

HOW DO YOU UNLOCK THE VALUE OF UNDERUTILIZED AND OFTEN UNDERSOLD TREASURY MANAGEMENT PRODUCTS? THE KEY COULD BE YOUR CRM SOLUTION

by Neil Hartman, Jeff Finken and Bryan Knops

BUSINESS
CONSULTANTS

DEEP
TECHNOLOGISTS





A WEST MONROE WHITE PAPER

HOW DO YOU UNLOCK THE VALUE OF UNDERUTILIZED AND OFTEN UNDERSOLD TREASURY MANAGEMENT PRODUCTS?

An evolving landscape challenges mid-sized banks to rethink their strategies and capabilities for diversifying revenue. For many, cross-selling non-interest income generating products and services is a traditionally underutilized area of commercial banking operations. With the evolution of customer relationship management (CRM) tools, a well-designed solution helps drive non-interest income by establishing greater transparency and individual accountability for achieving sales goals.



HOW DO YOU UNLOCK THE VALUE OF UNDERUTILIZED AND OFTEN UNDERSOLD TREASURY MANAGEMENT PRODUCTS?

The post-recessionary banking landscape has changed significantly within the context of the broader economy, and mid-sized banks that want to drive profitable operations face some critical “truths”:

- Competition continues to challenge loan yields, while rising interest rates may slow demand and run off short-term deposits, making new profitability strategies critical to successful growth.
- Competing with larger financial institutions offering new and technologically advanced features at low cost requires a truly differentiated customer experience.
- Consumer-centric markets increase the importance of consistency across channels. Integrating channels and using this integrated channel data to anticipate customers’ wants and needs must be a focus.
- Maximizing sales force effectiveness is fundamental to increasing revenue and reducing operating expenses. To get the most out of their front line sales staff, banks need to improve cross-selling of non-interest products and services to current customers.

Put simply, the central tenet of these factors is how banks “know,” engage, and sell to their customers. Historically it has been a struggle for banks of all sizes to develop a complete picture of customer relationships and leverage that insight to build stronger, more profitable relationships—a business characteristic that must change. Fortunately, contemporary customer relationship management (CRM) solutions have progressed substantially and provide many capabilities for achieving this goal—but only when designed and integrated appropriately into operations.

This article takes a closer look one of the imperatives noted above—making cross-selling non-interest income products and services to commercial banking customers a strategic advantage—and how CRM capabilities can support this goal.

REVENUE DIVERSIFICATION—SIMPLE IN THEORY, NOT AS SIMPLE IN PRACTICE

Importantly for executive and shareholders, revenue diversification reduces earnings volatility. During periods of economic distress, fee-based revenue—for example, treasury and cash management fees for remote deposit capture (RDC) and lockbox, positive pay, automated clearing house (ACH), wire transfer, payroll, sweep, and liquidity management services—augments revenue by balancing typically slower growth in new loans and interest income.

Most banks, however, underutilize these sources of non-interest income for various reasons. Many do not implement incentives that align the sales culture with business objectives and/or employ the right tools to facilitate effective referrals and hand-offs. Product and service education is frequently an issue. Front-line staff must be able to recognize opportunities and talk intelligently with customers to recognize referrals at the point of contact. Commercial relationship managers, particularly, tend to have less knowledge of non-



HOW DO YOU UNLOCK THE VALUE OF UNDERUTILIZED AND OFTEN UNDERSOLD TREASURY MANAGEMENT PRODUCTS?

interest income products and services—and quite often less incentive to sell them, as the reward for one commercial loan sale typically far exceeds that for cross-selling the same client a treasury product. A focus on lending volume may deliver exactly that—at the expense of total customer revenue and relationship profitability.

There are other common organizational hurdles; for example, politics, communication between divisions, and improper balances between “top-of-house” performance measures and individual performance measures. All of these lead to greater focus on “what’s best for me” rather than “what’s best for the bank or my business unit.”

