00	19.10
Charles Schwab	76.62	63.31	13.30
SunTrust Banks	76.20	57.01	19.19
BMO Harris Bank	74.77	58.00	16.77
E*Trade	74.59	60.72	13.87
Bank of the West	74.40	57.97	16.44
TD Bank	74.16	59.17	14.99
BB&T	72.57	56.97	15.60
US Bank	72.14	50.70	21.44
BNY Mellon	71.81	57.87	13.94
Zions Bank	71.01	60.51	10.51
Huntington Bank	70.71	61.10	9.61
KeyBank	70.48	55.61	14.87
Fifth Third Bank	69.92	57.04	12.89
PNC	69.75	55.58	14.17
Associated Bank	69.63	57.49	12.14
Citizens Bank	69.61	58.29	11.32
Regions	69.24	60.54	8.70
Comerica	69.16	58.83	10.33
M&T Bank	67.67	56.05	11.62
Chase	67.53	48.08	19.45
BBVA Compass	66.63	59.50	7.13
First Niagara	66.58	58.49	8.09
Sovereign Bank (Santander)	66.22	56.48	9.74
Capital One Financial	64.44	48.86	15.58
Citibank	63.25	42.38	20.87
HSBC	56.76	47.25	9.51
Wells Fargo	55.75	50.54	5.21
Bank of America	52.55	35.09	17.45
Average	**69.3**	**55.5**	**13.8**

◢ Excellent/Top Tier Above 80
◢ Strong/Robust 70-79
◢ Average/Moderate 60-69
◢ Weak/Vulnerable 40-59
◢ Poor/Bottom Tier Below 40

Source: Reputation Institute

Note: Scores are based on answers to survey questions measuring trust, admiration and respect, good feeling and overall esteem for specific brands. For more information on the survey methodology, see p. 19.

The banking industry remains deeply unpopular compared with other sectors



Source: Reputation Institute

Overall, brands in the survey averaged a score of 69.3 among customers and 55.5 among noncustomers. This nearly 14-point gap is far more significant than is typical of other industries—and wider than the gap of 7.3 points in last year's survey—and indicates that banks will be in reputation rebuilding mode for quite a while longer, according to Anthony Johndrow, a managing partner at Reputation Institute.

"These scores with noncustomers don't present much opportunity in the near term," Johndrow says.

Even among their own clients, banks "have a long way to go to shore up customer relationships before they can expect any favors from them." Those favors would include things like recommending a specific bank to friends and family members (or, these days, to anyone following them on social media), purchasing additional products and services that expand the customer relationship or simply giving a brand the benefit of the doubt in times of trouble.

The difference in scores from customers and noncustomers—separated for the first time since the inception of our survey—tells an interesting story about the state of individual bank reputations.

Citibank, for example, still tends to get lumped together with BofA when consumers think about the poster children for the crisis bailouts and the ongoing too-big-to-fail debate. Citi had a reputation score of 42.4 from noncustomers, barely putting it over the edge that separates weak or vulnerable brands from the brands with the poorest public images. But among customers, Citi had a score of 63.3, which is in the moderate category. The wide gap may indicate that direct interactions with the bank—which has been ramping up investments recently in its long-neglected U.S. branch operations—have neutralized some of the bad publicity Citi got in 2008 and 2009.

Meanwhile, Huntington Bank, which had one of the smallest gaps between scores from customers and noncustomers, appears to have made an impression on the public at large. The bank's highly publicized 24-hour grace period on overdrafts and its renewed commitment to free checking, announced just when rivals had started pulling back on such accounts, perhaps helped here.

As in past years, institutions with a heavy online component—from a direct bank like Ally Bank to more investment-oriented brands such as Charles Schwab and E*Trade—performed well among consumers.

These nontraditional banks averaged higher scores among customers and noncustomers versus the biggest banks and the regional players. And Schwab swept virtually every key category that figures into the overall impression that consumers form about the banks with which they do business, outscoring the 29 other banks on products, performance, innovation, citizenship and leadership. On two other key components of bank reputation, perceptions

What matters most when forming perceptions about a brand?

