Relationships matter

WITH CORPORATES PUTTING THEIR BANKING PARTNERS UNDER EVER GREATER SCRUTINY, RELATIONSHIP MANAGEMENT MEANS THE DIFFERENCE BETWEEN SUCCESS AND FAILURE, SAYS **MARTIN RUNOW**.

The past few years have marked a watershed in the development of banking relationships. Banks now find themselves subject to an elevated level of scrutiny in many areas, including creditworthiness, investment strategy and service levels. And rightly so. Corporates want banking partners with sustainable strategies, a shared focus on regions and markets, and well positioned to assist in navigating a changing regulatory landscape. In transaction banking, in particular, service levels are crucial to shaping the nature of bank-corporate interactions, from the request for proposal (RFP) and initial consultations through to the more mature stages of the relationship. This new focus on service is bringing home to many that this is not just a business defined by technology and scale but one that is very much people and relationship-driven.

Several factors underpin the importance of service levels and personal relationships in transaction banking. First, transaction banking partnerships often involve a long-term commitment by both parties – sales cycles and onboarding times can be longer than in other practice areas, and a new relationship will often involve both bank and corporate making significant investment commitments. Second, such relationships involve many "touch points" across an organisation, something that is set to increase as solutions become integrated and transaction banking extends along the trade and value chain.

Corporates now have a heightened awareness of concentration risk, with a much greater propensity to divide up their "wallet" between providers and make contingencies in case any should suddenly be unable to fulfil their obligations.

This new corporate cautiousness – and the associated desire to spread risk among several banking relationships – has changed the landscape for even the most creditworthy and robust of providers. Yet, from a corporate perspective, there remains a trade-off here between efficiency and risk: engaging several providers may dilute the level of risk but it will lead to increased complexity and may demand sacrifices in terms of overall efficiency.

RELATIONSHIPS REQUIRE CLOSE ATTENTION From a banking perspective, service levels and the management of interactions with clients are the basis of a good relationship. At Deutsche Bank, this begins with a single principal contact – normally the relationship manager – who forms the foundation of what will inevitably be a web of other touch points between the bank and the client.

A further key aspect is making servicing as local and close to the client as possible. The bank's on-the-ground experts understand and are familiar with local market conditions – something that is appreciated by clients in emerging markets, where fluid regulatory environments are subject to frequent changes, often at short notice. Keeping customer service and implementation specialists local and close to clients can be viewed as an additional – and avoidable – cost by some banks. Yet this is short-sighted. A relationship that is geographically close leads to deeper personal interactions and discussions that help the bank better understand the client's business, its local needs and market sector.

However, while local servicing can be crucial, the nature of such a relationship will be shaped by the initial interactions between bank and client in the structuring and onboarding stages. Banks need to spend more time listening to potential clients and less time pitching products. Corporates are interested in buying solutions to specific problems and issues. A consultative approach leads to an investigation into how the bank's offering can be tailored. This will start the partnership on the best possible footing and minimise the chance of problems developing as the relationship matures.

At Deutsche Bank we have taken this philosophy even further with the launch of a social media campaign last year that brought clients into the product development process through an online portal that facilitates information sharing, discussion and voting on aspects of solution design. Such campaigns are having a huge impact on how we bring products to market, and are leading to a new generation of solutions that truly reflect corporate needs rather than the vagaries of internal bank processes and structures.

Transaction banking is driven by people and relationships – something that can often be obscured by the importance placed on technology and geographic reach. Indeed, while investment in systems and infrastructure is crucial, the need to understand a potential client's business thoroughly and develop long-standing relationships of trust can present just as high a barrier to entry to this sector.

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