

AMERICAN BANKER

On Focus and In Depth

Calibrating PR with Failures as a Backdrop

American Banker | Wednesday, August 6, 2008

By Bonnie McGeer

Concerned that media coverage of IndyMac Bank's failure last month would panic consumers, Tri Counties Bank in Chico, Calif., called local television stations and offered to explain how deposit insurance works.

"They filmed on location in front of our branches," said Richard Smith, the president and chief executive officer of Tri Counties and its parent, TriCo Bancshares Inc.

Since then, the \$2 billion-asset Tri Counties has enjoyed an "obvious" surge in deposits, and Mr. Smith credits the publicity.

Other companies nationwide are also strategizing to counteract consumers' fear of more bank failures. They are taking out newspaper advertisements, writing editorials, speaking to local clubs, and launching media relations campaigns of their own, all in an effort to reassure customers.

NorCal Community Bancorp in Alameda, Calif., has called top depositors and taken out quarter-page ads in two local newspapers to say that its Bank of Alameda is "safe and sound."

The newspaper ad is also posted prominently on its Web site, and copies are being handed out to customers in its five branches.

"Every day there are concerns about the safety of banks coming from radio or television," said Stephen G. Andrews, the president and CEO of the \$282 million-asset NorCal. "It's been sensationalized to a degree, so we decided to attack that head on."

Several bankers said that after IndyMac failed July 11, incessant news coverage asking "Is your bank next?" fanned uncertainty.

A national morning news program broadcast a list of 10 troubled banks, and among the names appearing on the screen was First Priority Bank in Bradenton, Fla. That set off alarms at a Pennsylvania bank with the same name.

To quell a potential panic, the unit of First Priority Financial Corp. gave employees a script for discussing deposit insurance with customers. It also put up a notice on its Web site saying it is well capitalized and unaffiliated with the Florida bank.

"It turned out we didn't get that many phone calls," said Lawrence E. Donato, the chief operating officer at the \$195 million-asset Malvern, Pa., bank.



Richard P. Smith
President and CEO, Tri Counties Bank

As it also turned out, the Florida bank's days were numbered. On Friday, the \$259 million-asset bank became the eighth to fail this year, and the fourth in three weeks.

Officials of national and state trade groups said that, with the coverage of failures intensifying, now is no time to be camera shy.

Thad Woodard, the president and CEO of the North Carolina Bankers Association, called a press conference shortly after the IndyMac failure to talk up the strength of banks in his state. He stood under a 150-year-old oak tree that he meant to be symbolic, as a parking lot full of television trucks broadcast his message.

"I can tell you we were all over every station in the state," Mr. Woodard said.

Requests for television interviews have continued to come in since then, he said.

NorCal's Mr. Andrews said Bank of Alameda decided to run its ads after tellers said customers were asking about deposit insurance.

"We didn't see a runoff of money, but we did see heightened concern. I think to ignore that is a mistake," he said. "We realized we should get out ahead of the curve."

The bank used information from the Independent Community Bankers of America to coach its staff on what to tell customers, Mr. Andrews said.

Bankers also can get ads, editorials, and talking points from the American Bankers Association.

The ABA had 6,391 downloads of its material in July, after making it available to all banks, not just members, said John Hall, a spokesman.

Besides having its officials appear on national newscasts, the ABA is launching a radio tour to Spanish-language stations this week to tell people about deposit insurance. Mr. Hall said recent research indicated that awareness of how the insurance works was low among Hispanics.

The \$32 billion-asset IndyMac was the largest bank to fail in at least 15 years. The FDIC continues to operate the thrift while trying to find buyers for its assets.

Though IndyMac has branches only in California, the images of long lines of angry depositors made news nationwide and spooked consumers elsewhere.

Raymond G. Hallock, the president and CEO at Columbia Bank in Fair Lawn, N.J., said he has fielded inquiries from several concerned customers.

So when the business editor at an area newspaper contacted him a few weeks ago to ask whether he would submit an opinion piece about how banks in his state are doing, he rushed to get one done on a tight deadline.

"I had to turn this around in 24 hours," he said. "I have someone who writes press releases for me, and I thought, 'I could assign it to them.' But this felt like something I had to do myself. So I sat here at 6 o'clock in the morning, and I wrote it."

Mr. Hallock said customers — and other bankers — had a positive reaction. He got phone calls from several bank presidents and a board chairman thanking him.

The \$4.3 billion-asset Columbia also made glossy copies to hand out in its 43 branches.

Though a few nervous customers have withdrawn money, Columbia has experienced a "slight increase" in deposits overall, Mr. Hallock said.

"We lost less money than we had coming in from other banks people were concerned about, mostly from out of state," he said.

Several bankers said it is not just bank failures that are making depositors nervous. Stories about large banks reporting poor earnings and getting large cash infusions have also prompted customers to move their money from those institutions.

Tri Counties' Mr. Smith said that many new deposits there are from customers of brokerage firms and large banks that have made headlines because of their earnings trouble.

"In the last couple of years, deposit growth has been difficult because of fierce competition," he said. "What's changed, particularly with IndyMac, is that customers are now putting their money into a bank first for safety, second for rate. So we are seeing deposits come from other institutions back into our bank because we are perceived as safe."

Of course, small banks are reporting weak earnings as well, and many are trying to limit the damage by announcing in press releases that, despite losses, they remain well capitalized.

Communicating with employees is also important, said Rick Willetts, the chairman and CEO of the \$973 million-asset Cooperative Bankshares Inc. in Wilmington, N.C.

Before releasing its earnings July 24, the company had a conference call with its staff to discuss the \$350,000 quarterly loss.

"We knew earnings were down, so we wanted to prepare them for that because you don't know what the headline is going to read," he said. "We've just tried to stay on top of that."