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## Four questions to determine what is truly a relationship bank

The imperative to transform banks into trusted advisors, improving the client experience and driving sustainable growth.

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October 15, 2024 Reading Time: 4 mins read



**By Mac Thompson**

Today's banking landscape demands a new, comprehensive approach to relationship building, beyond the strategies of the past 15 years. Gone are the days of generating profits through loans funded by cheap deposits. With compressed margins, potential charge-offs, challenging deposit environment and dwindling consumer cash reserves, banks must rethink their strategies.

To adapt and thrive in today's environment, **bankers need to embrace what it means to be relational**. Building relationships is not aggregating debt exposure; this appeases regulatory concerns and helps with credit decisions. It is also not about making decisions based solely on rates to boost liquidity. These types of decisions are often driven by sensitivity and volatility, which does not lead to long-term banking relationships. **Instead, relationship banking requires banks to have a deep understanding of the unique needs of their clients.**

The definition of relationship banking seems simple enough. However, the majority of banks **consider themselves relational but act transactional**. The fundamentals of relational banking have not changed over the years, but now banks have more ways to care for customers. More channels, products and services have made it difficult for banks to define and understand each customer's full banking relationship. Here are four questions to determine if banks are truly relational.

## 1. Do you have relationship information?

Many banks claim to be relationship-focused, yet their customer and account data tell a different story. For instance, when asked to list their 10 best clients, bankers typically identify their largest clients or the ones they interact with most frequently. However, when these lists are aligned with relationship profitability metrics, it often becomes clear that bankers overlook three or four of their most valuable clients due to insufficient information about the relationships.

The challenge is that banks store data in core and ancillary systems, creating silos that prevent a true understanding of their customers. Breaking down silos for a full customer picture starts with building a clean data environment, defining a full client relationship and aggregating a comprehensive view of the client's relationship and behavior. Understanding the entire banking relationship will help banks identify which relationships are both primary and profitable.

## 2. Do you have relationship intelligence?

Many banks might answer 'yes' to this question, but that doesn't necessarily mean their data provides actionable intelligence. To get actionable intelligence, banks need to apply segmentation to the data. Banks can segment relationships in many different ways, including by households (e.g., married couple), personal attributes such as demographics (age, gender, ethnicity, income etc.), defined geographical boundaries, lifestyles (personality, interests, etc.) and profitability characteristics (deposit balances, loan balances, estimated revenue, profitability and cost). They can also group clients based on similar behaviors, such as transactions and product usage.

Segmentation helps banks understand who their customers are and how they derive value from their banking relationship. This knowledge enables institutions to personalize their offerings for each segment, leading to increased profitability.

## 3. Do you have the human capital?

Beyond financial resources, banks need human capital. While goals and strategies are set by leadership, it's the bankers and branch employees who build relationships. Their success depends on how well they understand the current environment and potential value of individual relationships.

Providing employees with easy access to insights into these relationships, along with the right incentives and tools, can strengthen and enhance these connections. When employees have greater visibility into the relationships they manage, they're more motivated to drive revenue. They can see the impact they have on customers' lives and recognize their value as customer advocates. This

increased accessibility also facilitates regular touchpoints, ensuring better alignment of sales and business goals.

Moreover, profitable banker-customer relationships can serve as examples for performance improvement and training. Recognizing and rewarding high performers can boost employee retention, especially amid talent shortages. By focusing on both financial and human capital, banks can develop the capability to build stronger, more productive relationships and ultimately drive long-term success.

## 4. Do you have processes in place?

An effective process includes having a well-defined contact and engagement strategy. Banks need to determine how often and in what manner they should interact with their clients.

For instance, if a client is a “saver,” the bank should consider personal outreach, such as quarterly check-ins with targeted communications. Savers typically have high lifetime value due to low attrition and high income, making consistent outreach crucial. On the other hand, “borrowers” or “super spenders” might benefit from annual outreach to increase awareness and encourage the use of digital services.

Additionally, if a client frequently takes advantage of promotional offers but does not fully utilize them, there may be a more suitable rewards program for them. Or a bank might notice products are underused and offer temporary discounts to boost engagements. Taking a relational approach helps banks foster relationships based on more than just rates.

Combining the fundamentals of relationship banking with modern technology is how banks can protect and deepen relationships that are vital to their health and profitability. This approach transforms bankers from order takers into trusted advisors, further improving the client experience and driving sustainable growth. Embracing a relational approach is essential for banks to thrive in today’s competitive landscape.

*Mac Thompson is the CEO and founder of [White Clay](#), a software that guides banks and credit unions to build deeper and more profitable relationships.*

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