	For customers	For noncustomers
1	Products/Services	Governance
2	Governance	Products/Services
3	Performance	Workplace
4	Leadership	Innovation
5	Workplace	Citizenship
6	Citizenship	Leadership
7	Innovation	Performance

Source: Reputation Institute

Survey Methodology

COMPANY SELECTION:

• Companies were drawn from the Federal Reserve's list of large commercial banks as of Dec. 31, with final selections determined by American Banker based on the size of each firm's assets and deposits. Only companies with significant retail businesses and/or significant retail brands were considered

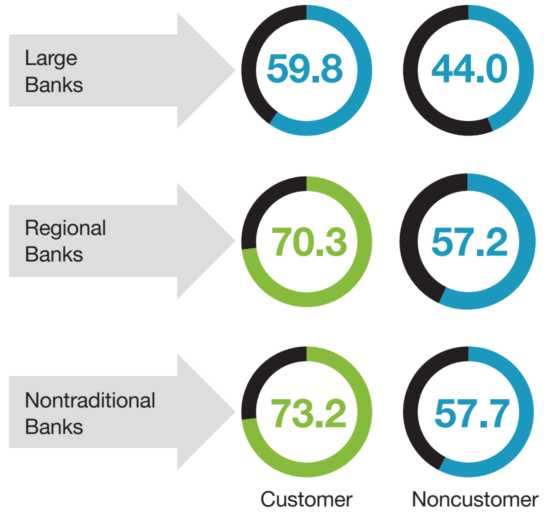
RATINGS:

• Ratings were collected via online questionnaire in February and March 2013

• Each respondent was familiar or somewhat familiar with the company they rated

• All companies were rated by at least 100 customers and 200 non-customers

Regional and nontraditional banks do well with customers, while large banks struggle with customers and noncustomers alike



Strong/Robust 70-79
Average/Moderate 60-69
Weak/Vulnerable 40-59
Source: Reputation Institute

about governance and the workplace environment for employees, Schwab ranked second, trailing only Union Bank in these categories. Schwab was nearly as dominant in the rankings based on the survey responses of noncustomers, garnering the highest or second-highest score in each category except workplace and citizenship, where it failed to place in the top five.

Among the big reputation drivers, products and services together make up the largest factor in the development of brand perceptions by a bank's customers, according to Reputation Institute's analysis. (For noncustomers, governance is most important, followed closely by products and services.)

Miles Everson, head of the financial services advisory practice at PwC, says banks have made recent progress on both of these fronts. "Their attention to reputation is as high as I've ever seen it," Everson says. "And they're going beyond just the message on reputation; they're looking at whether they're substantively doing things" that will repair public trust.

In some cases, it is regulation that is driving the improvements, such as the "single point of contact" that servicers were forced to create for troubled homeowners, under the mortgage settlement reached in 2012 with the Justice Department and 49 state attorneys general. But in other cases, Everson says, banks are making smart, voluntary decisions that can help improve perceptions, be it the offering of convenient new services such as remote-deposit capture or a whole shift in mindset as to how to treat customers.

Says Everson, "That's actually the salient question: Are you treating people fairly, first, so you can drive reputation?"

As the public continues to sort out the collateral damage from the most recent financial crisis, it's tough to envision banks approaching the reputational solidness of brands such as Amazon.com, Kraft Foods, UPS and Johnson & Johnson, all perennially strong performers in Reputation Institute's omnibus survey of 150 corporate brands across sectors. (Those companies all had 2013 scores between 79 and 80 in that survey, which covers 150 of the largest U.S. brands. The top two brands, Walt Disney and Intel, crossed the

How the rankings break down: the Top 5 scorers for each of the major components of reputation