A KEY TO BOOSTING NON-INTEREST INCOME

Unlocking value in underutilized lines of business, including non-interest income, begins with a clear understanding of where your bank stands and where it can—and must—improve. Customer penetration rates are often a key measure to level set your institution’s effectiveness at cross-selling these products and services. From this foundation, management can focus on specific products and service areas—developing target penetration rates, defining clear strategies for boosting fee income, and designing the proper education and incentive plans. A well-designed CRM solution will help tie together the strands of an effective strategy to generate non-interest income.

One of the most important developments in leading contemporary CRM solutions is greater transparency and accountability at the individual level, enabling a bank to determine causes for underperformance and revise strategies to influence the right behaviors. For example, sales managers have vision into individual cross-selling performance: Is an individual selling only his loan products and not cross-selling certain non-interest income products? Is he making referrals? From this insight, managers can take action to understand why; for example, is it an education, communication, or incentive issue?

In addition, today’s systems create less of an administrative burden, for both managers and front-line employees, who can spend less time entering and finding data and more time gaining insight and determining actions required to achieve goals.

AND A KEY TO DEVELOPING STRONGER COMMERCIAL BANKING RELATIONSHIPS

Conversely, transparency and accountability provide greater motivation for individuals to take expected actions to cross-sell and/or make referrals that increase income. And today’s CRM capabilities make it easier for individual relationship managers to recognize events or patterns and pursue relevant cross-selling opportunities. Enhanced workflows designed specifically for referrals help facilitate a smooth hand-off



HOW DO YOU UNLOCK THE VALUE OF UNDERUTILIZED AND OFTEN UNDERSOLD TREASURY MANAGEMENT PRODUCTS?

between relationship managers and treasury management servicing.

Commercial relationship managers commonly bring experience and are incentivized to understand the lending business—often with limited knowledge of other products or how to cross-sell and maximize customer income. A well-designed CRM solution can help facilitate more business and increase the bank’s standing as an expert business advisor – not just a loan shop—by providing visibility into customer issues or patterns that may signal an unmet or unrecognized need, identify the products/services that might help resolve the issue, and initiate an appropriate conversation. Consider these examples:

- “I see you regularly visit a branch to drop off monthly deposits from your rental property income. Have you looked into our remote deposit capture or lockbox services to save you the trouble of preparing deposits and coming into a branch?”
- “I see you had a fraudulent check presented against your account. Are you familiar with our positive pay and products and how these help protect you from check fraud?”
- A client calls to stop payment on a payroll check that went out inaccurately. The banker resolves it and makes a suggestion: “I see you carry a high balance in advance of disbursing payroll every month. Would you be interested in hearing more about our sweep options to earn interest overnight on funds?” This may also be an opportunity to introduce third-party payroll processing and/or time and attendance services.

In this case, the bank and the relationship manager use CRM to identify, route, manage and execute cross-selling—driving various benefits for the bank. A well-designed and strategically implemented CRM solution enables the bank to identify cross-sell opportunities based on products that meet existing customer needs—typically a far less costly proposition than acquiring a new customer. This also fosters greater collaboration amongst the sales, treasury, credit, online products, and other customer-facing channels—sharing information and driving a consistent approach that effectively sources and manages referrals from all available channels.

This also allows the bank to create effective incentive programs and use CRM to align incentives with referrals. The system can track earned incentives, as well as areas of ineffective cross-selling that may warrant better education or revised incentives, as well as inform performance goals.

Using CRM in this way develops an understanding of the customer that transforms relationship managers into trusted business advisors, presenting an “I know you and your business” expertise to clients. Relationship managers will both act in the interest of customers’ needs and promote the bank’s revenue goals by cross-selling non-interest income products—a win/win for the bank and the customer.



A WEST MONROE WHITE PAPER

*HOW DO YOU UNLOCK THE VALUE OF
UNDERUTILIZED AND OFTEN UNDERSOLD
TREASURY MANAGEMENT PRODUCTS?*

CONTACT

For more information please contact:

Neil Hartman, nhartman@westmonroepartners.com

Jeff Finken: jfinken@westmonroepartners.com

Bryan Knops: bknops@westmonroepartners.com