east&partners researchnote

The Post – GFC Relationship Manager

The Customer Wants a RM

The role of the business bank relationship manager has changed dramatically over the past two years with significant lending authority and credit management responsibilities taken away and centralised. How then, does the significant jump in new bandwidth this should have created at both an institutional and individual level be used and where does highest ROI exist?

East's monthly business banking customer satisfaction monitor (BBCSM) tracks RM deployment rates across the industry and measures its impact on customer experience. Consistently increasing deployment has generated consistently improving customer satisfaction performance across all customer segments, especially the effort being invested amongst SME customers over the past 18 months as shown in the figure below.

These numbers correlate closely with bank reported current RM recruitment drives:

	New RMs
ANZ	100
CBA	150
NAB	200
WBC / SGB	120

and equate roughly to the averaged monthly 2% increase in RM population over the past year and a half measured by BBCSM.

This is in stark contrast to another key channel to the customer; namely the branch ,which over the same past 18 months has shown a 42.5% decline in usage by business customers and a 20.2% decline in customer satisfaction experience.

Perhaps, thus, there are three key roles for the post-GFC relationship manager to make a difference...none to do with new customer hunting but all to do with defensive customer management...

Limiting GFC Induced Customer Churn

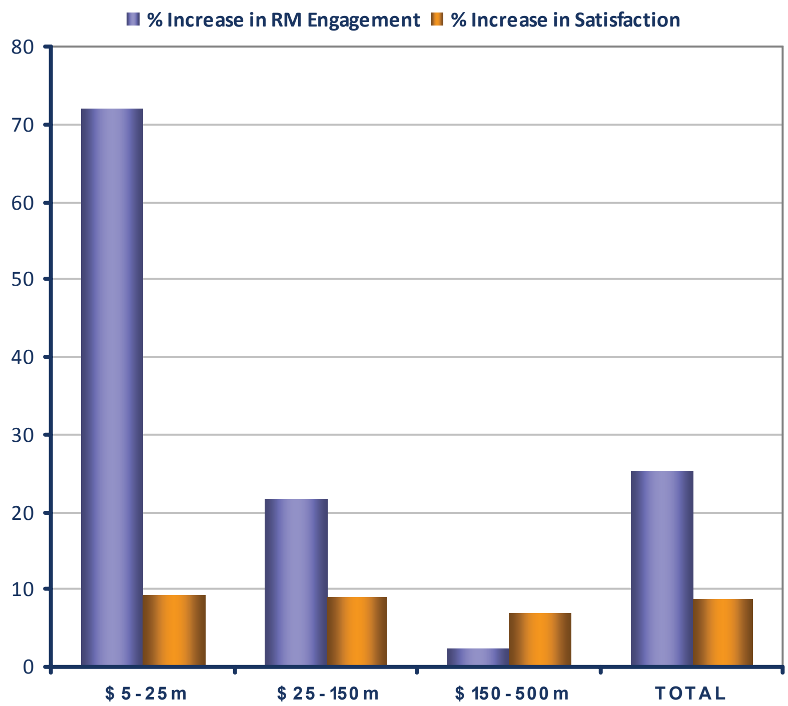
The Big 4 are continuing to use credit availability as the key tool in re-pricing their lending books and restricting customer churn and attrition.

The big balance to manage in doing this is the positive retention of customers and the avoidance of large downstream switching as apparent and/or real choice re-enters the credit markets and customers frustrated by their experiences over the past eighteen months "take it out" on their incumbent providers.

Customer Advocacy

Advocacy died during the GFC. Re-stimulating positive customer advocacy and referral in meaningful ways is now essential for bank prosperity in 2010 onward. Success here will drive key associated outcomes with advocates of greater product cross sell and wallet share gain within the existing relationship.

However, we see advocacy as principally a defensive customer retention strategy for the next two years, especially between the Big 4 Australians, and not one of customer acquisition. The first thing an advocating customer tends to do is buy more from their incumbent provider. Even in a re-opening credit environment, customers will not advocate another's access to limited credit.



Source: East & Partners, BBCSM Monthly Markets Monitor

Margin protection and growth

Whilst further regulatory intervention remains a key risk for the coming year, the business of banking is absolutely focussed on margin enhancement.

Clearly both lending and deposit rate rises are coming and will be the dominant pricing theme for the near term and margin management opportunities will abound as demand for business credit accelerates in a climbing interest rate environment.

With credit decisioning no longer central to the RM's role, a brave new world of proactive customer servicing and enhancement calls; one which should rightly have always been the role's prime focus but one which perhaps lost its way.

BANKING • RESEARCH • ADVISORY • STRATEGY