CUSTOMER		NONCUSTOMER
1. Charles Schwab 2. Ally Bank 3. BB&T 4. Bank of the West 5. BMO Harris	Products	1. Charles Schwab 2. E*Trade 3. Huntington 4. Zions Bank 5. Regions
1. Union Bank 2. Charles Schwab 3. BMO Harris 4. Ally Bank 5. BB&T	Governance	1. Charles Schwab 2. E*Trade 3. Huntington 4. BBVA Compass 5. Zions Bank
1. Charles Schwab 2. Union Bank 3. Ally Bank 4. BB&T 5. BMO Harris	Performance	1. Charles Schwab 2. BBVA Compass 3. E*Trade 4. BNY Mellon 5. Huntington
1. Charles Schwab 2. Ally Bank 3. Union Bank 4. BMO Harris 5. E*Trade	Innovation	1. E*Trade 2. Charles Schwab 3. TD Bank 4. Ally Bank 5. BBVA Compass
1. Union Bank 2. Charles Schwab 3. TD Bank 4. BB&T 5. Zions Bank	Workplace	1. BBVA Compass 2. Zions Bank 3. Bank of the West 4. Ally Bank 5. TD Bank
1. Charles Schwab 2. Union Bank 3. Zions Bank 4. BB&T 5. BMO Harris	Citizenship	1. Huntington 2. Regions 3. First Niagara 4. Comerica Bank 5. Union Bank
1. Charles Schwab 2. Union Bank 3. BMO Harris 4. E*Trade 5. Fifth Third Bank	Leadership	1. Charles Schwab 2. Zions Bank 3. E*Trade 4. BBVA Compass 5. Huntington

Source: Reputation Institute

80-point threshold, putting them in the highest tier on Reputation Institute's 100-point scale.)

But Johndrow says that as recently as 2008, banks had cracked the top 30 in the omnibus study, where the results are based on a mix of scores from customers and noncustomers.

"There is no inherent reason why a bank couldn't top the [broader] list" eventually, Johndrow says. But "being a bank is an automatic penalty now."

So the trick, he says, "would be to either reposition yourself as something other than a bank–credit unions and local banks are already reaping the benefits of not being seen as big banks–or dig down deep and give the public a specific, believable reason to believe that your bank is structured to do the right thing for your customers and society."

The latter was the path that Union Bank chose this year when it began its "Doing Right" campaign, with advertisements featuring the actor and activist (and longtime Union Bank customer) Edward James Olmos and the author Maya Angelou, separately reflecting on concepts such as honesty and fairness, trust and integrity. "What we want to do is do right. But you have to say it, you have to show it, and not stop," Angelou says in one of the minimalist-style spots. The campaign, by the advertising agency Eleven, launched in January and ran on the West Coast during high-profile television programs including the Super Bowl, the Grammy Awards and the NCAA Final Four.

"Early research indicates significant gains in awareness of Union Bank," says Pierre Habis, senior executive vice president for retail banking at Union Bank. (See sidebar on page 16.)

"We have received numerous emails and letters from current customers that appreciate our advertising what we stand for and believe in as a financial institution," Habis says. "We also have received very strong feedback about this message from community groups, business leaders, regulators and local politicians."

Union Bank perhaps has the credibility to market itself with a slogan about doing right–it stayed out of subprime lending, for instance. But Johndrow says most large banks don't have permission yet from the public to talk about themselves in this way.

This doesn't mean banks need only play defense on matters of reputation management, but they might want to consider alternative forms of offense that will prevent them from offending the sensibilities of both customers and noncustomers.

For this, Johndrow says he recommends "activities that engage influencers and communities in a way that adds value and demonstrates the value banks can bring to communities." Banks that can accomplish this, he says, will "build up the ability and permission over time" to tell their story more broadly. ☐

UNION BANK: NO. 1 WITH CUSTOMERS

The bank in our survey with the best reputation among its own customers is Union Bank, the main operating subsidiary of the $97 billion-asset UnionBanCal in San Francisco.

