

SDBA/NDBA Annual Convention 2011 Highlights: Caution: Bank Transformation Ahead!

Community banks remain vital to the economic health of communities across the country. However, 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. Successful banks in the future will exhibit five key characteristics:

1. Simplified core product sets:

The product lines provide more clarity in terms of benefits for customers relative to the costs of the core banking account.

In addition value added products will increasingly become the basis for competing with other banks and delivering value that customers will be willing to pay for.

2. More distinctive brands: For too many years, banks have competed aggressively on price alone, as consumers and businesses have increasingly rewarded companies that compete on other factors. Banks must embrace the importance of their brand and of being a distinct choice in a crowded marketplace.

3. Greater focus on fee-income: Fee-income businesses will be critical for building revenue going forwards. Banks that are unable to grow investment management, payments, insurance, and the like, will find it impossible to survive.

4. More profitable customer relationships: Banks must do a better job of analyzing and managing toward customer profitability. When banks have the appropriate customer information, they are well positioned to drive incremental business from individual customers

5. Committed employees: Loyalty is earned; leadership, motivation, teamwork and communication must be engineered to drive loyalty. Loyal employees are the best marketers banks have

***South Dakota and North
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"Caution: Bank Transformation Ahead" was presented on June 7, 2011. For more information on the strategies discussed at the annual convention or to request a speaking engagement, please contact Mary Beth Sullivan at (202) 337-7872 or msullivan@capitalperform.com.

