



Business Banking Issues

SPP's Managing Director, Terry Parker, recently attended the Small Business Banking Conference hosted by American Banker and the Risk Management Association (RMA). The Conference was attended by over 300 people, representing over 80 banks and financial institutions of all sizes. The focus of this year's conference was "Re-Shaping Small Business," emphasizing issues prevalent in "branch-based" business banking, as well as those arising with "business banking specialists." Most discussion was in the context of banking clients with revenue under \$20 million, concentrating on those with revenue between \$1 million and \$10 million. Over the course of three days, a range of presentations, discussions and case studies were explored. Following are brief summaries of some of these topics. *To discuss these issues in greater detail, please contact SPP. See contact information on page 8.*

This document is organized into sections, as follows.

- Section 1: Branch-Based Business Banking
- Section 2: Using Business Banking Specialists
- Section 3: An Integrated Approach – Branches and Specialists
- Section 4: Execution

Unless otherwise indicated, the information summarized below was presented by the speaker(s) referenced. SPP's commentary is limited to those sections labeled "SPP's Observations".

Section 1: Branch-Based Business Banking

Citizens Bank Presentation: Defining the Branch-Segment Value Proposition

Speaker: Maria Tedesco, Group Executive Vice President, Executive Director, Business Banking

- The Shape of Business Banking at Citizens
 - Companies with revenue below \$5 million
 - One person focusing on Business Banking in each of 1,500+ branches
 - Additional 375 Business Banking Officers and Relationship Managers
 - 100 PhoneBank agents
 - Focus on: leveraging the branch network, cross-sell, deeper share of wallet, retain clients, improve service
- Branch Business Delivery
 - Target companies with revenue below \$500,000
 - One person in branch focused on Business Banking – often the Assistant Branch Manager
 - Customer profiling tool, focused on identifying right channel and products for customers
- Business Banking Officers and Relationship Managers
 - Target companies with revenue between \$500,000 and \$5 million or lending needs between \$50,000 and \$250,000
 - BBOs focused on new client acquisition / business development
 - RMs focused on portfolio management and cross-sell
 - Housed in the field
- Business Banking PhoneBank Sales & Service
 - Four key functions
 - Portfolio managers for assigned clients
 - Service inbound calls
 - Outbound calls for prospecting and setting appointments for BBOs
 - Support for inquires/assistance to branch personnel



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- Key Issues in Branches
 - Certified Business Bankers (branch personnel) complete 24 hours of training over 6 months on lending/credit, cash management, etc.
 - Customer Satisfaction Score determined each month for each branch, for both consumer and business banking customers (separately)
 - Customer Satisfaction feeds into scorecard (20%) and incentives
 - Every new customer receives a phone call within 30 days to ensure smooth start up
- Handoffs from BBOs to RMs are challenging – both get credit for business, to motivate smooth handoff

Webster Bank Presentation: Making it Work Across the Branch Network

Speaker: Marshall St. Clair, Senior Vice President, Marketing and Product Management

- Customer Experience = Local Relationship/Support + Available Expertise + Skilled Phone Convenience
 - Local Branch Manager is active in Small Business relationships – validates importance
 - Regional Presidents available as needed
 - Dedicated telephone service center
 - Business Bankers, for larger businesses (both portfolio managers and specialists)
 - Industry specialists available as appropriate
- Branch Manager is Key
 - Basic sales call planning & tracking
 - Business Banker partnership
 - Joint goals and incentives with Business Banker
 - Activities/sales expectations
 - Capacity planning/staffing (give people the time to do what you want them to do)
 - Key themes: Frequency, Simplicity, Sustainability, Consistency
- 5 Tactics to Accelerate Small Business Traction
 - Organizational focus: Market Managers + Branch Managers + Business Bankers = Sales Force
 - Preparation and Ongoing Support: “Right-sized” training, sales coaching / call planning, sales manager, payroll/Merchant rep coaching
 - Marketing Program Consistency: Small business / business owner target consistently integrated into marketing campaigns
 - Sales Goals / Incentives / Management focus: Small business success required for Branch Manager success
 - Targets / Leads for branch calling, with measurement: Centralized pre-call/appointment setting; alignment with product design/pricing

Section 2: Using Business Banking Specialists

Research: How to Accelerate Small Business Sales Traction

Speaker: Les Dinkin, Managing Director, Novantas, LLC

Information below is from a recently completed research study among US and Canadian banks.

