

The Answer is Revenue

When margins are narrow, there is only 'so much' value you can squeeze out of your assets and liabilities. It is time to rethink balance sheet growth and strategies to achieve results.

Government stimulus payments have flooded bank balance sheets with funds and it appears a portion of that money is planning to stick around for a while. The resulting condition could be stressing your balance sheet ratios and normal asset liability management.

There are outstanding companies and industry experts actively helping banks manage their balance sheets. That isn't our focus here. Instead, let's direct our attention to something every institution can address, with or without extraordinary deposit growth. We're talking about revenue. The appropriate answer to almost every improvement question.

Share Success Stories With Employees

Revenue is something every single employee can help improve. Not just lenders or investment representatives. Not just trust officers or the Chief Financial Officer. Every employee can influence revenue. Unfortunately, most managers do not always help employees understand that influence. They don't take time to share stories or illustrations of how daily tasks will contribute to revenue growth. It's time for that to change.

Employees may not understand every aspect of the business of banking, however, helping them understand their contribution can be motivational. Think for a moment about different ways each employee can increase revenue. Be creative and build a list you can share with your staff. Let's use a teller to develop some examples.

Encourage Referrals

Tellers can encourage customers to use their debit card for purchases. It's safer than carrying cash and more convenient than writing checks, plus, debit card usage increases interchange income.

Tellers can make referrals to investment specialists. Federal Reserve research shows that approximately 71% of U.S. households have some form of a savings account. If customers are already saving and investing a portion of their money, why not offer your bank's solutions? The teller doesn't need to discover a new need, the customer is already engaged in a savings behavior. Savings accounts fund loans and generate interest income.

If your bank offers insurance services, every customer with a car or home is already buying their insurance services somewhere. Tellers don't have to talk them into something, they can just offer the opportunity to utilize your services. Maybe you can save them some money on their premiums. Insurance policies produce non-interest income.

Help your customers save money by refinancing their home loan. The Census Bureau estimates

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that 62% of homeowners have a mortgage. If today's interest rates would help save your customer money, why not suggest a solution. Home loans can increase revenue with non-interest income (loan fees) and interest income.

Banks spend a significant amount of time leveraging the resources currently on the balance sheet...dollars, accounts, and relationships. These resources generate revenue. If we divert the focus from assets and liabilities to revenue, we can also introduce solutions focused on future outcomes; things not currently embedded in the balance sheet. Let's look beyond what is already being managed.

Be Proactive

How many financial services do bank customers possess that include fees, commissions, or the potential to earn an interest spread? Services that retail households and businesses already possess and use to address their financial needs. Utilize your product development activities to assess those value-added services.

- Investments – mutual funds, stocks, bonds, annuities, IRA, college savings
- Trust services – charitable giving, foundations, investment management
- Estate planning
- Wills
- Retirement or financial planning
- Home loans
- Credit cards
- Life insurance
- Property-casualty insurance

- Real estate sales
- Auction services
- Payroll management and processing
- Tax return preparation
- Accounts receivable financing
- Leasing – vehicles, office equipment, heavy equipment
- Accounting and bookkeeping
- Specialized lending – payday loans, aircraft, mobile home parks,
- Business services - treasury management, merchant processing

Profitability will govern a bank's ability to expand relationships and generate growth. Expenses are usually a well-managed portion of profitability. The unrealized opportunity in the equation is revenue. By tapping into customer preferences that already include revenue generating services, banks can increase service utilization and fund growth.

Focus on Creative Solutions

There are no magic potions or silver bullets. Enhancing revenue will depend on a series of creative decisions and sound implementation practices. Expand your view of financial services. Individuals and businesses are using services and resources to manage their money. How many of those opportunities will be added to your service offering?

Then to ensure success, help your employees understand how your services help their customers achieve results. Relationship growth is a natural outcome when employees focus on their customers' success

