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Making the Grade

by Nino DeNicola

Over the past two years, I have conducted more than two dozen qualitative studies for various banks that have focused on the needs and demands of commercial clients—as opposed to retail customers. I believe that the findings offer valuable insights for bank managers dealing with this key segment.

The companies represented in the studies—commercial and institutional organizations—range in size from smaller firms (with annual sales from $500,000 to $5 million) to large national organizations (with sales of $250 million or more). The men and women who participated in these studies were high-level financial decision makers for their companies: presidents, vice presidents of finance, chief financial officers and treasurers.

The studies identified factors commercial clients consider when selecting and evaluating banks. The findings also indicate how customers define "satisfactory" and "superior" bank performance.

Six Key Rating Factors

Across the board, six major attributes emerged as the most significant factors in measuring bank performance: customer service; pricing policies; access to credit; product array; reporting and communication; and institutional stature.

In broad terms, these findings are not surprising: it is as one would expect. But significant new perspectives are revealed with a closer focus on the specific management perceptions and demands in each category—and on which aspects of bank performance earn satisfactory or superior ratings.

1. Customer service. Defined as the relationship between clients and the bank's account officer or team, customer service was a recurrent and prominent theme in all groups and interviews.

To be characterized as satisfactory, bank account officers must be:

- Accessible and responsive—this was defined as easy to reach by phone, prompt in returning phone calls, and readily able to distinguish urgent from routine requests and to respond accordingly;
- thoroughly knowledgeable about bank products and services;
- dependable in following through on any problems and in confirming requests;
- ready and willing to educate themselves about the client's business and industry; and
- able to establish a reasonable degree of personal rapport.

To be rated superior, account officers must also:

- Communicate that the bank values the client's business, despite size, and give assurance of bank loyalty through the ups and downs of business cycles;
- demonstrate "partnership" with the client—in essence, saying "Your goals are the bank's goals";
- serve as the client's advocate in the bank's decision-making process—especially in lending situations;
- be a capable networker within the bank—knowledgeable about the proper channels to pursue and how to cut red tape and minimize the bureaucracy the client must navigate; and
- proactively pursue client interests.

A number of examples from the surveyed commercial clients illustrated proactive behavior. For instance, a superior account officer might:

- Provide early notification of impending changes in bank staff policies;

- suggest ways the client might best use bank services, with specific sensitivity to profitability and cost savings;
- supply updates on banking technology and innovations—such as new software—and suggest ways the client can best take advantage of these;
- make periodic—and unsolicited— "pulse checks";
- offer insights regarding the competitive environment pertinent to the client's industry;
- demonstrate a sense of partnership, suggesting areas in which the client can grow and diversify—including acquisition and merger potentials; and
- edit, annotate and otherwise "personalize" mass-produced bank communications.

While commercial customers generally viewed their banking relationships in terms of individual account officers, many clients accepted a team approach—if it were a small one. It was felt that a team assured back-up—as well as a continuity of knowledgeable staff—in the event that the main contact person is absent, promoted or leaves the bank.

2. Pricing policies. Not surprisingly, most commercial clients place an emphasis on the issue of cost. In this area, satisfactory performance involves the bank's willingness to remain competitive locally—particularly in lending—and the maintenance of reasonable pricing position regarding the range of common services (such as cash management, payroll and wire transfers).

A bank gets superior marks if it:

- adheres to a simplified, predictable pricing policy—for example, offering to tie costs to a client's average account balance or average level of activity, so that they can be anticipated from month to month;
- does not "nickel-and-dime" the client with a la carte service charges; and
- shows an aggressive attitude and a willingness to negotiate in responding to requests for bids.

3. Access to credit. In the area of lending, executives' criteria for satisfactory performance focused on the bank's overall readiness to lend (including an ample "war chest"), and competitive pricing policies.

There were several factors that earned banks a superior rating in this area, such as:

- Flexibility—a willingness to "bend the rules";
- enough company- and industry-specific to assess a client's credit-worthiness using methods that may not be "by-the-book";
- minimum paperwork requirements; and
- an active desire to keep pricing and terms competitive.

