AMERICAN BANKER
On Focus and In Depth

Bank Reputation Rankings Flash Red

Better grades hinge on ethical conduct, not just products

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By Heather Landy

The results of an exclusive survey measuring the reputations of 30 large U.S. banks are in, and if the rankings aren't surprising, the underlying findings might be.

One of the smallest banks in the survey, New York Community Bank, tops the list of the most reputable banks (see related story). Meanwhile big companies such as Bank of America, Goldman Sachs and Citibank populate the bottom. Ally Bank earned strong marks for innovation, giving the fledgling online retail bank subsidiary of the former GMAC LLC the No. 3 spot, just under SunTrust Banks.

It is hard not to be drawn into the horse-race aspect of these kinds of surveys, but beneath the rankings — compiled for *American Banker* by the Reputation Institute, which conducted an online poll of nearly 7,800 consumers in January and February — bankers can find data that is more valuable than the bragging rights of high scorers, more jarring than the alarms that might be going off for low scorers and more instructive than anything individual consumers might be able to verbalize about what matters to them.

A regression analysis by the Reputation Institute shows that governance, or how a company behaves with respect to ethics and transparency in its business dealings, is the most influential factor in a bank's reputation, accounting for 15.9% of the overall score, edging out products and services, at 15.7%. In broader corporate America, a company's products and services are the biggest driver of reputation, accounting for more than 18% of the score, which explains why Johnson & Johnson, Kraft Foods and Kellogg's dominate the Reputation Institute's annual survey of 150 large companies across a variety of industries.

Banks are different, and not just because the financial crisis has raised specific concerns about their governance.

While people are plenty emotional about money, their heartstrings generally are not tugged by checking and savings products the way they are by the memory of a bottle of baby shampoo on the edge of a bathtub, or by the simple act of purchasing the same brand of macaroni and cheese they enjoyed as kids and making it for their own children. The implication here is that banks connect differently with customers, and based on the survey results — top-ranked New York Community received a score of 69.08, compared with 85.82 for Johnson & Johnson, the top scorer in the Reputation Institute's broader survey of 150 large companies across a variety of industries — most banks are still struggling to make the connection at all.

Before the advent of deposit insurance, banks often appealed to customers by erecting grand buildings that telegraphed the idea that they were safe repositories for people's money. More recently banks have been trying to win the hearts and minds of customers by advertising their online statements and other evidence of environmental friendliness.

Anthony Johndrow, a managing director in the Reputation Institute's New York office, said banks need to search harder for a theme that not only resonates with the public interest but elevates the sense of esteem, trust and admiration they engender.

"It's not 'green,' and it's not Gothic columns and bank vaults," Johndrow said. "No one broke 70 here" in the scoring for banks, "which means no one has figured it out yet."

The 60.9 average score in our survey was weak — not Freddie Mac-AIG-Halliburton weak (none of those companies scored above 35 in the Reputation Institute's broader survey of 150 large companies), but weak enough to leave the banking industry just two points away from the Reputation Institute's cutoff line for scores implying vulnerability.

In an ironic twist given the industry's recent history, financial results was the area where banks scored highest on average, with survey respondents generally agreeing that the banks are high-performance companies. But there are several other important factors that consumers weigh when assigning reputations to companies. They also consider corporate citizenship, perceived workplace environment, leadership within the company and in the community and level of innovation.

"Consumers are making decisions and judgments about you based on all of these factors," Johndrow said. "They might not have the right information, but that's because you haven't given it to them. [Banks] should be telling people their story."

That's what Citizens Financial Group Inc. is trying to do with the advertising campaign it kicked off last week. In different television spots, Citizens, the Providence, R.I., holding company for Citizens Bank and Charter One, touts its role as an engine for local commerce, its electronic banking services, its employees' community volunteer work and its roots in an historically important industry.

"A brand is always a little bit aspirational," conceded Ellen Alemany, Citizens' chairman and chief executive. But connecting with customers on a personal, emotional level is key. "If you're a middle-market company and you're only dealing with one or two banks, and this is your lifeblood, you want to have a relationship where you know the senior people and you share values," she said.

Citizens, a subsidiary of Royal Bank of Scotland PLC, ranked 13th on the survey, sandwiched between Zions Bank of Salt Lake City and Union Bank of San Francisco. Alemany said she wasn't surprised to see regional banks do relatively well.