- 60% of US banks utilize Business Banking Specialists, while 40% cover the business banking market using only Branch Managers and/or other branch-based staff.
- 80% of major Canadian banks use Business Banking Specialists.
- Specialists tend to be more effective at business development.



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- Few banks set goals for branch personnel aimed specifically at small business. Rather, they commingle goals for consumer and small business. Sometimes these goals are based on ‘value’ – but more often focused on number of units.
- Novantas Recommendations
 - Use Business Banking Specialists
 - Align the number of specialists to the size of the opportunity (gap between market size and share)
 - Set specific business banking goals and incentives based on size of opportunity
 - Relentlessly sales manage activities and behaviors

Regions Bank Presentation: Building High Quality Business Banking Relationships

Speaker: John Asbury, Executive Vice President, Business Services Group

- Regions Bank’s Approach to Business Banking
 - Branch-based: sales revenue < \$2 million
 - Business Bankers: sales revenue from \$2 million to \$20 million in metropolitan markets
 - Community Banking: sales revenue from \$2 million to \$20 million outside metropolitan markets
 - Business Banking is a key growth strategy for Regions
 - Combine regional bank capabilities with a community bank ‘feel’
 - Focus heavily on specific industries, based on the breadth/depth of financial needs, the bank’s industry expertise and creditworthiness
 - Leverage middle market industry expertise into business banking
- How Does Regions Operate?
 - A consultative approach: Our advice differentiates us!
 - Face-to-face calls, local sales support
 - Well-defined “relationship development” process (formerly referred to as “sales process”) with call preparation and plans
 - Centralized credit documentation and underwriting
 - Treasury Management: local sales specialists focused on Business Banking, TM phone sales channel for small Business Banking opportunities
- Keys to Success
 - Call planning and preparation makes a big difference with new client acquisition
 - Align banker scorecards with strategy and key objectives (“Vertical Alignment of Messaging”)
 - Branch and Relationship channels are inextricably linked

Fifth Third Bank Presentation: The Banker Value Proposition

Speaker: Brian Mauntel, Senior Vice President, Head of Business Banking

- Business Banking at Fifth Third
 - Small Business defined as companies with revenue below \$3 million
 - Business Banking = companies with revenue from \$3 - \$20 million
 - Business Banking uses 300 RMs responsible for new business and portfolio management
 - Treasury Management representatives dedicated to Business Banking
- Customer Experience: “Value is equal to the conversation”
 - Tracked rigorously using the “53 CEI” (Fifth Third Customer Experience Index)
 - Measures the entire customer experience – service and advice
 - Includes two main components: the Key Driver Index (KDI) and Trusted Advisor Index (TAI)
 - KDI focuses on relationship and service; measuring the everyday behaviors with high correlation to satisfaction, retention and loyalty
 - TAI is focused on the role of “trusted advisor” and the degree of value added



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- Value of the Banker
 - Extends beyond the scope of traditional banking, to include the full spectrum of needs for: the business; the business owner; the business owner's family; and employees of the business
 - As the company moves through various stages of its lifecycle, the needs of the business (and owner/family) change, placing different demands on the role of trusted advisor

SPP's Observations

- *Among all approaches observed by SPP at the Conference, Fifth Third's appears to rely most heavily on positioning Business Bankers as 'trusted advisors' approach.*
- *Some aspects of the presentation (i.e. company lifecycle) imply that Business Bankers are at least familiar / conversant with issues such as capital structure, financial strategy, etc.*

