

PERSPECTIVE

Managing Client Relationships in Challenging Times



Relationship managers at banks are going through a tough phase in their career. They have the seemingly impossible task of retaining clients who are becoming increasingly jittery in the face of steady asset erosion. To add insult to injury, some banks have raised fees in order to compensate for losses – and it falls upon the relationship manager to convey the news to clients. The relationship manager is once again the bearer of bad tidings in case of a margin call arising due to a sharp drop in an equity portfolio.

Therefore, it is no surprise that clients, who rarely call during boom times, are now demanding accountability from their relationship managers.

It is critical that relationship managers handle their clients' expectations very carefully in this tenuous environment. To start with, they must recognise the diverse forces that are dogging their customers:

Stressed Balance Sheets

The worries caused by dwindling asset values are being compounded by swelling liabilities. On the one hand, investments in equity and real estate continue to plummet, on the other, rising inflation and interest rates have stretched monthly expenditure, perhaps to a point when a mortgage is no longer serviceable.

Choked Cash Flow

Salary cuts and layoffs have squeezed cash flow badly. People do not have the resources to maintain their standard of living – yet, unable to cut back on expenses, they resort to further debt or asset liquidation.

Crisis of Confidence

Common investors have very little insight into the forces that have created the current financial crisis. With their confidence shattered, most people are doubtful of their ability to bounce back.

Bewildered and angry clients are looking for someone on whom they can pin the blame – the relationship manager being the first human touch point in the bank is the likely fall guy.

So, what can banks do to protect their relationships?

Be pro-active

Expecting the worst from any client interaction, some relationship managers go into hiding during bad times. This is absolutely the last thing they should do. Instead, they must seize the opportunity to prove their mettle and show their clients that they are not just fair-weather friends.

Ordinary investors have neither the time nor the expertise to analyse the intricacies of financial markets – but that is exactly what they expect from their relationship manager. When bad times hit, that is where they are likely to pin responsibility. The relationship manager must act swiftly to dispel these misconceptions or risk losing the business. He should be able to explain the causes underlying the poor performance of the portfolio, and also demonstrate how the malaise has uniformly afflicted the accounts managed by other banks. A tool that can compare the returns on rival investment products comparable to those in the clients' portfolio will serve as a credible explanation and also help to distance the personality of the relationship manager from the problem faced by his client.

Finacle finanz tools are an integrated family of advanced solutions that engage the bank's customers in personalized product illustrations. These are simple-to-use financial calculators, simulators and modelers that illustrate how financial products work, and demonstrate their benefits and features. Banks can mix and match the range of tools, embed these directly into any or all of their sales channels.

Relationship managers can use these tools for:

- **Simulation:** Recreating a range of product situations by suitably changing the parameters to match customer requirements, to observe outcome.
- **Comparison:** Comparing two or more similar products to show the behaviour of products for various parameters such as term and interest rate. These simulations are created online with results displayed in real time.
- **Illustration:** Personalized illustrations for specific customer contexts.
- **Goal Seeking:** Depicting the steps to achieve a financial goal.
- **Guidance:** Advising customers to help them address critical questions related to financial planning.

These tools can also be made available to the end customer through online banking, thereby empowering him to take financial decisions independently.

Offer informed counsel

In a roundtable discussion organised by “Wall Street & Technology” on challenges facing CIOs in 2009, one of the key messages that emerged was that wealth managers must get to know their clients better.

However, before making any approaches, relationship managers must be armed with a detailed profile of their clients not limited to the portfolio that they are actually managing – including demographic details, family size, professional status, monthly family income, net asset position, spending pattern and lifestyle choices. A client may have multiple relationships with a bank, of which wealth management is one. The bank must therefore have the necessary systems in place to consolidate all the information pertaining to the client generated across multiple channels (for example branch,

ATM, call centre, Internet) and swiftly make it available to the concerned relationship manager.

