

# Wells fargo analysis

Business



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Conclusion 1. The marketing mix A. Product / Service Wells Fargo is an American bank that provides financial services to its customers throughout North America and Internationally.

Our marketing mix starts with the description of the service mix of the firm Wells Fargo. This company gathers different ranges of services offered to the market place to meet the customers' needs and expectations. Wells Fargo counts nine different kinds of bank services to compete in the financial industry. Ranges of services: Banking (Debit, credit card, Checking and saving account) \* Brokerage (Facilitate the buying and selling of financial securities) \* Insurance \* Wealth management \* Retirement services \* Investments \* Mortgages (4000 in 2009) \* Consumer finance services (financial advice) \* Well Fargo's Financial Securities: Security business (merger advice, stock and bond underwriting, loan syndications, and fixed-income trading) B. Price We do not have any information about the price of the services in the case study. C.

Place Wells Fargo has a wide presence throughout the US territory.

Headquartered in San Francisco, the company is decentralized to provide an optimization of the geographical coverage. Therefore, every local Wells Fargo store is like the headquarter for satisfying all their customers. The decentralization is an effective strategy when a company tries to have an effective wide presence on any market. This strategy has made the success of many of the Scandinavian organizations or institutions. Indeed, it allows any company, like Wells Fargo to get closer to its customers and be able to understand and meet better their needs and expectations.

As we can see from the case, the company is doing well with its distribution and the customers service in general, it has even been rewarded Retail banker of the year according to US Banker. Consumers want and need a

bank office near to the place where they live or where they work. The bank company must be strongly present in the quite big city and in the metropolitan area where the demand for the financial services is important. That is why Wells Fargo has developed a wide distribution, in the US domestic market, throughout more than 6, 700 retail stores in 40 states in widely in North America.

The acquisition of Wachovia is a part of a new distribution strategy to reach more consumers with an extended presence on the market. Now, Wells Fargo has branches almost all the states from the East to the West both in the North and the South.

This acquisition has allowed Wells Fargo to extend its presence in the Eastern part of the US, which represents a huge part of the financial market. Indeed, Wachovia had a strong presence in the part of the US especially in Connecticut, Florida, Virginia, North and South Carolina. 6, 700 Banking Stores: 3, 296 US Wells Fargo Banking stores \* 3, 314 US Wachovia Banking stores \* 90 Other financial branches Finally, in addition to the classical distribution channel, Wells Fargo use the electronic distribution with its online website where customers can be informed and have an access to some services like checking accounts, make wire transfer, plan a rendezvous with a financial adviser... D. Positioning Without information about promotion, we chose to develop a part about positioning that is, in fact, a sub part of the promotion.

In marketing, positioning is the process by which marketers try to create an image or identity in the minds of their target market. Positioning on the global market with a presence in Canada, in the Caribbean, Latin America <https://assignbuster.com/wells-fargo-analysis/>

and other countries, Wells Fargo is especially focused on the US national market.

In 2008, after the acquisition Wachovia, a Wells Fargo's press release said that the company was: "the most Extensive Financial Services company, Coast-to-Coast in community banking". Wells Fargo is widely recognized in the financial industry.

The company has built a very credible reputation with its promotional campaigns, its track records and the customer loyalty. The statistics based on the industry and government sources clearly show its size and brand image: \* 41st revenue among all US companies ranked by Fortune \* 17th most profitable company in the US \* 33rd Largest employer in the US \* 18th most respected company in the world as ranked by Barron's \* "AAA" credit-rated by Moody's \* The only standard & Poor's AAA bank in the US \* Among the top 50 companies as ranked by Diversity Retail Banker of the Year according to US Banker \* Number-one commercial real estate lender \* 18th among the world's most valuable brands according to the Financial Times Wells Fargo tries to communicate to its customers, how much they are important for the company, saying that they are the center of everything they do. The mission is now to improve the quality of the services. Indeed, the company is, according to the CEO, Mr.

Kovacevich, enough developed and enough big. The services are now provided with an easy access for the consumers.

