Set 2016 Priorities Now!

by Charles Wendel

Banks are in various phases of developing their 2016 budgets and determining next year's strategic priorities. In a world of tight resources and demands for higher performance, setting clear goals and acting on them has become critical to bank success.

Bank strengths, areas requiring improvement, and other factors such as risk appetite and available investment dollars should result in a customized set of priorities for each bank; no two banks are totally alike. However, three areas merit focus at virtually all banks:

- Building excellence in cross sell
- Reconsidering how best to manage technology
- Determining whether and how to partner with alternative finance companies (AFCs)

Building excellence in cross sell. This was important 20 years ago; it is even more important today. While hardly a new topic, cross sell probably continues to provide the biggest near-term payday available to banks.

Recently I was speaking to a client who was bemoaning his bank's lack of success in this area over the last few years, despite it being targeted as a key growth area. Similarly, an article this week in the *Wall Street Journal* (WSJ) highlights Chase's opportunity to grow current small business customer profitability. It notes that less than 10 percent of its customers use the bank for checking and credit cards and merchant processing versus over 40% who use all these products, based on a recent survey. The WSJ goes on to report that Chase "is working on breaking down the silos among those services over the next three years with tactics including the use of a common application for clients to fill out that could qualify them for deposits and loans as well as its 'ink' small business credit card and its 'Paymentech' payment-processing service."

Streamlined processes and broken silos are keys to Chase's program, but silos exist not only at banks of Chase's size but across all size ranges. The reasons for lack of cross-sales success are too numerous to review here; management needs to identify and eliminate them. An internal mantra should exist that emphasizes what we find is typically (although not always) the case: "More products sold equal more profits." Cross sell does not get the attention it merits in part because it requires management to influence or even demand cooperation between bank units; bankers need to break past patterns, and they resist doing so. Cross-sell, based upon understanding and meeting client needs, should permeate a bank's culture and not be a focus that bankers choose to opt into.

CROSS SELL SHOULD BE THE NUMBER ONE PRIORITY AT MOST BANKS IN 2016! IF NOT, WHY NOT?

Reconsidering how best to manage technology. While cross sell should be initiative number one, it cannot be the only bank priority. Within banks, IT decisions are too important to be left up to the CIOs and their staffs, and the best CIOs know that. At the same time IT continues to confound many execs. Too frequently, banks are dependent on large and often unresponsive IT giants that often call the shots and determine when and how banks can offer certain products. Bankers, including senior management, can get lost in jargon and acronyms and retreat back to the decision areas in which they are most comfortable.

Consider a process like the following that has worked at several clients. Prior to a day or half-day meeting, key line and support areas prepare a brief list of their IT requests and requirements for the next year. This summary includes the reasons for the request and, to the extent possible, each item's related cost and revenue impact. At the group meeting, each major line and support area presents its request and answers questions about their business needs. This serves as an effective tool to update attendees about the direction and needs of the bank and complements a bank's strategic decision making. A facilitated discussion both during and at the end of the day results in a list of top areas for investment. A subset of the larger group then reviews all requests and categorizes them by priority, providing their rankings to attendees before finalizing them for the next year. Transparency and an emphasis on communication drive this process.

Determining whether and how to partner with AFCs. Non-bank alternative lenders have become part of the permanent financing landscape both in the consumer and small business areas. While consolidation within this group will occur over the next few years, a number of major players have emerged with the capital and market presence required to give them staying power. AFCs can also help in meeting challenges to banks such as CRA requirements.

Increasingly, AFCs want to work with banks. Banks can provide them with loan leads from potential borrowers that, in many cases, banks will not lend to themselves. The banks can focus on deposits and other cross-sell opportunities. In addition some AFCs can provide banks with the technology platforms necessary to increase productivity and lower processing costs.

Why focus on this now? It may take a year or more for a bank to determine how they can best work with AFCs, select the right partner for them, and get the process in place. Even though both cross sell and IT require immediate attention banks may be making a mistake by failing to begin to assess this emerging partnership opportunity as soon as possible.

Final thought. Banks have limited bandwidth for what they can achieve. Increasingly they are pulled in multiple directions by stakeholders and also continue

to spend time on non-revenue producing compliance and regulatory needs. Nevertheless, these three areas are critical for banks being able to compete now and in future years. But, nothing should be allowed to divert bank attention from the one area that provides clear and relatively quick profit impact: *cross selling to current customers.*