A 360 degree view of the client's financial position can be a source of great insight. For example, a person with high discretionary expenses can be advised to cut back a little and deploy the money to pay off a personal loan. If the relationship manager perceives that the client is prone to reckless spending, he must caution him carefully about the risks of doing so in times of uncertain finances. This may seem a tough ask, but if the executive can use a financial modeler to simulate a future scenario based on the current level of spending, he may have a very convincing case.

In another example, a home loan borrower who is contemplating switching to another bank offering slightly lower interest rates, must be asked to factor in the hidden costs of processing fees and pre-payment penalties before taking a decision. The relationship manager may propose refinancing the loan as a better solution instead.

In order to establish the solidity of the counsel offered, the client must be presented with hard facts and sound analysis. A comprehensive Financial Planning tool that can help model the client's current financial position and predict his future under different economic scenarios will lend credibility to the relationship manager and his banking institution.

More than anything, the relationship manager must give the client the confidence that together they can indeed weather the passing clouds.

Wealth Creation

Clients approach banks for advice on wealth creation using various instruments of investment. Typically these are long term goals and customers require help in analyzing future scenarios, considering various interplaying parameters. These long term investments provide banks opportunities to sell products and services that ensure revenues over longer time spans.

Finacle finanz tools can assist the bank in maximizing these opportunities. The goal seeker can help chart the path to achieve financial goals within a predefined term. The retirement planner can help determine the balance of assets and liabilities required to reach a stated retirement objective. Finacle finanz tools can also project income that can be generated from investment in properties and other products.

Take a segment-of-one approach

A relationship manager may get away with a one-size-fits-all strategy during good times, when most portfolios deliver decent returns. During a downturn however, each client must be dealt with individually, in accordance with his or her overall financial situation.

A single professional in the early 30s has a long investment horizon, prior to retirement. The relationship manager must therefore look to building this client's investment portfolio in the future. Through the use of predictive tools, he can recommend an appropriate portfolio keeping in mind the client's long term goals and risk appetite. He can convince the client that although the present may look bleak, no setback lasts forever, and investments made at the current low prices look good to yield decent returns in future.

In contrast, a high net-worth individual may want to know how best to reallocate his existing portfolio. The relationship manager could, with the help of product specialists, recommend alternatives such as commodities, structured products or derivatives. It is important that such advice is backed by sound analysis.

Delve deep

The relationship manager must use the information at his disposal to analyse every element that has an impact on the clients' financial situation, because each of these is in some way linked to the other. He must "break

up" the clients' financial profile into smaller parts – for example expenses, long term investments, cash and liquid assets, retirement savings and so on. By doing so, he can identify any obvious gaps or excesses and recommend corrective action. In this way, an integrated approach to the situation will result in an optimal solution.

Balance and cross-sell

At a time when cost cutting is paramount, relationship managers can suggest bundled options or cross-sell products to clients if these result in savings. If the executive is aware that the client has taken a home loan recently, he can recommend a home-insurance product on top of it. On the other hand, a client who travels frequently can be offered a credit card that is jointly branded with an airline.

The relationship manager can also find opportunities to cross-sell other financial/ investment products in order to better balance a portfolio.

Sustained Cross-sell Framework

Finacle finanz tools simplifies the bank's product offerings for customers and helps them understand mortgage, loan, investment, wealth creation, retirement planning, taxation, budgeting and insurance planning products, through personalized illustrations and scenarios. This presents a long-term strategic framework for the bank to effectively manage customer experience and aggressively explore opportunities for cross-sell and up-sell.

Be prepared for the good times

A large part of client assets may be parked in cash and low yielding instruments today, but the relationship manager must plan ahead when the same must be reallocated to other instruments. At that time, he must be able to move swiftly to capitalise on the opportunity. The bank must

therefore ensure that he has the necessary tools, updated with the latest industry data at that time, so that he can present a convincing argument to the client.

In the final analysis, it is the quality of advice and level of commitment shown that will make or mar the relationship.

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