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## **Guest Column**

# **Banking landscape demands new strategies**

**Premium content from Portland Business Journal - by Nels Paine**

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The spirit of the banking industry has changed. Banks have become more cautious due to regulatory scrutiny and customers have lost their sense of confidence and trust.

Traditional banking products are less differentiated and widely available through technology and innovation products. At the same time our economy is in a lull — somewhere between “I think it’s getting better” and “Is it getting better?”

What is the key to success? How does a bank thrive in this new market?

Banks need to define who they are, build a strategic plan for their organic and inorganic products, services and customer growth, and they need to focus on building confidence and trust in their organization and their revenue-generating customer base.

Driven by higher standards and regulators demanding more information, the industry landscape is changing.

Customers are changing banking habits and there is an aura of distrust in the market. Bank management has to find ways to remain viable by meeting the demands of the market.

There is a disconnect between the small business customer and banks, which further hampers the recovery of both. The small business customer is still tentative and believes that this is the worst time to receive a commercial loan from a bank. On the other hand, banks are cleaning up their balance sheets and are moving away from the real estate market in favor of commercial loans.

In order to respond to the world’s vastly changing industrial and banking landscape, bank management needs to honestly assess current policies and daily strategy. Now is the time for banks to create and implement a new strategic plan.

The market needs loans, customers want relationships and bank failure rates have slowed.

Investors are interested and are looking for the right deals with the right plan, a sense of reality and a look forward. It is a perfect time for proactive bank management to act.

Bank management should first look at how their bank operates today and if it is sustainable in its current form.

How can the bank improve the performance of current products, reduce its funding costs, focus on customer profitability, consolidate branches and resources and exit unprofitable markets?

How many branches does the bank need and how profitable are they?

What can the bank do to grow its strongest markets organically, rebuild customer confidence, grow deposits and open the door to new loan growth?

Having refined its organic core first, banks need to consider growth in inorganic markets. What new products or services will attract new customers?

Banks can consider a wide variety of new offerings or services with a focus on the opportunity to cross-sell existing services through these channels, including wealth management, courier cash-deposit services, remote branching, mobile banking and more.

Proactive banks should also consider strategic partnerships and even mergers or acquisitions.

These moves require a willingness to take risks, and bank leadership needs to do all the due diligence to assure that these moves are accretive to the redefined core business and keep a close eye on economic conditions, general sentiment of the customer and of course regulatory implications of any decision.

Through this process it is important to have group buy-in, including executive management, branch managers, tellers and everyone else through the organization.

Banks need to drive the business model through all parts of the operation so the bank is represented with consistent messaging and a level of service that customers feel at all levels of product and service in the bank.

I think of the flight I was on the other day. I was about to board the plane, and I had that "almost empty coffee cup" that I didn't want to hold in my lap. I looked around for garbage without success and moments later the baggage guy reached out and told me he would take care of it for me. I never saw a garbage can or what he did with it but I do know that my service experience with the airline was enhanced by something not in any marketing plan or morning strategy session, but rather a general attitude that prevails throughout the organization.

This process starts and ends with being honest with what the bank has today, its core strengths and direction going forward. From this understanding, the management can build a strategy that propagates the strengths and drives core business growth — cash flow, profitability, and organic and inorganic development.

Management needs to be proactive in the market, take some measured risks and consider new

avenues that will open market doors.

Through it all, the successful bank will create a culture in the business that resonates through the organization. The efforts are seen as sincere at the most personal customer levels and the bank is rewarded with customer trust and long-term success.

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