RELATIONSHIP MANAGEMENT IN CORPORATE BANKING

By Mr. Buwanekabahu Perera

Change is a word that is easily associated with the financial services industry and it is no stranger to the banking industry. Banking and finance is a very old industry and its basic function of storing and transferring value is still the same. However, today the way in which banks and financial institutions create value for their customers is becoming much more complex as customers themselves become more financially sophisticated and demand more advanced products. The pace of change is undoubtedly picking up, but it has been a continuing feature of financial services. Many changes have been directly related to the development of new technology. Although many financial service firms are recognizing the need to create and keep up with changes in the delivery of financial products, they do not necessarily have a wider view of how such changes need to be supported by advanced customer management and knowledge technology. They also may not see its impact on areas such as mergers and acquisition strategies and new competitive environment in a deregulated financial service industry.

Commercial banks having to deal with an increasing pace of change in the competitive landscape, in which they operate, are very much controlled today by four key elements; namely, risk management, technology, service excellence and relationship management, all of which would collectively or singularly have a major influence for their success and survival. As will be seen throughout this work, relationship management and business strategies in the financial services sector (Commercial Banks) are now inseparably linked.

World over, Commercial Banks are today jockeying for position as core financial service providers against a frenzied backdrop of mergers and acquisitions and large-scale consolidations. Now companies and banks are carving out new parameters to provide customer relationships, as both sides seek to mutually create value. A measure of any financial system is the ease and flexibility with which financial institutions are linked to those who are in need of credit and other financial services. A key part of this process is the relationship between the customer (borrower) and the financial service provider (Bank / lender). Like all successful relationships, it needs to create shared benefits, and be based on mutual understanding.

It is quite apparent that the rapid development of the financial markets and product innovation during the past decade have changed the nature of banking relationships. The establishment of a relationship is not easy, indeed it is in the nature of the banking relationship that there are difficulties to overcome. Most important, there is the flow of information, which has to take place so that the bank can initially assess, and subsequently monitor, the borrower effectively. Failing to ensure an effective flow of information typically results in the lender charging a higher margin to compensate for the lack of information, or at the other extreme, a refusal to extend credit. But establishing sound relationships, and managing them efficiently can overcome such problems. For the lender, this means having a clear understanding of the borrowers business, which is essential to ensure a flow of lending which, is tailored to the particular needs of the borrower. For the borrower this means having a clear understanding of the objectives and constrains of the lender and the information it requires. A constant theme throughout is the trust, integrity and the ability to see the other's point of view, as the key to good banking relationships – that is profitable to both sides, a win – win situation.

Generally, commercial banks in particular are considered to be special, usually privileged, members of the financial community. Commercial banks benefit from a 'lender of last resort' facility and from regulatory barriers to entry to the industry. Further, commercial banks are

special because of their key role in the payments system which depends on the confidence, in the credit granting process, and in conveying monetary policy to other economic players.

Today, many non-banks compete with commercial banks in providing almost all financial service products, but the only area where banks have the field more or less to themselves is the provision of undrawn credit, i.e. stand-by lines. The institutions allowed to call themselves banks and the business they are allowed to undertake vary according to the history of the jurisdiction within which they operate.

Banking Relationships

The relationship a company can have with a bank ranges from close to distant, a good to bad, wide ranging to narrowly focused, long lasting to short-lived. In many ways they are as much personal as institutional. They should normally be relationships of trust and professionalism. In a simplest explanation, banking relationships are generally polarized into 'transactional' and 'relationship' in character.

In this two-category model, transaction relationships are taken to be those in which a company keeps banks at a distance, gives them limited information and seeks quotations for all its business from many banks. It awards the business to the bank with the lowest price or most favourable terms and conditions, and will move away swiftly if a competitor with a better offer is identified.

Relationship banking, at its extreme, is where a company has a very small number of banks, with which it has dealt for many decades. These banks have a detailed knowledge of the company's business, and keep up to date by regular briefings. Business is awarded to the bank (s) at a reasonable price under mutually agreed conditions. Most corporate client relationships with banks fall between the two extremes, shifting one way or the other over time.

However, what often defines as a relationship in the good times is unlikely to sustain it in the bad times, and it is only at that point that many companies discover that they do not have a relationship at all. It is therefore crucial to know at all times, not only the current intentions of each party, but also their likely future appetites.

