

# [Wamu case study essay](https://assignbuster.com/wamu-case-study-essay/)

How do this company’s choices impact the industry at large? The industry typically did not hold thrift banks in a high regard. The big banks such as Bank of America and Citigroup usually set the standard and led the charge for the industry. Washington Mutual’s strategy to exponentially grow and target an underserved segment of the market challenged the industry’s perspective of the thrift bank. In addition, the industry has taken notice that WaMU has been successful at targeting and serving the under-banked market segment. 3. What is this company’s strategy in terms of cost, differentiation, and growth?

Washington Mutual’s strategy was to grow and transform the company from a West Coast power into a national network with branches in all of the major metropolitan areas. It outsourced the insurance and mutual funds business to keep overhead low. In addition, he acquired banks to fuel the rapid growth. Killinger and his team picked cost appropriate acquisition targets that would make them the market leader and targeted urban areas with high customer dissatisfaction rates. This growth was supported by offering free checking and free ATM offers.

They used technology to automate the mortgage underwriting process and quickly integrated newly acquired technology into the larger organization. For example, they knew they could attract homebuyers by offering faster closing times. This was a differentiator from the other peer banks. WaMu focused on creating a robust retail store type experience within their branches. It recognized it was a brick and mortar bank first. By attracting the working class, people of color, and immigrant communities’ customers to the branches it could capitalize on the fastest growing demographic groups.

It planned to increase the number of customer households by 12% which was significantly higher than the overall population’s 1% growth. Killinger listed the advice of business leaders that could help him connect and focus on customers. 4. How successful is this strategy? How is the company performing? This strategy was extremely successful and resonated well with their target market. Washington Mutual received a good amount of cash from its stock and deposit accounts. This cash was used to continue to acquire additional banks. In 2002, WaMu made $19 billion in revenue and earned $3. 8 billion in profit.

It was the sixth largest bank overall and the largest thrift bank. Shares of WaMu rose 6% in the same year and doubled since the March 2000 market peak. 5. What key internal factors and resources support this strategy? Washington Mutual employee’s had a high morale which contributed to the cultism feel of the brand. They referred to themselves as “ WaMulians” which connected them to the organization. The radical branch floor plan, the WaMu store which offered dolls for kids and personal finance books for adults, and approachable bank tellers was inviting and very attractive to customers.

WaMu held outdoor barbeques and offered giveaways in new markets which enticed new customers and created a new value added experience. Killinger regarded himself as the chief brand ambassador and energized his staff during meetings. This set the tone for spirited organization. 6. What advice would you give the board of directors? Since WaMu’s net interest income made up about 60% of its total income, it should pay more attention to how susceptible the company is to interest rate changes. I would tell the board to review historical, banking trends to predict future trends that would directly impact the company’s bottom line.

In addition, the company needs to be prepared to address any internal cultural shifts due to the rapid growth. Typically it is difficult for organizations to maintain their identify after periods of rapid growth. Washington Mutual needs to pay more attention to what the market thinks of the organization as evidenced in the low stock price. Particularly, why the stock price has not kept up with its earnings growth. The answer to that question may assist WaMu in building a sustainable strategy after it has fully executed its growth strategy.