Now the direction to take is the quality provided: " We are a big company. We will continue to grow - not to become bigger but as a result of getting

better... Regardless of how big we are and how much territory we cover our team shares certain values that hold us together wherever we are and whatever we do". Wells Fargo puts considerable emphasis on its culture in brand image toward the customers. It wants to be known as a financial partner, for outstanding services and sound financial advice, satisfying all of their financial needs and helping them to succeed financially.

The company even considers its customers as friends. However, the company, does not only communicates to its customers but also with: \* Its employees, telling them how much they are important for the company. Indeed, Wells Fargo wants to be known as a company that believes in its people as a competitive advantage over the competition, a great place to work, and as an employer of choice that really care about them \* Its communities, promoting the economic advancement of each partners including those not yet able to be economically self-sufficient.

Being seen as a community leader in economic development, in services that promotes economic self-sufficiency, education and social services is a necessity. \* Its shareholders, insuring them that investing in Wells Fargo will be a great investment with financial results among the entire Fortune 500 and with the Moody's credit-rated of " AAA" (the highest possible one) 2. Customer's Analysis and Target Market The Wells Fargo's target market gathers more than 25 million customers across the USA, and internationally.

Demographically, the firm does not really have a specific target, and wants to provide financial services to all consumers who need either rich people or those who have financial difficulties. Geographically, the customers are divided up over 40 US states out of the 55. Mostly located in the <https://assignbuster.com/wells-fargo-analysis/>

metropolitan area, they are concentrated near the coast (both East and West). However, Wells Fargo, still provide its services in the less dense areas, where people need to have an access to a bank for community banking services.

About buyer motivations and expectations, we noticed that customers are looking for efficient, reliable and adapted financial services and advice from the company. They expect good quality services and want from the bank the ability to meet their needs and expectations.

Wherever they are, the consumers need to have an easy access to financial services in the bank office and in the Internet as well, where customers check their different bank accounts and transactions. Wells Fargo is specialized in different segments where it is one of the top companies, if it is not the top one.

The most important segments are the homeowners, the small businesses, the agricultural businesses, the debit card users and the prime home equity. In these segments, the company is performing very well, providing good quality services and good customer service which allow the company to constantly increase the customer loyalty, being able to keep its customers from the competitors. However, it does not mean that the others are abandoned.

Wells Fargo really tries to emphasis that all customers are important, from the consumer banking over lending to the big institutional client.

### 3. SWOT Matrix

The SWOT Matrix is an important matching tool that us to develop four types of strategies for Wells Fargo: \* The SO (Strengths-opportunities) strategies

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use a Wells Fargo' internal strengths to take advantage of external opportunities. \* The WO (Weaknesses-opportunities) strategies aim at improving internal weaknesses by taking advantages of external opportunities. \* The ST (Strengths-threats) strategies use a Wells Fargo's internal strengths to avoid or reduce the impact of external threats.

\* The WT (Weaknesses-threats) strategies are defensive tactics directed at reducing internal weaknesses and avoiding external threats

Strengths 1. Brand Image and Culture and values (ethical behavior) 2. Credibility 3. Statistics based on the industry and the government sources show its size and strength 4. Acquisition of Wachovia: extension of the distribution channel and the number of customers 5.

Decentralization strategy 6. Strong position in the markets involved in 7. Management: 8. Innovation leadership (Internet: E-commerce) 9. Market leadership in the West: the largest financial institution headquartered in the Western US that has a strong balance sheet and is able to steer through the pitfalls that plagued many of its competitors 10.

The new products like the Wells Fargo Securities took from Wachovia securities business 11. Moody's credit rate "Aaa" (the highest possible) Weaknesses 1. Decrease of the net income and ROA and ROE 2. Limited international presence 3. Bad reputation as a bank since the economic recession 4.

Weakness asset quality among high real estate exposure 5. The Wachovia subprime mortgage problems 6. Overcommitted in credit default swaps 7. High amount of goodwill (\$23 billion) Opportunities 1. Many banks are

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struggling like Citigroup with negative Operate margin (-57.9%), Net income (\$ -23.