Relationship in Commercial Banking.

Whatever the level of technical expertise a bank may claim, it cannot be sold to a company without there being already a relationship of trust in place. This can only be established over a period of time and at several different levels in the two organizations, all the way up to the top.

In reality very few banks know their clients very well; they are thus ‘fair weather friends’. Apart from a few, the majority that deal with a company have fairly superficial relationships. They rarely go much beyond the relationship manager and the company representative, with occasional lunches between the more senior people. The reality is that, within most commercial banks, the primary responsibility lies with a relatively junior employee. This is inadequate to handle the difficult situations; for example, where significant debt restructuring is required in order to ensure survival. Here the decision at the bank to leave or stay inevitably escalates to senior levels, and if these people do not know the company and its management, it is often difficult for them to take the kind of decision that may endanger their own careers. It is often only at this stage that the bank discovers just how superficial its knowledge is, not only of the company’s operations but also its competition and the, markets in which it operates.

The nature of the advisory work undertaken, which is often commercially and market sensitive, means that the Corporate Finance Division of the bank has relationships at the highest level with the client. Often, the personal rapport between senior management at the bank and the Chairman or Chief Executive of the client is the key factor on relationships with the client as a whole. On a day-to-day basis, the most common point of contact is usually the Chief Accountant or the Treasurer of the company.

An important recent development helping to establish the ‘mutuality’ of a relationship has been the process of detailed account planning in the banks, and the sharing of this activity with the client very transparently. Again, there are many variations on this theme but done well, they can be a vital channel of communication in creating efficiencies, understanding and trust between the parties. Clearly it calls for considerable honesty and many relationship managers and companies are extremely nervous of ‘revealing all’. All levels of both the bank and the client must be involved in this process. In various ways they are all involved in ‘delivering’ their side of the agreement, and it is vital in reinforcing and building trust that each side knows who is accountable for what and that they accept this accountability. It is a very useful tool for continuously validating the basis for the relationship and thereby avoiding future surprises.

There are many external factors, which influence these customer relationships.

Operational services

The ‘back office’ services provided by the banks are probably the least glamorous but among the most important they offer. They go largely unseen. But back office services come high in the relationship spectrum. They are also avast consumer of expenditure on computer technology. Increasingly, such services require higher levels of skills and not just at the management level. They require high calibre staff to understand and conclude all types of financial transactions.

All payment and settlement services of banks are where great attention to detail is required and where there is considerable scope for misunderstanding between banks and clients. Most of the day – to day business with a company is concerned with routine transactions and

relationships soon go sour when the company feels that basic business needs are not being properly attended to. Conversely, a bank which scores heavily in the administration area will often have a head start in being awarded bigger and more lucrative transactions. A bank that ignores the importance of this service does so at its peril. In recent years, banks have come to recognize that this area requires high management skills if it is to be run efficiently. It is also one where the risk element has grown with increasing volumes of payment traffic, often involving many payment centres and currencies. Thus 'Operational risk' management has become almost as important as 'Credit risk' in many banks and, with this, the integrity of the relationship with the client has also become an increasingly important factor.

Information Services.

This used to involve simply, statements of activity transacted but with the development of electronic delivery systems the banks are using these systems to deliver other 'nice to have' as well as essential services. It is these new delivery systems that have charaterised this area as a service in its own right, sometimes paid for as a separate item rather than being part of the overall payment services. The classic service is the cash monitoring and control system, which is generally termed as "Cash Management " or "Electronic Banking" services, with many banks offering systems with brand names. There are now so many systems to choose from - and not just from banks and they are already something of a commodity. From the banks viewpoint it is often a relationship anchor because companies are not happy to change from one system to another unless the current system is radically deficient.

Trade finance

Here a bank can add real value in terms of technical expertise, not possessed by all banks: expertise in Documentary Credits, operational issues, country knowledge, correspondent banking expertise and so on. This is an area where computerized information and payment services are increasingly critical and can add real value by increasing efficiencies of money flow, shortening payment cycles, and so on. However, the bank that has the better operational service may not have the other skills, which are important too. Generally, Trade Finance represents a very strong relationship service area, where banks can truly differentiate themselves and add value to the treasury function of the client.