"I worked for years at money centers who try to pretend to be local and community, and they really aren't. And we do it," said Alemany, who started her career at JPMorgan Chase & Co. predecessor Chase Manhattan Bank and then spent 20 years at Citi.

Chase ranked 20th in the survey, between M&T Bank and Comerica. Citi came in last, 3 points behind Goldman Sachs.

There is a precedent for turnarounds by reputationally challenged companies. Remember all the talk about greedy oil companies? ExxonMobil, Chevron and Sunoco boosted their scores more than 5 points apiece (on a 100-point scale) this year in the Reputation Institute's broad survey of 150 large companies. Drugmakers also have recovered nicely from damaging developments of several years back, including liability lawsuits over the painkiller Vioxx.

Compared with oil or drug companies, banks have more points of direct customer contact, creating extra chances to sway opinion. But if the front lines of a bank aren't up to snuff, the opportunity can quickly turn into a risk.

"The employees of a bank have the most significant role to play in the loyalty that a customer has to that bank," said Shep Hyken, the author of "The Cult of the Customer" and a frequent speaker on customer service topics.

Of course, it is easy for banks to pay lip service to reputation. But more banks actually seem to be thinking about reputational risk now, in addition to the credit and market risks they typically focus on, said Eleanor Bloxham, CEO of Value Alliance Co., which advises boards on governance issues. The problem is that most banks have been woefully slow to address the public's concerns by issuing mea culpas or even just promising to rethink their business practices. But there still may be time to make amends.

"I don't think it's too late," Bloxham said. "I actually think that people are really quite open and willing to change their perspective if it's warranted. The fact that it's dismal now should not be a deterrent."

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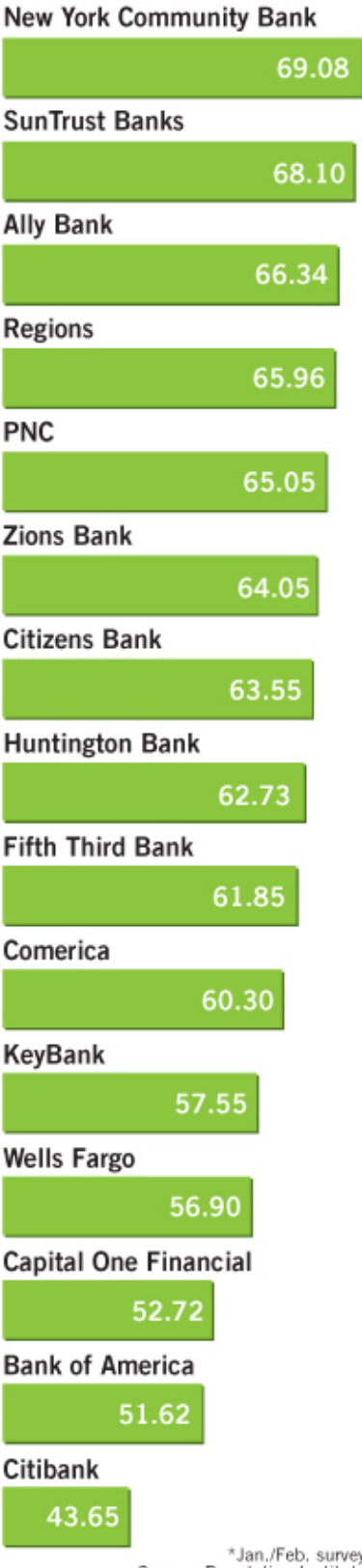
Public Estimation