9 Billion), and EPS (-3.651) 2. Some Banks have recently failed and have been seized by Federal officials like Lehman Brothers Colonial Bank and Guaranty Financial group: Delinquency rates on their holdings has soared as high as 40% -> Decrease the competition 3. Grow internationally 4. Keep improving the internet uses 5. Develop new products for new businesses SO Strategies| WO Strategies| 1.

Develop new internet applications and services for customers (S8, O4) 2. Increase promotions to attract more customers (S1, S2, O1, O2) 3. Open branches in foreign markets (S1, S3, O3) 4.

Get closer to the customers needs and develop loyalty programs (S2, S5, O6)| 1. Advertising campaign to reassure the consumers (W3, O1, O6) 2.

Open branches in foreign markets (W2, O3) 3. Develop alternative services to diversify the ranges and not focus and mortgages (W4, O5)| ST Strategies| WT Strategies| 1. Develop complete services and use competitive advantages to gain market share (S3, S5, T7) 2. Take advantage of the lack of regulation 3. Develop a strong customer loyalty database (S4, S5, S6, O7, O8)| 1.

Develop alternative services to diversify the ranges and not focus and mortgages (W4, W1, T4) 2.

Charging lower interest rates to the customers (W1, T1)| Threats 1. Continued deterioration in the housing and credit market 2. High

unemployment rate 3. Tight credit 4. Many homeowners cannot make mortgage payments 5.

The value of houses has dropped the amount borrowed -> great problem for owners and banks 6. The lack of regulation today has blurred the product and services bank offers 7. Competition with Bank of America and Citigroup 8. Superregional and International Banks are growing, they all tend to expand globally 9. Assurance rates increase 4. Industry and Competition analysis

The financial industry counted nine main players before the economic crisis in 2008, which meant height potential competitors for Wells Fargo including Bank of America, Citigroup, US Bancorp, Merrill Lynch, Morgan Stanly, Lehman Brothers, Colonial National and Guaranty Financial Group.

The economic recession has eliminated the weak banks that were not doing well enough to overcome the outcomes of the economic crisis, like Lehman Brothers, Colonial Bank and Guaranty Financial Group. Furthermore, an economical selection has been made and only the best banks are still competing on this industry.

The industry is currently suffering from the economic recession and all of its outcomes including the deterioration of the housing and credit market, high unemployment rate, and tight credit. That is why many banks, especially the community banks, are struggling and some even have failed, including Colonial National, and Guaranty Financial Group. Moreover some Banks like Citigroup are not performing well by losing money and market share.

Guaranty had more than \$3 billion of securities backed by adjustable-rate mortgages.

The bank has seen the delinquency rates on holdings soared by 40% before the federal officials seized the bank in August 2009. As we can see from the chart, in term of revenue Wells Fargo is not the best financial service company. Until 2007; Citigroup was the leader in sales but the economic crisis and the recession that have followed this crisis has led to a sharp decrease of its sales. Since 2008, Bank of America is the leader in sales and the stronger competitor for Wells Fargo.

However, its sales are fluctuating whereas the Wells Fargo's sales show a slow but steady rise.

This chart displays the evolution of the net income of the three main companies including Wells Fargo, Citigroup, and Bank of America. Wells Fargo was the last company in 2007 before the economic crisis in term of net income. However, we can see that the two competitors are not doing well enough to keep being competitive, especially Citigroup, which had a decrease of 210.7%.

All of the companies have seen its net income decreased but Wells Fargo has the slightest decrease which allow it the to have the highest net income in 2009 and shows by the way its capacity to overcome though situations. 5.

Type of strategies Wells Fargo shows the desire to take part in the top financial companies in the domestic market. This is one element from their long-term strategies. This desire to compete with the market leaders such as

Bank of America represent the results expected from pursuing certain strategies.

According to this case, we can say that Wells Fargo is pursuing a market development and market penetration strategy, introducing present services into new geographic areas. This strategy, has particularly led to the acquisition of Wachovia and the extension of the Wells Fargo's presence to the Eastern US.

This market development strategy has required intensive effort for Wells Fargo in terms of investment and management. This strategy basically involves introducing present products or services into new geographical areas. Here by acquiring Wachovia, Wells Fargo can use a strong presence through the Wachovia's distribution.

