

It's Marketing That Matters

Ray Davis Powers Umpqua Bank's Energetic Bolt to the Top of Oregon-Owned Banks

By Jim Pasero

Can one CEO's personality make a difference to a company? Can it help that company grow in a bad economy? In a regional economy that *Inc.* magazine lists in the nation's top ten of worst places in the country to do business? Well...yes.

Can one dynamic company help turn around a region's poor economy? Well... probably not.

But that company's growth can make an impression on the thousands of individuals who make the daily micro decisions about whether incentives are right for investing in a particular region. In Oregon, the company holding that aggressive image is Umpqua—Umpqua Bank. And the dynamic CEO is Ray Davis.

Today Umpqua bank has close to 1,000 employees, \$3 billion in assets, and more than 65 branches in Oregon and southwest Washington. Last year Umpqua grew by more than 15 percent. Umpqua Bank is now the largest locally owned bank in the Northwest, with plans to stretch its boundaries from Seattle to Sacramento. Umpqua's unique "community bank" culture developed by Ray Davis has landed the bank on the front page of *The Wall Street Journal*, as well as on a recent *CNBC* feature. Ray Davis knows why Umpqua is getting attention. It is because of the company's unique corporate culture. But, also, it's due to Davis' extraordinary marketing talent and his ability to inspire a corporate culture that Umpqua employees buy into.

Scott Chambers, president of Chambers Communications in Eugene, and a man whose business is to know something about how you reach the public, remembers how he came to be on what is now a very prestigious corporate board. "I was asked by Dave Frohnmyer, and by Ray Davis, and I said no. I'm on too many boards, and I travel too much, and I have young children. But it was classic Ray. He wouldn't take no for an answer. He said, 'I would like you to know Allyn Ford. Come have dinner with us.'"

Was Chambers impressed?

"I walked away from dinner thinking there were two things I could learn. First of all, the man is a brilliant marketer. The notion of a bank being a store is phenomenal. And, second, having service at the highest level, on a par with a fine hotel like Disney was something I could apply to my business. I thought maybe a two-year stint, but I survived several acquisitions. I enjoy my board involvement."

Last month Chambers was impressed again when he attended Umpqua's annual black-tie award "Oscar Night" for employees. "My wife turned to me after the event and said 'I think the Chambers Christmas party could use some work.'"

In December of '02, *Bank Director* magazine noticed Davis' energy and the direction Davis has taken Umpqua. They wrote, "Bankers from around the world, including the likes of Citigroup and London-based HSBC Holdings, have come to take pictures of Umpqua's 'stores,' sip the bank-branded coffee in front of computer screens, and flip through financial magazines with 'Bloomberg Financial News' on the big screen TV in the background—all in hopes that they might learn something to make their institutions more successful."

That same author goes on to describe the company's culture and how hard it is to duplicate.

Davis tells of the small-town Texas banker who stopped in one afternoon. After giving the typical branch tour, Davis walked him through some of the behind-the-scenes factors that he credits, more than branch design, for Umpqua's ascension: the use of "universal associates"—branch personnel who all are trained at a special bank "university" in every facet of the bank and who rotate those jobs weekly; the money and effort devoted to branding; the intense measurement and competition that is part of every employee's life; and the big black-tie awards ceremony that has become for many employees the focal point of the year.

"After we chatted a couple of hours, I looked at him and said, 'Roy, you're not going to do any of this, are you?' And he said, 'Nope.'"

That's because duplicating Umpqua's singular community bank culture takes leadership and hard work. But the Umpqua Board chose that vision a decade ago when it hired Nevada native Ray Davis away from financial consulting firm U.S. Banking Alliance in Atlanta, Georgia. When Davis interviewed for the job in '94, Umpqua Bank consisted of six branches in Douglas County with total assets of \$159 million.

In the interviewing process Davis spoke frankly to Umpqua's Board. Said Davis, "The decision is not who you hire, but what do you want to do with the bank. If you want to run it as it has been run, that's not me. If you want to create intrinsic value, that's me." Bankers don't usually talk this way.

Allyn Ford of Roseburg Forest Products and now chairman of Umpqua's Board remembers the process that he and Lynn Herbert and other board members went through when they hired Davis.

"We'd gone through some tough times in Douglas County, but still we'd been growing steadily. We had two choices—be the breakout community bank, or be forced to merge. We wanted to maintain our independence and be that breakout bank.

