Did This Bank Stock Just Make a Horrible Mistake?

Description

Banks are often good bets to make smart, calculated moves in the hopes of improving their bottom lines. A stock like **Toronto-Dominion Bank** (TSX:TD)(NYSE:TD) is a great example of a successful company that knows how to continue to drive sales and profits up, even when while there are slowdowns in the market and as mortgages becoming harder to secure.

However, not all bank stocks are as successful. And that's why once you venture outside the Big Five banks in Canada, you're taking on a bit more risk. An amusing example of that is what **Laurentian Bank** (TSX:LB) decided it was going to do. The company has stopped providing its customers with teller services at nearly all of its locations throughout the country, with the exception being some rural locations.

While it's a good way to add to the bottom line, there's a problem: Laurentian doesn't even offer an app. Users can certainly go on the company's website to perform online banking, but in an age when many people use their apps to do banking, it could be a serious misstep for the bank. Although customers could still use their phones to access the company's site and use a web app, it's by no means up to par with other banks offer.

Will the move backfire?

Not only does Laurentian potentially lose customers that valued the company's teller services, but it's also not winning over any tech-savvy users either. It's a poor effort by the bank that could result in problems down the road if customers ditch its services for one that offers a more convenient solution.

It's not as if Laurentian was struggling to turn a profit, and so it's a move that I'm doubtful will play out well for the company. Banks offer very similar services, and by taking away something from customers, Laurentian has effectively made itself less competitive in the process.

TD and other banks offer their customers both online and in-person services. It's hard to imagine a scenario where Laurentian doesn't lose customers over this move, and it'll be interesting to see what impact it has on the company's financials.

Super services have made TD the successful brand that it is today

The one thing that a big bank like TD has done well over the years is focus on the service side of the business. While its fees are by no means cheap, the company has tried to give customers a lot of flexibility in both hours of operation and the services that it offers.

When there's not a lot differentiating one service from another, customer service could play a big factor in determining which company consumers choose to go with. And TD is an example of how to do it well and to draw in customers, even despite not having the lowest prices in the market.

Bottom line

This move by Laurentian may help short-term profitability, but over the long term, this could end up doing more harm than good. And with Laurentian being so far behind the big banks, the gap between TD and Laurentian only gets bigger with this decision.

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