The ability to sustain an obvious competitive advantage in banking services is increasingly difficult at the purely mechanical level. However, the overlay of trust based on demonstrated performance is critical. But when considering the sum of various moving parts, the speed at which they change will depend to what extent the bank can demonstrate superior added value. Many relationships have become pure social ones because people have failed to recognise this point and when realization dawns it can come as something of a shock.

The Good Banking Relationship.

Compared with other providers of corporate funding, banks have a comparative advantage in gathering information and in monitoring corporate borrowers. This comes from their continuing business with the company, including current account operations and their ability to talk to management as part of the client relationship. Banks are thus in a position to reduce the costs (risks) associated with the informational advantages of other stakeholders in a firm relative to its management. The essence of a good banking relationship for a company, then, is to exploit the favoured position of banks to the mutual benefit of both themselves and the banks.

The company will expect its relationship banks to be responsive to its needs and responsible in the attitude to the company. The relationship banks will expect to be informed in general terms about the company's plans and progress and likely future needs of products that they may be able to deliver. They expect to be asked to quote for a reasonable proportion of the company's business for which they have indicated ability and appetite. The relationship bank will expect to know the financial manager and some of the general managers of the company and to have learned to respect their abilities and understanding of the business they run and their circumstances. The company will expect the banks to confine the use of any 'inside' information given to them as relationship banks for the purpose for which it was intended and not to disseminate it further - even to other departments of the bank. (Policy of Chinese walls)

Further, the market has a long memory as regards past failures but a short one regarding past successes. Any business relationship will be entirely dependant on the parties' evaluation of its future. For the company, will the bank offer the services it seeks - competitively, congenially, quickly and in adequate quantity? For the bank, will the customer offer, in the long run, a return commensurate with the risk and in a volume and across a sufficient range of products for the bank to recover its servicing costs plus the required profit.

Ingredients of a Good Relationship.

Dependence

The recognition by the bank and the corporate that they are mutually dependent for success must be the first requirement for good banking relationships. On the bank's side this means developing a thorough understanding of its customers, markets, management and culture and the financial imperatives implied by its corporate strategy.

Personal Chemistry

The chemistry must apply to more than just individuals. It may be enough in a transaction to respect the professional providing the product, without respecting the rest of his team. But a relationship is long-term and it involves more areas of the bank, and must continue when the

relationship manager changes. However a client need not feel close to every single person it deals with, but must feel there are standards of competence and integrity that apply to the bank as a whole, not just to one individual. Trust usually takes time to build. Banks must be prepared to recognize this and companies must recognize that they have to make some level of commitment to allow the process to work.

Integrity

Relationships require integrity from both sides. An example of lack of integrity in clients, which enrages banks, is to take an idea from one bank and then do the business with another bank. It will damage an existing relationship and stop a developing one in its tracks. Much the same applies to a borrower and the banks. To conceal weakness, and particularly trouble or the extent of that trouble will soon lose support from banks.

Negotiations

Starting a relationship is one thing; maintaining and deepening that relationship through the many and varied negotiations that will occur over time is quite another. Negotiations over credit, whether about structure or cost, or over extension of new products or new operating services, always involve some give and take from both sides. Each counterpart needs to recognize the other's bottom line; which is helped by the knowledge of each other's strengths and weaknesses. While flexibility is obviously needed, either side should be prepared to withdraw from a particular transaction if the price is not within its range of tolerance.

Further negotiations require a team approach. Despite the nature of the transaction being negotiated, the bank team should always include one banker familiar with the customer, who knows its activities well. i.e. Relationship Manager. The good relationship banker is the vehicle, through which the relationship flow the repository of knowledge about the customer and the giver of knowledge about the bank, leading the negotiating team.

Friendship, but not a marriage.

The recognition that a relationship is not exclusive is important. Companies need more than one bank to provide the range of skills to cover their needs. They also need the competition among relationship banks to ensure that they get the quality service they pay for. No bank should object to this, provided the company treats its relationships fairly. Fairly need not be quality, but it must mean openness, and with proper credit to each bank for its efforts.

Developing Banking Relationships.

