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## 5 Ways for Community Banks To Boost Profitability With a CRM Solution

Community banks are facing significant economic pressure to improve profitability under extremely challenging conditions. Years of low interest rates have led to diminished revenue from products that have long been bellwethers for community banks, such as mortgages and other loans. In addition, costs are continuing to increase as community banks invest in new technologies and processes to address regulatory changes, such as those enacted under the Dodd-Frank Act. At the same time, community banks face growing competition from the large national and multi-national banks that are increasingly encroaching on their territories.

The net interest margin for U.S. banks under \$1 billion in assets has fallen by 117 basis points during the past two decades, from 4.89 percent to 3.72 percent. Lending in small community banks spiked leading up to the financial crisis in 2008, reaching more than 70% of total assets. Since then, however, the figure has declined significantly and now stands at around 62% of total assets. Contributing factors, according to the publication *Central Banker*, are:

**“weak loan demand, tightened loan standards and a surge in deposits that loan demand could not absorb.”**

Some of the most progressive and successful community banks are using advanced customer relationship management (CRM) and collaboration technology as a way to mitigate risk and maximize opportunities. A CRM solution, particularly one using a cloud computing model, enables community banks to address some of their biggest challenges in managing customer relationships, including:

- Breaking down barriers between silos
- Driving new business from existing customers
- Tracking sales opportunities and coordinating the processes involved in managing referrals
- Understanding which products are the most profitable—and why—so the banks can build reliable and predictable profitability models
- Maximizing technology investments by using a cloud-based service that is simple to deploy and maintain; highly secure; customizable; constantly delivering new innovations, and far more cost-effective and predictable than home-grown solutions



# THE IMPORTANCE OF MAXIMIZING CUSTOMER RELATIONSHIPS

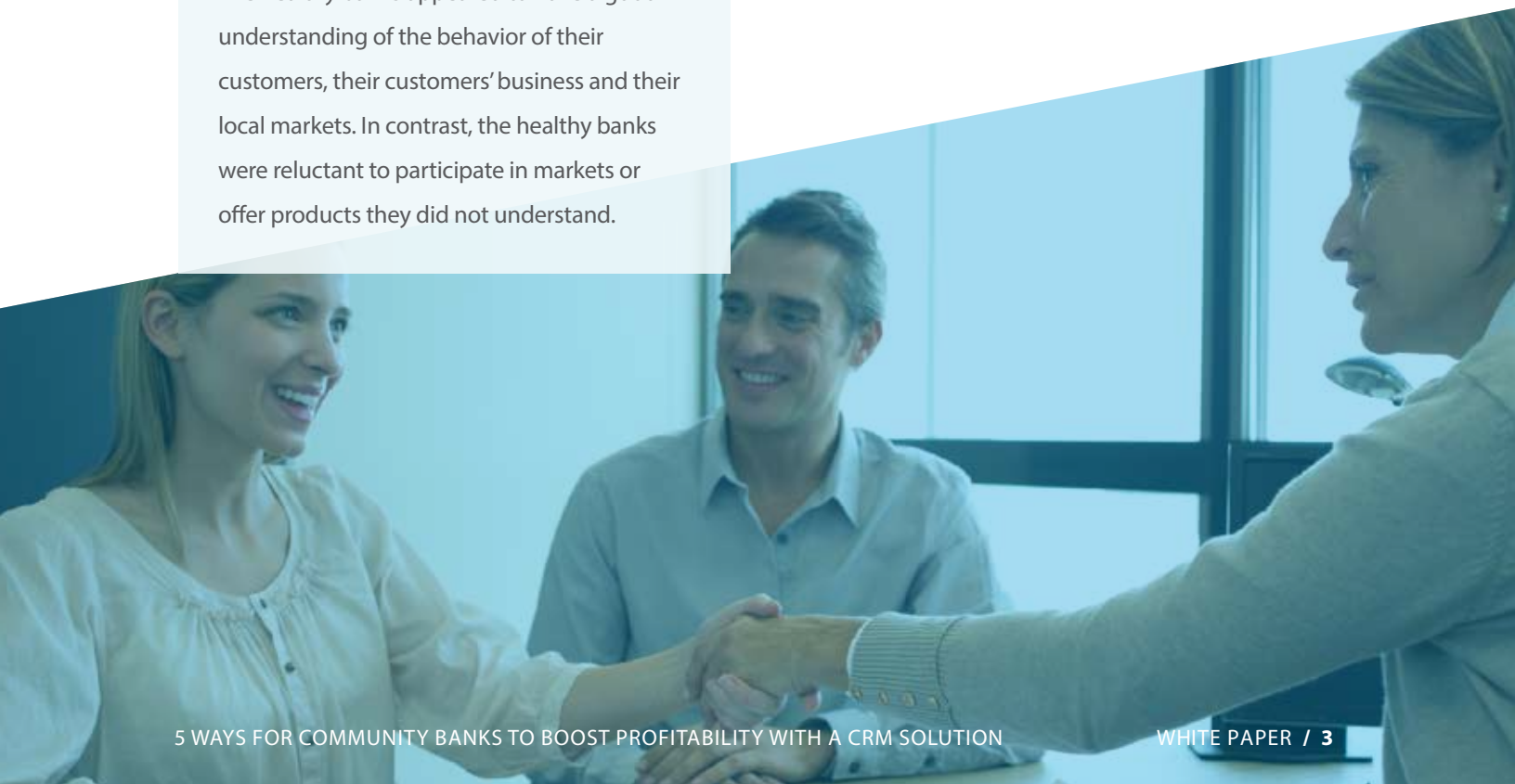
The impact of improved customer relationship management for community banks cannot be overstated. A study of nine member banks in the Richmond Federal Reserve District revealed the key characteristics of community banks that remained in good financial condition during the financial crisis. The banks ranged from about \$150 million to almost \$4 billion in assets, with a mean of \$1.5 billion. All of the most successful banks exhibited four key characteristics, including: conservative lending principles, the presence of senior management and detail.