"Ray Davis was an unknown quantity in a way—heading a consulting firm in Atlanta. He had limited organizational management experience but the committee was impressed with Ray's energy. He is very, very sharp analytically, but because of his experience it was a leap of faith when we brought Ray on. We were a very conservative bank at the

time, and in a traditional search we would look locally within our state and within our culture. But we were breaking out of the mold.”

Umpqua was impressed with Davis and the board decided to jump. Says Ford, “When we hired Ray the die was cast. This institution was going to grow.”

An electric personality like Davis, and a traditional, rural conservative bank. How would it mix?

“Like any major change,” says Ford, “there were some bumps and grinds. The standards Ray brought in created a tremendous change in our bank’s culture. You bring that type of change and it doesn’t all go smoothly...but Ray is change. He brought a set of high standards and has done a better job of institutionalizing these high standards that people usually only give lip service to. Ray has the ability to structure these ideas. It is one of his great gifts.”

Umpqua’s growth would be based on Davis’ service strategy. “We couldn’t compete on resources and we couldn’t compete on bank products,” says Davis, “but we could build a unique delivery system and we could score the quality of our service programs.”

Bill Lansing, owner of Menasha Lumber in North Bend and an Umpqua board member, sums up Davis and Umpqua’s philosophy. “In order to grow business you are going to be acquired or acquire somebody. We chose the latter. At Umpqua we will grow by acquisition as well as by starting up new branches. But starting up new branches is slower. Acquisition penetrates the market quicker.”

Lansing liked what he saw in Davis. “Ray is aggressive, high energy, highly talented. You need to run to keep up with him. He’s constantly in motion.”

Constantly in motion would describe Davis and Umpqua’s triumphant march through Oregon’s community banking industry the last few years.

In ’96 Umpqua launched the concept “bank store,” opening the first branch in Eugene under the campaign “Pretty Cool For a Bank.” In ’99, Umpqua bought the oldest brokerage firm in the state, Strand, Atkinson, Williams & York. In December of ’00 Umpqua acquired Valley of the Rogue Bank. In the summer of ’01 Umpqua added two more acquisitions: Independent Financial Network and Linn Benton Bank. One year later, Umpqua purchased Centennial Bank, giving the community bank more than 60 outlets and a presence for the first time in the Portland area. In ’03 Umpqua opened its “next generation store” in Portland’s Pearl District, which is just about the time that CNBC came calling to show Davis’ marketing strategy off to the nation’s business community. This winter Davis gave the keynote address at the national conference for *Bank Director* magazine, hosted by former FDIC Chairman, William Seidman, entitled “Acquired or Be Acquired.” An apt choice.

Dan Giustina, Umpqua board member and owner of Giustina Resources, was on the other side of one of Davis' mergers when he chaired the board of Centennial Bank in the summer of '02. "Ray approached our bank and wanted to meet the directors. We were looking to grow and be the breakout bank, fill the void that was left behind when U.S. Bank merged with First Security and moved to Minneapolis. We felt there was a void there and someone would take advantage of this. Ray Davis--his vision was our vision, but Umpqua had more of a retail component than Centennial. It was clear from our conversations with Ray that he had the vision and the energy to make it work. A lot of us are high-energy people, but when you look at Ray you think, where did this guy come from? I mean he's a whirling dervish."

And the Centennial merger?

"It was very significant what we did here," says Giustina. "We took two banks, one with \$1 billion in assets, and the other with \$1 1/2 billion in assets and put those two banks together without a glitch. Our concern was that we maintain the community culture of the bank. The merger of the two banks was seamless when you compare it with other mergers of banks that have gone on."

Davis has put together what may be the highest profile board in Oregon. It includes, Dave Frohnmayer (Univ. of Oregon President), Gary DeStafano (NIKE), Diana Goldschmidt, Katherine Keene (former head of SAIF), Lynn Herbert (Herbert Lumber), James Coleman (Crater Lake Motors), Brian Obie (Obie Media), and Allyn Ford, Dan Giustina, Bill Lansing and Scott Chambers.

Despite the board's high profile, the excitement is in working with Davis. Says Lansing, "Davis is always talking about Umpqua, whether we are having a glass of wine or in a board meeting. I'd much rather be on a board where you have to pull the CEO back by the reins because he is too far out ahead, rather than on one where you have to push him out." Seattle's Jay Tejera of Ragen Mackenzie told *Bank Director* magazine, "This is the best community bank board I've ever come across."