Section 3: An Integrated Approach – Branches and Specialists

BB&T Presentation: The Perfect Client Experience

Speaker: Rip Howard, Community Banking Retail Group Executive

- Fundamental Strategy: Deliver the best value proposition in the market, recognizing that value is a function of quality and price.
- Structure and strategies are designed to optimize client contact with clients and prospects and to fully develop mutually beneficial relationships consistent with the BB&T culture.
- BB&T's value promise:
 - Who am I: experienced, passionate, focused on solutions
 - Who are we: solid, reliable, safe
 - What we do: payment solutions, risk management, employee benefits, capital formation, personal financial needs
 - How we do business: Community Bank concept, Culture, Vision, Mission, Values, Perfect Client Experience
- The Perfect Client Experience:
 - Reliable
 - Responsive
 - Empathetic
 - Competent
- Small Business Insight
 - Key Drivers of client satisfaction:
 - Easy to do business with
 - Appreciates the business
 - Get things right the first time
 - Responsive to requests or questions
 - Strategy centered around people, holistic advice, and solutions is more compelling and sustainable than one centered around transactions and technology
 - All channels must be consistent and fully integrated
 - Branch and account officer set tone
 - Relationship often begins with deposits



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Comerica Bank (Case Study)

Speaker: Michael Aust, Executive Vice President and National Retail Director

In 2005, approximately 75% of Comerica’s earnings were derived from Middle Market, mostly from the Michigan market.

Subsequently, executive management defined a new growth strategy focused on diversification of earnings by line of business and geography (including expansion in Texas and the West). Small Business is a key part of this strategy.

Small Business Banking at Comerica includes:

- Banking Center Small Business – businesses up to \$2.5MM in sales and \$250k or less in loans.
- Small Business Bankers – businesses between \$2.5MM and \$10MM in sales or more than \$250K in loans.
- SBA – focusing on businesses in Comerica’s footprint, with a relationship (vs. transactional) approach.

Comerica’s Small Business Strategy is based on seven key components, as follows.

Alignment	Targeting	Accountability	Collaboration	People	Resourcefulness	Support
<ul style="list-style-type: none"> • Role clarity • Financial goals • Sales goals • Sales activities • Incentives 	<ul style="list-style-type: none"> • New Banking Center sites require opportunity in at least 3 of 5 LOBs: Banking Center Small Business, Small Business Bankers, Retail, Wealth Mgmt., Middle Market 	<ul style="list-style-type: none"> • Banking Centers have their own balance sheet and responsibility for servicing ALL small businesses in their area • SBBs have access to local decision-making authority • Transaction deposit growth goals at Banking Center level include Small Business accounts 	<ul style="list-style-type: none"> • Cross functional sales activities (e.g. joint calls, contacts) published on the Banker Center dashboard • Partnership agreements: clear rules of engagement and clarity on roles among LOBs • Goal: Get “the whole enchilada” 	<ul style="list-style-type: none"> • Rebuild every job description, with new hiring profiles and grade levels • Enhanced education and training • Repetition: maximizing opportunities 	<ul style="list-style-type: none"> • Small Business Specialist pilot program • Prospecting: <ul style="list-style-type: none"> – third party appointment setting – customer contact center – individual calls • Relationship Banking model: <ul style="list-style-type: none"> – Custom solutions (SBB) – High Value portfolio calling (SBBC) 	<ul style="list-style-type: none"> • Treasury Management service center • Business Banking platform with: <ul style="list-style-type: none"> – 360° relationship view – Credit and portfolio management – Small Business marketing campaigns and events



Capital One Bank Presentation: How to Accelerate Small Business Sales Traction

Speaker: Bob Kottler, Senior Vice President, Small Business Banking

- Capital One's segmentation
 - Branch-based: sales revenue < \$2 million
 - Business Bankers: sales revenue from \$2 million to \$10 million
 - Business Banker channel is a separate Line of Business – reporting to Business Banking Area Managers, not through Retail channels
- Branch-based
 - Branch managers and platform staff handle small business customers in branch
 - Typically 125 clients in portfolios
- Business Banking Specialists
 - Organized in territories
 - Specialists handle multi-branch area 'clusters'
 - Treat branch staff as COIs
 - Business Bankers have assistant to handle administrative issues
 - Specialists responsible for both new business development and relationship/portfolio management
 - Typically 500 clients in portfolios
- Key Points to Consider
 - 30% of branches represent 80% of the opportunities
 - One of the biggest issues is role definitions/focus (especially among branch staff)
 - Concentrate on mining the portfolio for additional opportunities
 - Don't be too narrowly focused on loans
 - Coaching is important in business banking – manage activities, not activities