Dramatic results occur when community banks are able to strategically approach customer relationship management and improve collaboration, compliance, transparency and many other critical activities. They are able to improve sales and customer service, while driving increased revenue from products that strengthen profitability.

In this white paper we discuss five critical ways in which community banks are successfully using a cloud-based CRM solution to improve customer relationships and drive increased profitability.

## Emphasis on relationship banking based on detailed knowledge of their markets and customers.

The healthy banks appeared to have a good understanding of the behavior of their customers, their customers' business and their local markets. In contrast, the healthy banks were reluctant to participate in markets or offer products they did not understand.





# BREAK DOWN BARRIERS BETWEEN SILOS

Community banks are typically rife with silos that operate independently of one another, often without the technology infrastructure to enable the simple sharing of information and resources. These silos can be defined by a number of characteristics: By departments, by the core applications they use, by the databases that store information, by the branches in which they are located and by their business processes. A bank, for example, might have different business groups unwilling to share their data and processes with other groups within the bank. Or they may have some groups using applications that don't easily interact with applications used by other groups.

What these silos have in common is that the information and activities they contain are not readily usable or shareable with others in the organization, certainly not in a timely manner that would impact sales and customer support. This lack of coordination and collaboration between departments can be extremely costly for community banks in terms of lost revenue and missed opportunities. Perhaps a customer with a home mortgage is also interested in a commercial loan. Without a holistic view of that customer, the commercial loan department may never know about that prospect.

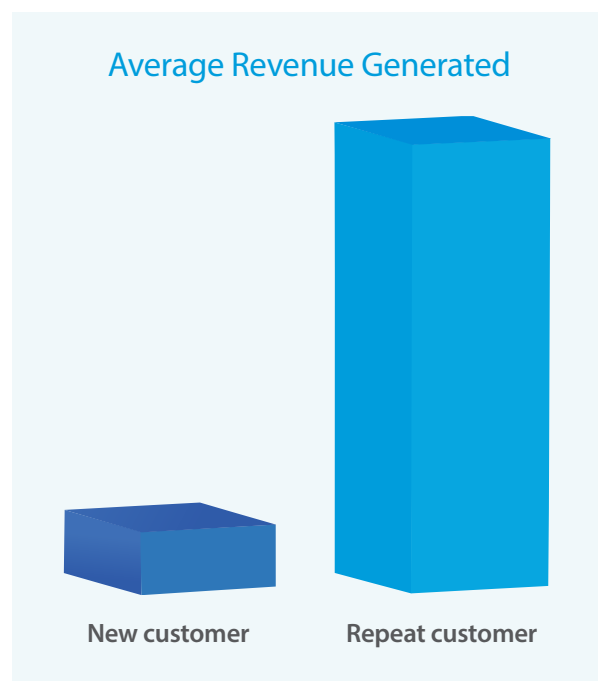
With a CRM solution, banks can easily break down these barriers and build not only a technology infrastructure that supports bank-wide collaboration, but also facilitate a cultural shift whereby managers and employees can easily experience and reap the benefits of a more sales-oriented and customer-oriented environment. If the bank can successfully build bridges between divisions, it can build much better and much more informed relationships with its customers. For community banks, breaking down internal barriers and building internal bridges can be critical in understanding the entire customer relationship.