While many banks can justifiably claim to offer a full range of services, no single bank is best at every thing. For the client, the decision as to how many banks to use is a question of balance. The client needs to ensure that there is at least one bank which is thoroughly competent in

each of the business areas in which the company requires service but, at the same time, the limited amounts of worthwhile business the company has to offer must not be spread so thinly that the company ceases to be of importance to any of the bankers. This would be detrimental to the building of any substantial relationship.

From the bank's standpoint, customer relationships are primarily a marketing tool. A good relationship will often provide a regular flow of business and always offer the prospect of new business opportunities. A valid point is that working with a customer over an extended time scale enables the bank to build up its knowledge base of the customer's business and, as a result, make it better able to develop products that will be relevant and helpful. The value of this should not be underestimated. Indeed the moral pressure on a bank to provide additional support if things do start to go wrong for the customer will clearly be greater where there has been a long-term relationship. Thus it can be equally argued that relationship business puts the banks at greater, rather than less, risk. This is the reverse side of the argument most often put forward as to why long-term banking relationships are important for companies. The old adage defines a banker as someone who will always lend you an umbrella provided that it is not raining; companies must always be mindful of the fact that it could rain for the company.

This is not to say that account officers are unimportant in a relationship. Chemistry between individuals can have very real effects and it is important that the individuals representing the two parties to the relationship get on well together. Further depending on how the organization of the bank is structured, the diligence and the technical competence of the account officer may be a controlling factor in determining whether or not the company enjoys the full benefits of the services that the bank is capable of delivering. None of this, however, is relevant to the fundamental issue of whether or not to extend support in adverse circumstances.

Building Blocks of Relationships

The concept of security for any loan to a company is primarily the totality of its ongoing business. It follows that the bank must be given an opportunity to evaluate the strengths of the business on a regular basis. It will be too late to expect such an approach once the company has run in to trouble; the assessment must be made in advance and be updated regularly. Among the steps that might be taken are:

a) The provision of annual reports and accounts and of periodic published results.

b) The provision of other textual information describing the products, manufacturing facilities, management and other aspects of the business.

c) Communication with the executives of the bank about the business and its prospects but in general terms without disclosing price sensitive information.

d) Facilitating visits to company site by banks' representatives.

e) Arranging for senior officials of the bank to meet members of the company's management.

Various types of Banking Relationships

Transaction Banker

In its purest form is any service, or closely linked group services, that a bank performs for a fee. The company's decision to work with a particular bank is based solely on the bank's bid or expected performance with no link to any relationship, or future business. Loan syndications, swaps, bond underwriting, mergers and acquisitions and private placement are some examples. A transaction bank puts more weight on specific pieces of business than on a relationship. A transaction client allocates each transaction separately. Transaction banking has been graphically described as 'hit and run' banking.

'House Banker'

This a term commonly used to indicate the lead bank in the company's day-to-day banking operations as well as the first port of call for banking assistance.

'Relationship Banker'

Relationship banking implies a personal ease, ideally attaching to whole of both sides, a mutual confidence and integrity; and mutual loyalty. In practical terms, the bank must make enough profit overall not to insist on large profits on each service; the company must receive value to justify its cost. Loyalty is a two way process, but the need for it tends to come at different times. In good times some companies discount the value of relationships; then banks need loyalty, and must justify it. On the other hand, in recession or times of tight money, or when they are in trouble, company needs the bank's loyalty.

A relationship banker's progress is judged on the bank's profits from his or her group clients, not from any product. The relationship banker must sell the bank's products, but also judge which are appropriate in each case and build up client's confidence in his or her advice rather than the product. Relationship bankers must ensure that their clients get the best possible products, so that sometimes they will advise a client to use another bank. If they have to do this often, there is something wrong with their bank's range of products, or with their internal communication. Nevertheless, to do this may add credibility to later advice to use a product for which their own bank is not well known

Product Banker

The product banker's job is to sell a product. The banker will pay some attention to the client's needs, but to enable them to sell more products, not in the client's wider interest.

They may use hard sell techniques, unconcerned that these will damage the overall interest of the bank.

Commercial Banks incline towards relationship banking partly because their products, lending in particular, tend to be continuing rather than one off. Each bank needs to decide what type, if any, of relationship it wants to develop. This will depend on the general type of bank it is, and its own particular strength. A bank cannot decide a relationship strategy unless it knows what type of bank it wants to be, and its strength. Change in the strategy can be hard on relationships, as bankers find themselves having to switch tack, and often annoying their clients in the process.