Section 4: Execution

SunTrust Bank Presentation: Linking Strategy and Execution with Intention

Speaker: Bill Holt, Executive Vice President, Business Banking

- Background
 - Business Banking is very profitable, with high ROA and ROE, deposit levels, etc.
 - But, with the economy struggling, low credit demand and the failure rate of businesses relatively high...
 - Many banks are reviewing their business banking strategy
- Market Landscape
 - Overall satisfaction has declined in the past two years
 - Clients concerned about reduced access to credit
 - Clients concerned about bank stability / acquisitions
 - Client loyalty continues to decline
 - Almost 50% of business banking clients would consider switching banks
- Strategic Choices
 - Strategy: Mass market or convenience?
 - Channel: Multiple or singular?
 - Credit: Centralized or decentralized?
 - Service: RM or Branch?
 - Focus: Product or technology?



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- Pricing: Price leader or follower?
- Client Value Proposition: Advice or service?
- Talent: Specialized or generalist?
- Keys to Successful Execution
 - Design the desired culture
 - Don't over train – most people want more than they need – not trying to create experts
 - Is the link between strategy and execution inspected? By whom?
 - Those with clearly articulated strategic choices will be the most successful.

SPP's Observations

- *Do your people understand the strategic choices your bank has made?*
- *Do they understand why they were made?*
- *Are they 'bought in' to the strategy?*
- *Strategy must be well understood and people must be committed in order for tactics to be implemented in alignment with strategy*

First Heritage Bank Presentation: Change is a Necessity in any Environment

Speaker: Cathy Reines, President and Chief Executive Officer

First Heritage Bank (FHB) is a community bank in Washington State, with \$200 million in assets and six branches. Since 2006/2007, FHB has focused heavily on small business clients. This focus has necessitated and enabled many changes over the past four years. FHB has applied concepts from Good to Great, by Jim Collins. This presentation explained how they were applied at FHB.

It is not mandatory to change – survival is not mandatory.

- Important Good to Great concepts
 - 'Good' is the enemy of 'Great' – it can cause complacency
 - Level 5 leadership is key
 - First decide 'who'...then 'what'
 - Confront the brutal facts
 - The Hedgehog concept
 - Cultural discipline
 - Technology accelerators

Change is the essence of life. Be willing to surrender what you are for what you could become.

- Hedgehog concept: the intersection of 3 circles
 - What you are deeply passionate about
 - What drives your economic engine
 - What you can be the best in the world at

This intersection represents the sustainable core of our greatness.

- Principles of the Hedgehog Concept
 - Relentless focus...a single mantra
 - Transition from complex to simple
 - Remain rigorously consistent
 - Divesting from everything that doesn't relate to the hedgehog concept
- FHB's Hedgehog Concept Vision Statement: We will be the Greatest Small Business Bank
- Mission Statement: As the greatest small business bank, First Heritage is passionate about providing financial solutions that enhance value for our customers, shareholders and community.



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- Core Values:
 - Passion for Excellence
 - Dedicated to Professionalism
 - Trusted Community Resource
 - Committed to Teamwork
 - Enhance Shareholder Value
- Implementation of Hedgehog
 - Mortgage Department – closed
 - Consumer Credit Cards – exited
 - Deposit Products – rationalized
 - Changes to Core System – extensive
 - Branches Remodeled (to include a ‘family room’ setting, as a gathering place for customers)
 - Staffing changes (initially a 25% reduction, growth since)
 - Hiring practices (focused on true financial advisors)
 - Branch expansion and moves (each branch is within 3 miles of at least 500 small businesses)
 - Lending practices (from secured to source of repayment)

Change! If you are going through hell, keep going?

SPP's Observations

- *Implementing a major change such as FHB's requires not only a well-planned business strategy, but a well designed plan for executing the changes to the business model and culture.*
- *The business model and culture must operate and evolve in parallel, over a period of time to be sustainable.*
- *To actively manage the evolution, key aspects of clarity, buy-in and behavior must be measured and monitored on a regular basis.*

SPP's Principals

Strategic Performance Partners' principals have in-depth financial industry knowledge and extensive expertise in consulting and organizational development. Our people have been active in banking for over 25 years.

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