

# Why big banks are losing longtime customers to community banks

## Article

**The trend:** As big banks deploy aggressive growth strategies, **customers are seeking the personalized service they feel smaller local banks have to offer**, per the Wall Street Journal.

- Deposits and loans at community banks and credit unions with assets less than \$10 billion are growing at a rate that's outpacing some of their larger counterparts.

**How we got here:** Consolidation in the banking industry is putting more physical and interpersonal distance between large FIs and their customers.

- For example, the Wall Street Journal described a dissatisfied customer who switched from a bank she loyally used for 40 years after **PNC** acquired it. Her reasons included her local [branch closure](#) and a desire for hometown-style customer service.
- A municipal customer also described ending her relationship with **US Bank** after it took six months to resolve a major deposit error. She was also happy with the higher interest rate at her new local bank.

**What this movement means for the industry:** Small local FIs have a competitive edge in offering a personal touch and personalized products with consumers and small businesses. And this shows in their marketing.

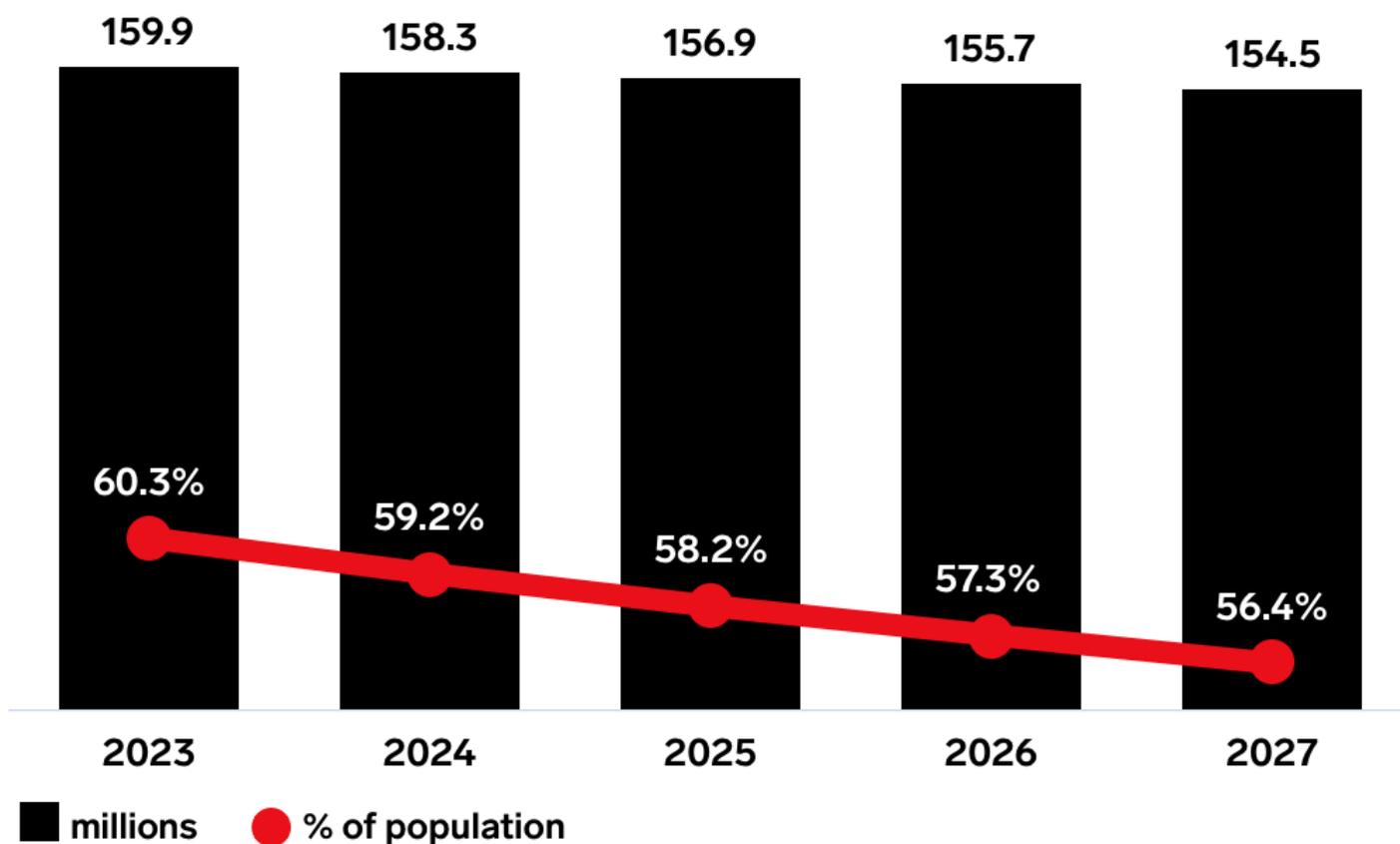
- For example, **Municipal Credit Union** shared a personal story on its social media pages highlighting how its uniform loan solved a major pain point for a correctional officer customer.
- The Financial Brand also reported on why personalized marketing strategies at **Chicago Patrolmen's Federal Credit Union** resonate with customers. Besides sharing stories of how customers benefit from personalized products, the credit union also names and brands products according to its law enforcement theme.

**Key takeaways:** Customer retention requires a delicate balance of many factors [including digitization, customer service, security, rates, and product offerings](#). However, focusing too much bandwidth on just a few of these factors can leave FIs dropping the ball on personalization.

- Until big banks learn to dive deeply into local cultures surrounding each branch or look into specialized relationships, local banks will continue to have an advantage in attracting customers who crave a personal touch.
- FIs of any size that have the bandwidth to personalize products and services at the local level should highlight this in their marketing strategies.
- FIs should also amend their processes to quickly resolve complaints like those we've cited—if customers feel neglected or entangled in bureaucracy, they could leave and pass along negative word of mouth or bad press.

# In Branch Banking Users and Penetration

US, 2023-2027



Note: bank account holders ages 18+ who visit a bank, credit union or a brokerage branch and see a representative in-person at least once per year; excludes ATM visits

Source: Insider Intelligence | eMarketer, April 2023