Death of the Relationship Manager?

RM deployment requires action to match the rhetoric

Rumours of the death of the relationship manager (RM) would appear to be not just exaggerated but nonsensical given the number of banks seeking to add another 25, 50 or 100 new RMs to their sales force. But amidst the frenzy of shoulder tapping currently taking place domestically and offshore, the emphasis seems to be no longer on recruiting traditional RMs who would both acquire new customers and, more importantly, manage and mine customer portfolios. Instead, banks are directing executive search firms to find "business developers" and "originators" whose primary task is to aggressively acquire new customers. Salary packages are increasingly packaged to reflect this shift with RMs KPI-ed on "new" business as opposed to "more" business. One major search firm East & Partners spoke to said: "The RM has kind of gone; all of the banks are telling us they want deal originators who can replace the customers they're losing." This sentiment was echoed by other executive search professionals.

On the face of it, this would seem to be an admission on the part of banks that customers are becoming as commoditised and "hot" as some of the product offerings (loans and deposits in particular) that have contributed to today's unprecedented levels of customer churn and market disaggregation. While this may be a harsh assessment, a strategy based on customer replenishment rather than customer retention does appear to be deeply flawed. For not only is it more expensive to acquire new customers than service and develop existing ones, if customers are moving through your fingers quicker than a ball down the Wallabies' back line, the opportunity to deepen those relationships is greatly diminished. Further, winning and retaining customers purely through the blunt but increasingly prevalent strategy of competitive pricing, can only result in short term gains and shallow relationships if the service component is excluded.

Over the past two years, banks have talked up their efforts to better service business customers, putting a particular focus on the SME segment. But generally speaking, these customers are not significantly happier. This is illustrated in East's soon to be launched monthly Business Banking Sentiment Survey by poor satisfaction, empathy and advocacy ratings, and also by the growing number of businesses that are starting to forge stronger bonds with a business broker than with their business banker. How did it get to this stage? Because companies of all sizes continually tell us they want to interact with someone who takes the time to "understand their business". A major aspect of this entails not having to re-educate a new RM about their business every year or so, which they find infuriating. And if businesses decide to switch provider on the basis of an initial, positive engagement with a "hunter-gatherer" style RM only to find themselves handed off to a portfolio manager the second the ink on the contract has dried, the customer finds he has simply jumped from the "fire into the frying pan".

How businesses rate the relationship they have with their banks

10% (antagonistic) to 100% (empathic)

Segment	June 2006	July 2006
Micro Business	27.7	25.8
SME	41.2	38.8
Lower Commercial	60.4	61.0
OVERALL	42.2	40.9

Source: East & Partners Business Banking Sentiment Index — July 2006

Generation Y will reduce RM tenures even further

Despite the hunt for business originators, some banks are sweetening the pill with prospective customers by guaranteeing them the same RM for a minimum of two years. Anecdotal evidence and intuition would suggest that this promise, if it in fact actually occurs now, will become progressively harder to achieve. For a start, holding onto RMs in a market which is high on demand but lacking sufficient depth of talent will provide a major challenge. The salaries on offer will see to that. According to a survey by executive search firm Hays, base salaries have risen considerably over the past year, particularly in high growth markets in Queensland and Western Australia (only NSW is fairly stagnant).

Then there is the "Generation Y" factor to consider: younger RMs are less inclined to take the long way to the top, they want to be fast tracked. Not only will this cause the length of customer relationship tenure to reduce with greater alacrity, top performing RMs will quickly find themselves in an office away from customer facing roles – not necessarily an effective use of their talent. And if customers are already complaining that they have to deal with RMs who they consider to be on the young side (even if they're in their 30s), how will they feel discussing their business with someone fresh out of university who they may only meet once – if at all?

Technology of course plays a role in all of this, but for the customer, banking remains essentially about people and relationships. RM models and how best to deploy them require action that matches the rhetoric on the part of banks if this high churn (customers AND RMs), low satisfaction environment is ever to be improved.