# Bank of america’s management case study

Business

Bank of America’s management made the choice to take on a new beast, the customer. Bank of America has decided to charge a monthly fee for the privilege of shopping with their debit cards on either debit or credit during the check out process. At this time, there have been no plans to alter the ATM fees for customer needing to get cash out. Throughout this study, I have five main points to exam. These are: What caused Bank of America to invoke the fee? What was the cost of customer dissatisfaction? Where there any positive effects on either the business or mineral public?

How are customers fighting back? What solutions could have saved nana of America the headaches? I will take a look at each side of the puzzle including the consumer, the government, and the business to truly understand the background of the fee and how each group has effected the other.

The government has decided to work on behalf of the people and instill a new bill, known as the Durbin Amendment. Named after its creator, Senator Dick Durbin (D) of Illinois, the amendment was imposed to stop banks from collecting excessive fees from merchants at checkout.

It has been recorded that the total revenue from fees in 2009 Nas $19 billion. (Richardson, 2011) Senator Durbin has been quotes as saying, ” after [ears of raking in excess profits off an unfair and anti-competitive interchange system, Bank of America is trying to pad their profits by sticking it to its customers. ” (Richardson, 2011) On one hand, yes Bank of America has been receiving excessive revenue from fees, but isn’t that the point.

Bank of America is a business lust like any other, and if people are willing to pay the fees that they are instilling, hen they have the right to the profits that they are making.

If a third party, in this case the government steps in to stop this gain of revenue from the small business owners, then of course Bank of America is going to have to find another way to make up for its loses. I realize that Senator Durbin was trying to create a more economically stable solution for the people, but in reality he backed a huge corporation into the corner and they struck back. An executive for Bank of America Nas quoted saying, " Because of all the new regulations, we lost lots of revenues and Hess fees only partially make them up. " (Peterson, 2011) What was the effect of the Durbin Amendment?

Prior to the amendment, the banking system was able to Charge up to 44 cents to merchants for the right to use cards in their stores. With the Durbin Amendment, the total allowance is only a maximum of 24 cents per transaction.

Looking at this lose, from Bank of America's perspective, they may see a loss of revenue, is a lost of technology, which is a loss of security, which is a loss of money, which leads to lower servicing of the customer, etc. Of course, loss of avenue can become quite the bunny trail to go down. Bank of America, in their view is trying to help the customer.

They understand the repercussion of these loses and how negative the effects can be on clients. The bank should have known that the customer is not going to view the fee in such a manner.

The customer is being told by the government that Bank of America is greedy and that the fees are bad for the economy. From the outside looking in, maybe it does appear this way, but from an operational perspective, people need to get paid, technology updated etc. This is I do agree wit n the tees on customers. Bank to America, as well as any bank, is providing a service.

I believe that Bank of America could have fought back against the government, by being very open about the opportunities that will be lost because of the lack of revenue.

I would imagine that customers would understand if Bank of America explained the fees as an advantageous advancement for the customer, then they would have been able to avoid such a negative pushball. Even President Obama has chastised the fees, claiming, “ you can stop it because if you say to the ankhs, you don’t have some inherent right you to, you know, get a certain amount of profit if your customers are being mistreated.

That you have to treat them fairly and transparently. ” (Savories, 2011) The government’s viewpoint is that banks have other methods to make up for the profit loss. They should do it by good old-fashioned Investing, not by taking advantage of customers. The banking system lashed out against the president.

Studies have been conducted by banking systems on whether customers are willing to pay fees to use debit cards. Citibank specifically supplied customers with surveys which customers clearly stated that they would not be willing to pay for debit card usage. Bookmark, 2011) Citreous, because of the surveys refused to introduce fees, stating that they are a huge inconvenience to customers. This marketed well with customers of bank of America who decided to leave instead of continue to pay $5 fees per month. The outcome of the government regulation had exactly the effect that government wanted.

It made banks more competitive, but Bank of America took the aggressive route buy implementing the debit usage fees. On the flip side, although Citibank and other banking groups are refusing to apply the debit fees, they have been consistently raising the cost of checking accounts.