Trust in Banks

by John Wood and Paul Berg
Through advanced social and economic analysis, Gallup helps organizations, cities, and countries solve the world’s foremost problems. For more information, please visit socialandeconomicanalysis.gallup.com or contact Sarah Van Allen at 202.715.3152 or sarah_van_allen@gallup.com.
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Gallup analysis of trust in institutions reveals a crisis in the U.S. banking industry. In October 2010, Americans’ trust in banks fell to an all-time low of 18%\(^1\) — lower than its level at the height of the global financial collapse. Gallup analysts find this to be a continuation of a free-fall that began in 2006.

Confidence in Banks, 1979-2010  Gallup Trend

Please tell me how much confidence you, yourself, have in banks — a great deal, quite a lot, some, or very little?

There appears to be no safe side of the political aisle for banks. The Dodd-Frank Wall Street Reform and Consumer Protection Act received strong support from Republicans, Democrats, and independents across America. Compared with previous major legislation passed by the 111\(^{th}\) Congress, it was the only action that the majority of the public supported. Americans also favored it more than the stimulus package, bailouts, and healthcare reform.

Support for Major Legislative Achievements of the 111\(^{th}\) Congress

Now, thinking back on some of the major pieces of legislation Congress has passed in the last two years, would you say you approve or disapprove of ______?

<table>
<thead>
<tr>
<th>Policy</th>
<th>Approve</th>
<th>Disapprove</th>
<th>No opinion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increased government regulation of banks and major financial institutions</td>
<td>61%</td>
<td>37%</td>
<td>3%</td>
</tr>
<tr>
<td>The economic stimulus package</td>
<td>43%</td>
<td>52%</td>
<td>5%</td>
</tr>
<tr>
<td>Government aid to U.S. automakers that were in danger of going bankrupt</td>
<td>43%</td>
<td>56%</td>
<td>2%</td>
</tr>
<tr>
<td>The healthcare overhaul</td>
<td>39%</td>
<td>56%</td>
<td>5%</td>
</tr>
<tr>
<td>Government aid to banks and major financial institutions that were in danger of failing</td>
<td>37%</td>
<td>61%</td>
<td>2%</td>
</tr>
</tbody>
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\(^1\)The 18% confidence measure was part of a special daily poll Gallup conducted for this project; other confidence readings are from annual Gallup trends.
Small businesses have lost confidence in banks as well. Gallup Economics finds that fewer than one in three small-business owners trust banks. This lack of trust is not only a primary contributor to the overall crisis, but is also likely hindering nationwide economic and job growth.

Confidence Breeds Loyalty

When Gallup analyzes customers’ confidence in their primary bank, any response less than a great deal indicates a barrier is present. Achieving a 50% “great deal of confidence” level is a good result. As the accompanying chart shows, large as well as regional banks are below the mark. Furthermore, efforts to build confidence with small-business customers are failing. The data also show a strong link between loyalty and the percentage of customers expressing a great deal of confidence.

Gallup finds that the majority of customers are not committed to their primary bank. Approximately three in five consumers, and four in five small-business customers, are at risk of defection. The lack of trust small businesses have in banks contributes to the current low levels of optimism among small-business owners, which affect bank revenue and, ultimately, GDP growth.

Ineffective Response

Gallup has discussed this topic with many bank leaders and has found that rebuilding trust is a top priority for many executives. However, to date, bank leadership’s response has been ineffective in changing public opinion. Public confidence continues to decline, despite national and regional advertising campaigns, lobbying efforts, community activities, and many other initiatives. Prolonged public distrust has made banking an easy target in Washington, opening the door to further government regulation and vilification of bankers.

There also is little margin for error. A misstep by any notable bank will create sudden and significant repercussions for the entire industry. Recently, the issue of “robo-signers” ignited a firestorm among the public and the government. Within days, Republican and Democratic attorneys general from all 50 states opened investigations into the matter, with nearly

Gallup Economics, October 2010; businesses with up to $100 million in annual revenue

Results include businesses with up to $100 million in annual revenue, but results are similar for those with annual revenues of $1 million.

Confidence and Loyalty numbers are based on special Gallup Daily polling results.

Vulnerability to switching is based on Loyalty scores.
half threatening to halt foreclosures from all banks. In Gallup’s opinion, if trust in banking is not significantly improved, banks will predictably lose their ability to operate independently.

**Trust Is Everything**

Although both are critical, there is far more to be gained in improving trust than in lawyering-up to fight rules. While pending federal regulations are a significant and legitimate concern, they are primarily a symptom of a root cause: Americans do not trust banks or bankers, causing lawmakers and regulators to side with the will of the people.

Trust is more about what a bank *is*, rather than what it *offers*. When analyzing the reasons customers switched primary banks, Gallup analysts found significant differences between those with low trust (i.e., those who were not emotionally connected) and those who were emotionally connected to the institution. Low-trust customers switched because of better fees, prices, and products from other banks. Emotionally connected customers switched because the soul of the bank changed — it was acquired, it took TARP funds, its policies were unfair or inconsistent, or they received poor service from the bank.

**Start From the Inside**

The effort to rebuild trust begins with bank management. The conversation then flows through employees, customers, the public, lawmakers, and regulators. Every interaction matters. If managers and employees do not trust their own bank, other stakeholders never will. Rebuilding trust starts inside the bank. Gallup recommends rebuilding employees’ trust in banks as the No. 1 priority.

- Involve managers and employees in a process of reviewing, recasting, and restating the mission and purpose of your organization
- Start with the top 100 managers and cascade the new mission down to the front lines
- Align managers on your brand promise and points of difference
- Create metrics to map trust and alignment throughout constituencies

**Focus on Small Business**

The relationship between business and banking has never been so fragile — nearly 80% of all small-business customers are vulnerable to switching. This is arguably the best time banks have ever had to expand their small-business portfolios.

Americans trust small business more than almost any other institution — second only to the military. Collectively, as the nation’s largest employer, small business fuels job creation and economic growth, far more than big business does. This is why Gallup recommends aligning your bank’s entire strategy to helping small businesses win.

By stimulating small-business growth and, subsequently, job creation, banks create unlimited positive stories for virtually all stakeholders and the whole world.

*Gallup Economics, November 2010.*
Defining Moment

More than ever, bank leaders have the opportunity to influence their future and the world economy. There is little room for error, and there is no political safe haven. Banks’ independence and financial futures depend on increasing trust.

The two most effective levers leaders can pull are increasing employees’ trust and helping small businesses win. This is a vision employees, customers, the public, lawmakers, and regulators will get behind. It is good for business. It is good for the country. It is good for the world.