4. Product array. The range of products and services that banks offer business clients is a vital concern. To be viewed as satisfactory, a bank must provide the basics: cash management, business checking, payroll systems. For the larger client there must also be offerings of pension and profit-sharing plans.

A bank's product array is seen as superior when it offers a broad range of sophisticated products—including wire transfer, foreign currency exchange, and international capabilities. In addition, some executives looked for what they called a "global presence" to the bank.

Outstanding products were seen as technologically and financially cutting edge. Examples include cash management services with daily sweeps and a choice of vehicles for excess cash. Also rated as outstanding are profit-sharing and pension plans offering investment choices to employees and performance comparable to those offered by leading investment houses.

5. Reporting and communications. For many commercial clients, the bank's systems for keeping clients informed, including their access to account information, is important. Here, the basis for a satisfactory rating includes prompt reporting and feedback on account activity, error-free statements, a reporting format constant with the client's computer system, and the opportunity to discuss account activity and performance, on request.

A superior provider is expected to:

- Use modern communications technologies (fax, Touch-Tone phones, computers) to give clients daily access to account information;
- keep the client advised of any problems or glitches;
- offer clients the option of customized statements; and
- encourage client-bank contact—quarterly account-review meetings on-site visits by senior bank man agement, and selected referrals to the bank's in-house specialists. (Outstanding banks will also make sure that those clients who have less routine contact with account officers are kept in the communications loop.)

6. Institutional stature. Commercial clients do consider a bank's reputation during the initial selection process. For commercial clients, a bank will satisfactorily pass this first screening if it has an image of financial stability, has avoided negative press and is not an obvious takeover candidate.

A number of commercial clients suggested that banks enjoying a superior reputation also possess a history of

- a stable, tenured staff with minimal turnover;
- being a good corporate citizen—caring about its employees, its customers, and the community it serves;
- accomplishing a smooth transition after a merger; and
- enjoying a favorable "personal" image—being regarded as friendly, accessible, creative, smart, and people-oriented.

Further Concerns

While respondents to our studies agreed almost universally about the characteristics that define satisfactory and superior performance, the resulting list is not an exhaustive one. Many executives cited additional concerns, including local decision-making autonomy, a retail branch network that could cater to their employees, and more personal ways of reaching bank executives— "live" interaction versus voice-mail response.

Although these findings applied to the entire sample of executives, some subtle differences emerged based on company size. For instance, among larger firms, the evaluative process appears to be more structured—often based on a formal review of prices and available products. Further, larger companies operating in multiple locations or internationally indicated special concerns about their banks' branch networks and global presence (whether emerging or established).

In smaller companies, the decision-maker might be the owner or company president, who valued contact with bank executives at his or her own level and therefore sought access to senior bank management. Some of the smaller to mid-size company executives also expressed insecurity concerning borrowing and credit: They wanted assurances from the banks serving them that their business is valued—particularly in the wake of a bank merger or acquisition.

How Do Banks Measure Up?

How well do banks score against the performance criteria cited by these executives? Unhappily, many clients often give their banks only fair or marginal grades—even with regard to some of the most basic attributes.

Significantly, low marks with respect to basic services often tended to emerge when clients were asked to evaluate bank innovation—their creative and high-tech solutions. At the same time, however, individual examples of outstanding performance were cited in certain areas, such as the relationship established by highly-regarded account officers or the technical sophistication of specific, selected bank products.

What this suggests is that a bank serving (or wishing to serve) commercial clients might do well to develop a scorecard, listing the bank's operations goals, clearly identifying which are essential and which are ideal. The scorecard would also evaluate current performance against these standards.

Such an evaluation needs to be made before introducing any new product or service. What is first needed is accurate and comprehensive client feedback.

In this regard, qualitative surveying, consistently pursued, is the most reliable means of determining whether and how well the bank is succeeding in meeting its performance goals—and in determining the needs and preferences of its current and potential clientele.

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