

Pennsylvania Bankers Annual Convention 2011 Highlights: The Future of Community Banking

Community banks remain vital to the economic health of communities across the country. However, there will undoubtedly be fewer community banks in the coming years. As an industry, profitability will be constrained, creating very real challenges for banks seeking to raise capital to build new capabilities. And, the regulatory burden is clearly daunting, if not cost prohibitive, for many small community banks – which has led to an ongoing dialogue about the scale needed to be able to carry that burden and execute a sustainable, profitable business.

While disruptive to traditional business models, the changing environment also creates opportunities for companies that embrace new ways of competing. From a strategic perspective, community banks need to focus on four things to create sustainable, less volatile earnings:

- 1. Efficiency:** The real key is to look deeply into the costs of doing business and be certain that resources – and especially your human resources – are focused on doing things that customers value and that drive profits for your company. For example, if customers are finding it more convenient to transact online or through remote deposit terminals, clearly the roles and responsibilities within the branch need to change to reflect this shift.
- 2. Market & Relationship Expansion:** Because the central value proposition for most community banks is personal relationships, it is critical to find ways to leverage the goodwill you create to do more business with your customers or get your customers to advocate for you amongst their associates and their friends.
- 3. Business Intelligence:** Make better use of available customer, transaction, and business performance data. Continually analyze this data to identify areas where the bank can improve results.
- 4. Innovative Solutions:** Banks need to build new sources of revenue. Innovation has the power to restart the product or service lifecycle – in effect helping to rebuild demand for mature products in mature markets. Changing consumer and business behaviors and needs in the wake of the recent crisis creates opportunities for innovation.

Pennsylvania Bankers Association's Annual Meeting 2011

Presented by:

Mary Beth Sullivan
Managing Partner
Capital Performance Group

“The Future of Community Banking” was presented on May 15, 2011. Key takeaways of the speech are presented at left. For more information on the strategies discussed at the annual convention, please contact Mary Beth Sullivan at (202) 337-7872 or msullivan@capitalperform.com.