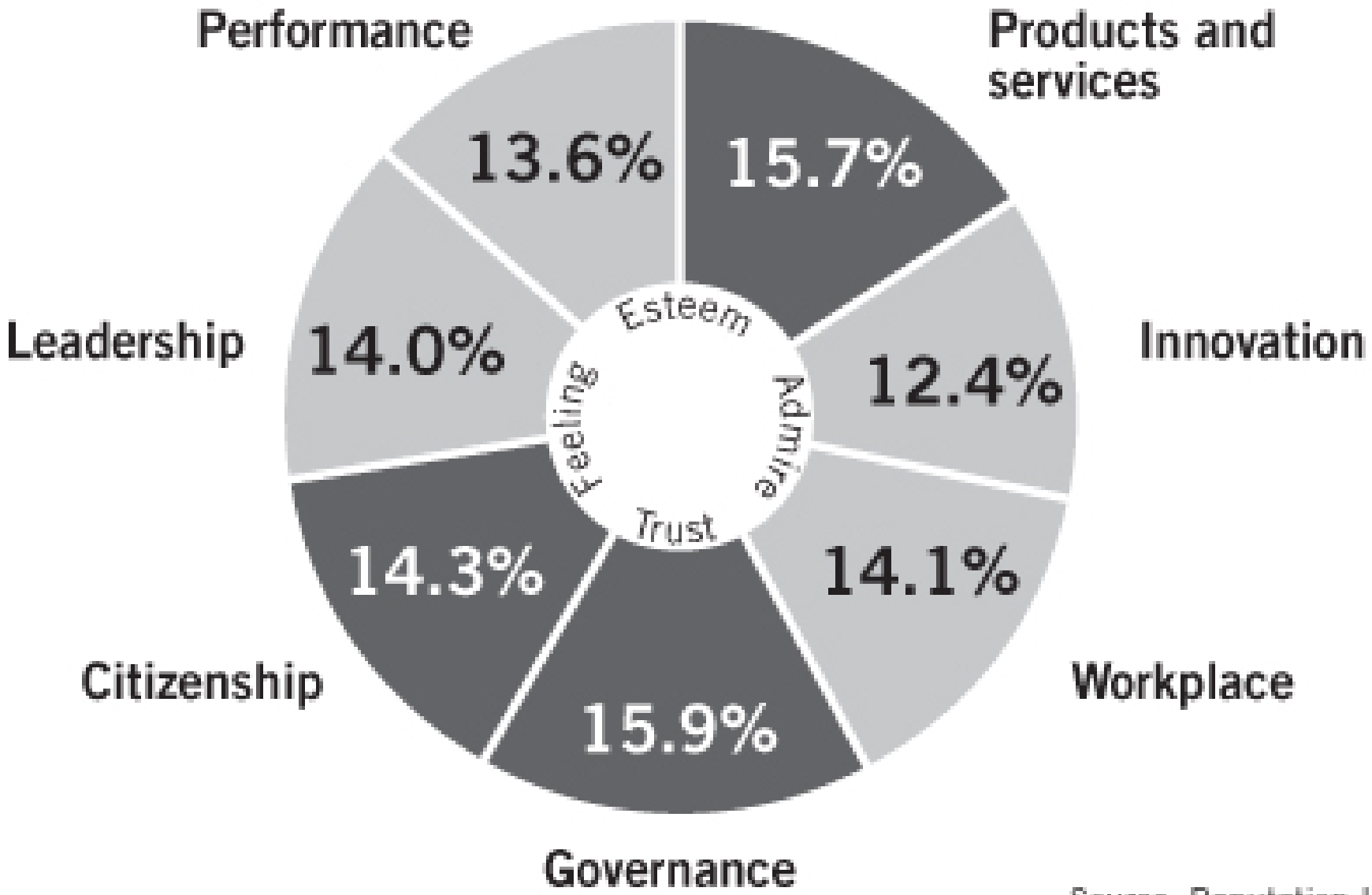
Regional banks had a higher standing in consumers' minds than the largest ones. Selected banks ranked by survey score*



*Jan./Feb. survey
Source: Reputation Institute

What Drives Reputation

Of the seven components of banks' reputation scores, corporate governance — or perceptions about a company's ethics and transparency in business dealings — is the most influential one



Source: Reputation Institute

Rank	Company	Global Pulse Score
1	New York Community Bank	69.08
2	SunTrust Banks	68.10
3	Ally Bank	66.34
4	BB&T	66.29
5	Regions	65.96
6	Bank of the West	65.73
7	MetLife	65.15
8	M&I Bank - Marshall & Ilsley Corporation	65.14
9	PNC	65.05
10	Harris Bank	64.85
11	TD Bank	64.72
12	Zions Bank	64.05
13	Citizens Bank	63.55
14	Union Bank	63.33
15	RBC Bank	63.15
16	BBVA	62.90
17	Huntington Bank	62.73
18	Fifth Third Bank	61.85
19	M&T Bank	61.77
20	Chase	61.76
21	Comerica	60.30
22	US Bank	58.31
23	KeyBank	57.55
24	Wells Fargo	56.90
25	HSBC	56.61
26	Capital One Financial	52.72
27	Morgan Stanley	52.48
28	Bank of America	51.62
29	Goldman Sachs	46.75
30	Citibank	43.65