The West Coast regional has paid special attention to reputation management since 2011, when it conducted its own benchmark study of perceptions held by five key stakeholder groups. (A sixth group, government officials, was added to the bank's 2013 study, which will be conducted this summer and will show executives where they have made progress and where they need more focus.)

When we looked at how the banks in our own survey performed in seven key components to reputation (see chart on p. 21), Union Bank failed to achieve a top-five finish in only one area: perceptions about products and services. That's perhaps unsurprising, given that the product selection at Union Bank is narrower relative to other institutions in the study. In every other key area, such as governance, performance and leadership, the company garnered high marks from customers. CEO Masashi Oka explains the approach that produced these results.

Q: Who "owns" reputation management at Union Bank, and how do you harmonize the feedback you get from top executives in risk, marketing, business line roles and other areas with a stake in this issue?

We're a very collaborative organization. I consider that a strength that improves how we make our decisions—and our decision outcomes. That applies to reputation; it's everyone's business at Union Bank. Every employee is a reputation ambassador, and this mindset permeates every level of our organization. We all understand that banking is about trust. We all know that building and upholding a reputation is at the heart of our responsibilities. We take it seriously, professionally and personally. And that's really the essence of how we build and protect our reputation.

If you're asking how we approach reputation systemically, well, we sort of do it the same way. Every business unit, every customer-facing area, every key support group gets involved. This includes compliance, risk, corporate social responsibility, communications, marketing, legal and other disciplines. Earning and protecting our reputation is built into our business–our plans, our behavior, our metrics. We monitor and synthesize perceptions and facts. We assess our reputation from all sorts of perspectives. And we take initiatives to build and protect what I consider our greatest asset–customers' opinion of us.

Q: Is reputation viewed differently in the United States than in other markets where your Japanese parent company operates?

Our parent, Mitsubishi UFJ Financial Group, has very publicly and clearly stated its goal to be "the world's most-trusted financial group." And in Japan, customers traditionally have been far and away a bank's most valued constituency. Obviously, we have a fundamental shareholder responsibility as well, but the high priority that our reputation with customers occupies in our corporate culture is something everyone viscerally knows.

I guess it's not surprising that certain tenets of doing banking right span history, geography and cultures. Trust and reputation are the building blocks. They're bound together and they begin with customers. Plus, they're culturally agnostic. I'm not being naïve when I say that—sure, different cultural nuances exist, but nevertheless we're all aligned, across all borders, on the fundamental importance of a good reputation. It matters to customers, communities, employees, business partners, regulators and other stakeholders no matter where on the globe you live and work.

Q: Do you worry that anger toward banking hurts public opinion of Union Bank, or do you see it as an opportunity to stand out from the pack?

I'm always telling our colleagues that we should be proud to be bankers–that it's a noble profession and we deserve to hold our heads high. Society couldn't function without responsible banking. It's true that reputational issues and negative public perceptions affect all of us in banking, including those of us who haven't done a thing to deserve it. You just have to control what you can and not worry about what you can't; just keep doing the right thing and know that thoughtful people will figure out the facts.

There's a good reason Union Bank hasn't been a target of public criticism–we don't deserve to be. [We've] managed to avoid a lot of the issues that damaged public trust in other banks. For instance, we didn't get involved in subprime mortgages. The recent backlash against our industry–in large part because of those mortgages–led us to articulate our approach to responsible banking in what we call our "Five Tenets of Responsible Banking." It was a valuable exercise. It's a manifesto stating our belief in responsible lending, financial management, community support, employment, and products and practices. We know these things matter to our customers. They matter to us, too. And this self-examination contributed to our new brand campaign, "Doing Right," a pledge to forthrightness and clarity about how we operate as a bank and behave as bankers.

Of course we can always improve, but this commitment to doing right has guided us for nearly 150 years, and we anticipate it will keep us on course. —*H.L.*

MR. OKA TALKS WITH A CUSTOMER AT UNION BANK'S FLAGSHIP BRANCH IN SAN FRANCISCO