

Accelerating Branch Small Business Banking

BY LES DINKIN

In an era of wrenching change for branch networks, small business banking has become a focal point for revenue growth and an outreach to priority customers and prospects. Many institutions will need to improve their execution and consistency in order to boost their performance in this tight market.

Sharper precision is needed in targeting higher-opportunity markets, for example, along with a refined focus on the unique needs of the prime small business customers within them. Banks also need to be more strongly coordinated with workforce activities, including those of the branch managers, platform staff and specialists.

Such initiatives have not historically made it to the front burner in small business banking, shrugged off in prior strong economic cycles or otherwise lost in the management abyss between the retail and commercial lines of business. But now, surmounting these challenges is a revenue growth imperative and that has become a tangible opportunity many banks are pursuing.

According to Novantas research, small business customers can contribute roughly 20% to 33% of banking pre-tax profits. The lion's share of these earnings — often more than 70% — is derived from branch-managed cus-



tomers, underscoring the importance of improving network performance and branch experience.

Seldom, however, does small business receive a level of branch support that is commensurate with its financial contribution. Instead, branch activities inevitably gravitate toward consumer banking, which is simpler for branch managers and staff to address. The consumer side also has a better developed system for training, coaching and sales management, and a more robust structure for sales goals and incentives.

Some banks downplay such imbalances, believing their commercial bankers do a good job of covering the waterfront in small business. These bankers gravitate to larger companies, often neglecting opportunities with smaller enterprises.

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To bridge the gap, banks are expanding the ranks of small business specialists. Focused on proactive outreach to the small business customer, and also more skilled and experienced, these specialists are playing a leading role in customer acquisition and relationship expansion.

While specialists are a step in the right direction, they are nowhere near a complete answer for the overall network. Platform sales staff should also be more fully enlisted to serve small business customers, for example, with mini-books of business assigned to each representative, giving them more opportunities to be involved with small business.

WINNING “SHARE OF WALLET”

Among the reasons for re-energizing small business banking, cross-sell is a major priority. In a languid market, the best hope for revenue growth is to serve each customer to the fullest extent, especially those presenting the strongest opportunity to gain profitable “share of wallet.”

Small business customers offer a double opportunity to serve both the company and the owner’s personal household. In fact, our research indicates that the small business banking relationship can potentially generate from five to ten times the value of the average consumer relationship. Winning banks will be the ones that make real progress in deepening the business/owner relationship, especially with high-potential customers.

Goal setting for small business is also an important factor, as many banks have not yet established separate value-based goals (based on local market potential) or even incentive compensation for specifically small business. Instead, the branch sales focus centers on “widgets,” or high consumer

account origination, distracting staff from small business and perhaps incenting the wrong sales behavior.

In our experience, it is better to start with customer and market priorities and then address internal operating issues within the context of priority revenue opportunities.

THREE PRIORITIES

Most institutions need to address three, interrelated issues in small business banking: 1) Customer targeting in accordance with local sales opportunity, 2) Accurate deployment of sales resources and 3) Effective customer interaction within the branch. While many banks say they are cognizant of these priorities and we are actively improving, our field research paints a picture of loosely-organized efforts with little central oversight and low analytical precision.

Targeting. As small businesses operate in a community context, each market is unique. Leading banks analyze each local market to understand customer requirements and sales revenue potential for loans, deposits and fee-based services. This includes possibilities to expand established customer relationships and acquire new ones. This type of comprehensive assessment is critical in prioritizing markets; allocating program and sales resources; setting realistic, market-informed sales goals; and finally in generating targeted sales leads.

Resource deployment. Especially with expensive resources, such as business bankers and specialists, the bank needs to accurately deploy sales representatives in line with local market opportunity. It does no good to stretch them too thin, or to have them preoccupied with low-potential accounts — another argument for strong analytics centered on market opportunity.

Customer interaction. Given that small business customers interact with all branch personnel, everyone needs to be on the same page in terms of the messaging and offers directed to customers. Much tighter branch sales and pipeline management is needed to increase the cohesion and intensity of staff focus on the disproportionately valuable small business customer.

While each of these three avenues is worthy of long-term investment, alert banks can realize high returns from initial insight and short term actions as well. These returns are all driven by precision guidance and the need to analytically align efforts with higher-value markets, customers and prospects.

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