## 2 DRIVE NEW BUSINESS FROM EXISTING CUSTOMERS

The lack of information and coordination across silos means that banks typically are not getting a complete view of their customers—what products they have purchased, what products they may need, how profitable their business is to the bank, whether they have business and personal accounts with the bank, etc.

As most banks already know, existing customers are the most profitable customers. According to one study, the average revenue generated by a repeat customer is nearly seven times more than a new customer, and the acquisition cost of a new customer is five to 10 times higher than the cost of retaining an existing customer



With a CRM solution, banks can track their customers at all locations, using all accounts, across business and personal activities. For example:

- Does your current system easily enable you to identify and track household relationships, so that if two individuals have the same address, you are aware of that?
- Do you know that someone somewhere in your system is using a business address and a separate home address?
- With the click of a mouse or a swipe of a screen can you easily pull up a record of all of a customer's activities, business and personal, and know when that person was last contacted, by whom and for what purpose?
- When a commercial loan officer in one branch has a conversation with a client, can a manager in another branch easily pull up a report to find out whether that individual would also be a candidate for a personal loan or other product?
- Is there any system or process that would encourage or reward that loan officer for reaching out?

When it comes to driving new business from existing customers what you don't know—or what you can't access easily and in a timely manner—can hurt you.



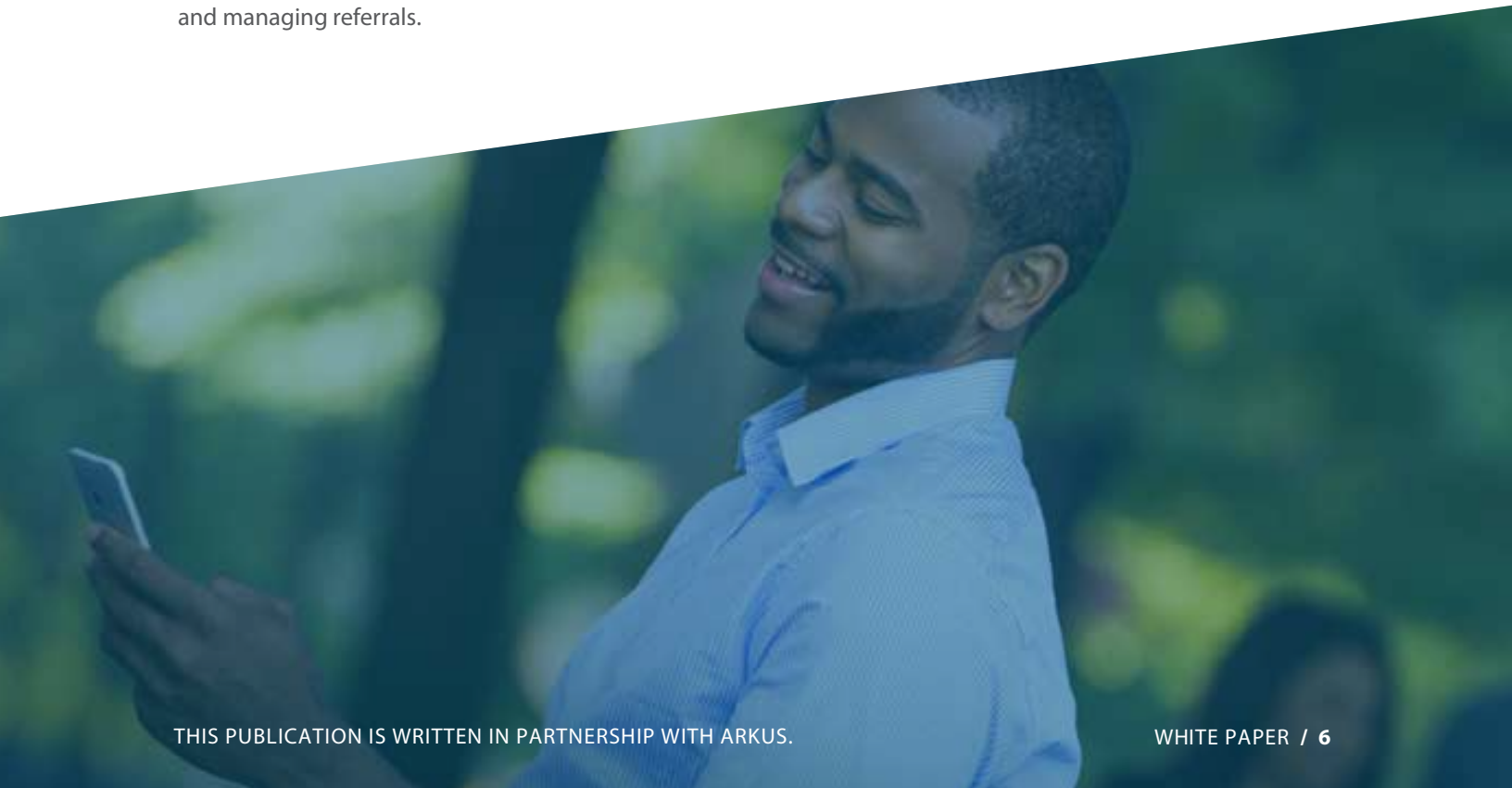
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## TRACK SALES OPPORTUNITIES AND MANAGE REFERRALS