The firm's competitive position was clearly to improve compared to the market leaders. However, the company was rather successful at what it does before the acquisition, which was a primordial condition prior to such acquisition.

Then but not least, it already had the needed capital and management quality to manage the expended operations. With this acquisition, the firm has a huge distribution capacity throughout all of the Wachovia's bank offices and retail stores. Combined with the strategy of decentralization, this will allow them to reach more consumers and increase the productivity. The year 2009 shows a quick preview about what the firm can achieve in the next years.

The acquisitions or mergers are two commonly used ways to pursue strategies like market development or more generally intensive strategies including, market penetration and product development.

The market penetration consists in increasing market share for present products or services in present markets through greater marketing efforts (increase number of salespersons, advertising expenditures, promotion, and publicity efforts). Then, the product development strategy seeks increase sales by improving or modifying existent products or services (it entails large research and development expenditures). A merger occurs when two organizations of about equal size unite to form one enterprise. That is what often happened in the Wells Fargo's history and what helped the firm to grow faster and reach the size the firm had in 2008.

On the other hand, an acquisition occurs when a large organization like Wells Fargo purchases a smaller firm or a firm not doing well, like Wachovia. By acquiring Wachovia, Wells Fargo has realized some major benefits: \* Provide improved capacity utilization \* To gain access to new customers and products

6. SPACE Matrix The Strategic Position and Action Evaluation (SPACE) Matrix, is a marketing tool used to help the company to define the best strategy to develop according to its internal strategic position (Financial Position and Competitive Position) and the external strategic position (Stability Position and Industry Position).

The four quadrants of the Matrix indicate whether aggressive, conservative, defensive, or competitive strategies are most appropriate according the characteristics of the company and its industry. Financial Position \* The bank's return on asset is 0.

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44 (decrease of 72%) but superior of all competitors \* The Bank's Net income was 3. 58 Billion (increase of 28%) and superior of all competitors \* The Bank's revenue was 42. 84 Billion (increase of 1. 51%) compared to the industry average of 7. 98 Billion \* The Bank's earning per share 0.

912, over the main competitors and over the average industry (0. 91)Total| Rating465520|

Industry Position \* Deregulation provides geographic and service freedom \* Deregulation increases competition in the banking industry \* Economic recession \* Growth potential \* Financial Stability Total| 4213410| Stability Position \* Banking deregulation has created instability throughout the industry \* Less-developed countries are experiencing high inflation and political instability \* The barriers to entry into the market is high \* The competitive pressure is highTotal| -4-4-2-4-14| Competitive Position \* The bank provides financial services through 6700 offices and retails stores in 40 states \* Superregional banks, international banks are becoming increasingly competitive \* The bank has a large customer base \* Customer loyalty Total| -1-5-2-2-10|

According to the SPACE Matrix, Wells Fargo presents an aggressive profile. The company is financially pretty strong, has some competitive advantages in a rather stable industry. The Wachovia acquisition is a great operation following the product development or market penetration strategy. 7.

External Factor Evaluation Matrix (EFE) Regardless of the number of key opportunities and threats included in EFE Matrix, the highest possible total weighted score for an organization is 4. 0 and the lowest is 1. 0, and the

average total weighted score is 2.5. An organization with 4.0 total weighted score is responding in an outstanding way to existing opportunities and threats in its industry.

It means, the firm's strategies effectively take advantage of existing opportunities and minimize the potential adverse effects of external threats.

Key External Factors| Weight| Rating| Weighted Score| Opportunities: \* Many banks are struggling like Citigroup with negative Operate margin (-57.9%), Net income (\$ -23.79 Billion), and EPS (-3.651) \* Some Banks have recently failed and have been seized by Federal officials like Lehman Brothers Colonial Bank and Guaranty Financial group: Delinquency rates on their holdings has soared as high as 40% \* Grow internationally \* Keep improving the internet uses \* Develop new products for new businesses \* New customers in the Eastern US financial market| 0.090.

120.050.040.070.11| 342423| 0.

270.480.100.160.140.