But Oregon's economy has been a problem. Especially if your industry gets most of its income from a region with the weakest economic vibrancy in the nation. The most successful companies in Oregon, the multi-national corporations, such as NIKE, Columbia Sportswear, or Jeld-Wen, make the vast majority of their income from outside of Oregon, so they are not so vulnerable to a weak regional economy. Not so for Umpqua Bank.

Davis comments on the local economy in his direct style. "I hate it. I don't like it any better than the next guy." "But," he adds, "I can't change the hand I've been dealt. My responsibility is to work through it. We make progress every single day." Still Davis believes that Oregon's tax environment has been adverse to business.

And where will future leadership in Oregon come from? Will it come from the business or political communities? "That's the \$64,000 question," says Davis.

According to Davis Oregon needs leadership that says we're doing it "because it is the right thing to do, even if it means 'I'm only in office for four years.' I know that's a very idealistic statement," Davis says, "but something has to happen (leadership) before something good will happen. Because we are headed for a disaster before we do it right."

Davis adds, "Why not head off the disaster before it happens? People resist change. They hate it. They don't think change will be all right. Why do they see it as bad? Why not say it's cool? This could be positive." That's classic Davis. Classic Umpqua.

One of the reasons Umpqua Bank grows in a bad economy is that Davis understands consumers. *Independent Banker* magazine wrote in the late '90s that Davis "reminds bankers that 67 percent of retail purchases are impulse acquisitions, and there's no reason the same can't be true for retail banking."

But to have consumers buy on impulse, your product has to be branded in their minds. And there may be nobody in Oregon better at branding than Ray Davis. Last summer Davis accelerated his branding campaign when he joined forces with the Klamath Falls-based door and window manufacturer, Jeld-Wen, to become the presenting sponsor for The Jeld-Wen Tradition--one of only nine major tournaments on the PGA Tour, and one of only two majors that has a permanent home, the other being The Masters in Augusta, Georgia.

Bringing together the largest privately owned company in Oregon, Jeld-Wen, with the Northwest's largest locally owned bank, Umpqua Bank, was an idea most likely first hatched by Ed Ellis, president of Peter Jacobsen Productions.

Rod Wendt, president and CEO of Jeld-Wen, comments about the companies coming together for the tournament. "We were familiar with the bank. We read of their merger with Centennial Bank. We knew they had expanded their reach to Portland, and we knew their roots in Roseburg. I called Ray and invited him to a meeting at Waverly Country Club."

Davis would later describe that meeting at Waverly as a full-court press by Jeld-Wen executives and Peter Jacobsen and Ed Ellis to get Davis and Umpqua to join the tournament. After the meeting, Peter Jacobsen, Rod Wendt, and Bob Turner of Jeld-Wen played a round of golf with Davis. Jacobsen and Davis walked the course together and got on well. Within days Umpqua and Jeld-Wen had a deal.

"It's a great partnering," says Wendt. "It's not just a deal between two companies, but the marrying up of two Oregon-based companies that have a lot of historical interest in Oregon, and who want to showcase the state. Companies that have similar roots and ideas. Companies who believe in the state in the long-term. Umpqua is doing innovative things, fun things. They are a great partner."

And how does Wendt feel about Davis? “He’s a very interested person. A high-energy person. He likes to get things done, and he has the ability to make decisions and act on them, and that’s refreshing.”

One of the things that Davis wants to act on as he continues to brand Umpqua’s regional image is making the Jeld-Wen Tradition a big success. Again, Davis is direct: “The PGA tour is held up by ticket holders, but the Champions Tour is funded mostly by corporate sponsors. Corporate Oregon, southwest Washington need to decide if they want a world class event and get behind it--buy tickets and boost the economy. Millions of dollars flowed into the economy last year from the tournament. It’s a challenge to the business community.”

Ray Davis has been in Oregon for ten years and in Portland for two. Unlike some in the Portland business community who treat the business climate in Oregon like a golf hole with a water hazard they’ve never quite made it over, Davis is unafraid. He’s about building new traditions. He’s done it with the company’s culture, and he’s done it with how banking is delivered—and Oregon is a place that could use some new business traditions.