It's not just information that is lacking across silos, banks are also plagued by a lack of cooperative sales activities, collaboration and referral management. Some of this is technologically based, to be sure—the systems are simply not in place to automate and simplify the processes necessary to enable simple collaboration. And even if the systems are in place, lack of coordinated processes can also be a significant factor that undermines collaboration.

Another challenge is the cultural component: Some departments are content with their silos and not necessarily interested in sharing information across departments. A CRM solution allows the bank to address both the technological and the cultural issues inherent in tracking sales activities and managing referrals.

When deploying a CRM solution, individuals from different departments and branches need to come together to create the accounts, fields, relationships and other information that are required to monitor and track the activities of customers and prospects. Then, once the CRM system is in place, all they have to do is enter their information. Activities can then be monitored and addressed in real time. This not only enables collaboration, but it also encourages it, enforces it and makes it ingrained into the processes necessary to do business. Everyone in the organization has the opportunity to act upon a single version of the truth.



# 4

## UNDERSTAND—AND PROACTIVELY MANAGE— PROFITABILITY

Banking professionals will often express their challenges in terms like this:

“We have all of these customers. And we have all of these products, such as mortgages, commercial loans, trusts, financial planning and investments, safe deposits. And we have all of these services, such as online banking, mobile banking and e-statements. But we have no way of knowing the level of profitability— if any—from the account, the customer or the relationship.”

When managed properly, a CRM solution will provide all the information in one place, in an accessible, simple-to-digest format, which will enable the bank to understand what is profitable and what isn't. You want to be able to make strategic decisions about the products and services you offer. Perhaps certain products, such as free checking, are loss leaders. You want to know what it is actually costing, and how successful it is in securing customer relationships and loyalty, and whether it is actually helping to drive new revenue streams.



# 5 MAXIMIZE TECHNOLOGY INVESTMENTS

Community banks are charged with serving the banking needs of their communities, not keeping up with the latest advances in technology. Banks often lack the resources and skill sets needed for major software or infrastructure upgrades or to address significant new opportunities, such as those presented by mobility and social media.

To build in-house technology solutions that address the collaboration and customer-relationship challenges they face, banks would have to invest significantly in up-front expenditures on hardware and software. They would also have to budget appropriately for ongoing maintenance, repairs, upgrades, patches, compliance updates and other ongoing operating expenses attached to the technology.

With the cloud, banks are utilizing a service that provides the latest advances in technology with a predictable cost structure that requires, at most, a minimal capital investment. All of the key features—mobility and social media being prime examples—are already built into the platform. Another huge advantage of a CRM solution is that it will simply and easily integrate with core banking products, such as Fiserv, FIS and Jack Henry, so the bank can continue to leverage its core technology assets. A CRM solution can also integrate with other ancillary origination systems that support lending or investments.

Banks can get up and running quickly with a cloud solution, and they can be much more flexible and nimble in adding new services, upgrading features or supporting new applications. Trying to add the same features/functions onto one of the core banking systems would be, by comparison, prohibitively expensive and time-consuming. Also important: a platform such as salesforce.com's is more secure than what a community bank could typically expect its IT staff or even a value-added reseller to build. In addition, the Salesforce1 Platform is customizable to the processes of each bank because it is designed to fit each customer's needs, whereas other systems force the customer to fit into their processes





## CONCLUSION

Community banks are looking for ways to improve sales, boost customer service, increase net margins and deepen customer relationships. The most successful community banks recognize that emphasizing customer relationships is the key to achieving their most critical objectives. A CRM solution provides the technological foundation and platform for banks to take huge leaps forward in not only managing customer relationships, but also in adopting a more sales-oriented and customer-oriented approach. Are you ready to take the first step towards a more profitable future?

Call [salesforce.com](http://salesforce.com) at 1-800-NO-SOFTWARE to begin your bank's transformation.

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