3| Threats: \* Continued deterioration in credit market \* High unemployment rate \* Tight credit \* Many homeowners cannot make mortgage payments \*

The value of houses has dropped the amount borrowed \* The lack of regulation today has blurred the product and services bank offers \*

Competition with Bank of America and Citigroup \* Superregional and International Banks are growing, they all tend to expand globally \* Increase in insurance rates | 0.100.030.070.050.110.

060.050.030.02| 222323423| 0.200.060.



140. 150. 220. 180. 200.

060. 06| Total | 1. 00| | 2. 80| Here we can note that the total weighted score is of 2. 80 is above the average of 2.

5, which means Wells Fargo is doing pretty well in the Financial industry, taking advantage of the external opportunities like the bad shape of the competitors and also containing the threats facing the firm like the competition with Bank of America. Of course, the firm could do better, improving its strategies to respond in better way to the threats and get a higher total weighted score close to 4. 0.

According to the case, Wells Fargo should expand more its activities on the international market, and develop new financial products and services to be more attractive and competitive. Moreover, the firm must find solutions to overcome the bad state of the economy and its outcomes. 8.

C. Internal Factor Evaluation Matrix This strategy-formulation tool summarizes and evaluates the major strengths and weaknesses in the functional areas of business. Like in the EFE Matrix, the total weighted score can range from a low of 1. 0 to a high of 4. 0 with an average score being 2. 5.

Total weighted scores well below 2. 5 characterize organizations that are weak internationally whereas scores significantly above 2. 5 indicate a strong internal position. Key External Factors| Weight| Rating| Weighted Score|

Strengths: \* Brand Image and Culture and values (ethical behavior) \* Credibility: Statistics based on the industry and the government sources show its size and strength \* Acquisition of Wachovia: extend the distribution channel and the number of customers \* Decentralization strategy \* Management \* Innovation leadership (Internet: E-commerce) \* Market leadership in the West: the largest financial institution headquartered in the Western US that has a strong balance sheet and is able to steer through the pitfalls that plagued many of its competitors \* Moody's credit rate "Aaa" (the highest possible) | 0. 070. 090.

110. 100. 060. 040. 090.

04| 44443343| 0. 280. 360. 440. 360.

180. 120. 360. 2| Weaknesses: \* Decrease of the net income and ROA and ROE \* Limited international presence \* Bad reputation as a bank since the economic recession \* Weakness asset quality among high real estate exposure \* The Wachovia subprime mortgage problems \* Wachovia is overcommitted in credit default swaps | 0. 080. 060.

080. 060. 070. 05| 212212| 0. 160. 060.

160. 120. 070. 10| Total | 1. 00| | 2.

89| The IFE Matrix provides important for strategy formulation. With a total weighted score of 2. 89, we can say Wells Fargo has a pretty strong position in the financial industry and can expect to become stronger and stronger because the firm knows how to create competitive advantages and how to use its strengths. 9.

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IE Matrix The IE Matrix is based on two key dimensions: the IFE total weighted scores on x-axis and the EFE weighted scores on the y-axis.

The Internal External Matrix inputs are the EFE and IFE total weighted scores. As the EFE Matrix and the IFE Matrix have shown, Wells Fargo had 2.89 for EFE and 2.80 for IFE. In the IE Matrix, we can see the red dot represents Wells Fargo's position on the Matrix.

It is in the V cell, which suggests that Wells Fargo should use a hold and maintain strategy consisting of the Market Penetration and Product Development strategies; it should be the most efficient strategy for the firm after the stage of the acquisition.

However, the firm is very close to the cell I, II, and IV, which means the company's situation can be described as slow growth and build and where intensive strategies would be the most adaptable like market penetration and market development. 10. Grand strategy Mix The Grand strategy matrix is based on two evaluative dimensions: competition position and market growth. Wells Fargo is located in the Quadrant I of this Matrix, which means that it is in a rather excellent strategic position. Therefore, continued concentration on current markets (market penetration and market development) and products (product development) is an appropriate strategy.

We can notice that a notable shift from its established competitive advantages would be unwise. Rapid Market Growth Quadrant I Quadrant II Strong Competitive Position Weak Competition Position Slow Market Growth Quadrant IV Quadrant III