Developing Corporate Relationshi'ps

The banks view point

A Banks approach to corporate relationships stems basically from its perceptions of itself. In short, bank will have to identify correctly its skills and any comparative advantages it may possess, whether in structured lending, special products, service levels, technology etc. Its approach to the corporate will, of course, have been influenced by its own historical development and those relationships, which have accrued to the organization over time from a historical business mix. Understanding those factors leads to the bank's strategy, giving the institution an overall policy and set of objectives. These will encompass the business areas to be stressed, i.e. where its future growth is expected to come from. Those considerations, and the consequent marketing effort, immediately bring up the question of funding when liquidity may not be so freely available to a bank as before.

The local market has become increasingly over-banked while many large corporate relationships are themselves cash rich and experts in financial markets. Therefore, it would be a challenge for banks to develop a relationship strategy especially against a background in which other funding instruments have developed including securitization, creating less dependence upon banks for corporate funding.

Type of Customers - selection.

After a bank has tried to identify its own particular skills, service and business objective / strategy, it will then need to select the right kind of corporate customers. The first task of banking tactics in the corporate area is thus to pinpoint which customers to solicit from the respective industry segments. In other words, the bank will need to target potential corporate clients within the selected target markets, whose profiles match with the banks own objectives and credit policy. The bank should avoid stressing the size of a corporate target for its own sake, but be realistic about what it can legitimately offer and which companies it can realistically approach.

Need for differentiation.

Whether new or well established, a bank must differentiate itself from the others in order to attract any consideration at all from those corporates / clients it wishes to approach. Differentiation can take many forms. Among these are;

a) Special knowledge of one area or industry.

b) Cheaper pricing through cost leadership.

c) Cash management and electronic banking.

d) Wide product range.

Knowledge of the target company.

Any corporate marketing strategy involves a very deep understanding of a corporate client's own structure, management and financial position. This of course, should be the aim of any serious banker. Implicit in all the above is a thorough understanding of the operating industry of the target company, its relative position in size and technology, the quality of its management (also vis-à-vis that of its competitors) and the direction in which the industry is moving. The considerable effort taken to understand the industry will reward itself in being able to understand the customer's needs better, and also in helping to pick those companies surging ahead as opposed to lagging behind in their industry.

Changing Banking Relationships.

Somewhere along the middle of the relationship events may take place and changes occur in either the clients or bankers situation. Obviously, none of this would have been anticipated at the beginning, to alter the underlying reasons for entering the relationship in the first place. Needs change on the part of the borrower, objectives change on the part of the banker - all of which result in the relationship no longer making sense to either one or the other, or both. The time for ending it, is at hand.

But change is in the order of things. The better the borrower and the banker understand each other's position and needs, the better they are able to analyse and interpret how these are changing. This will help to rationalize the end, when it comes.

Examples of circumstances, which would lead to changing of banking relationships, are as follows.

a) The maturity profile of strategic decision-making being different between company and the bank.

b) The company outgrowing the resources of the bank.

c) Repeated demonstrations by the bank that it cannot perform its tasks efficiently.

d) Disbanding or down grading products or services by the bank.

e) Deteriorated position of the bank, where it could not be relied upon to honour its commitments.

f) Poor communication on matters related a change of organization or policy, leading to suspicion and banks future strategies.

g) Warning signal to the bank from the corporate side of abrupt change in circumstance, e.g. performance of the company.

h) Dominating relationships, which leads to problems.

i) Insufficient returns to the bank from the business relationship based on required risk return criteria, allocation of resources and management time.

j) Inherent conflict of interest, which obviates a normal relationship.

k) Deterioration of the credit standing of the company.

l) Change of strategic direction by the bank moving away from specific industry sectors.

m) Questionable integrity of the company's officers.

Change of personalities also has a major impact on banking relationships. As every banker and a client knows, a banking relationship often boils down to the personalities involved. Interpersonal skills are often a deciding factor in whether there is a beneficial relationship or nothing at all. The nature of the dealings is such that key individuals involved can heavily influence the nature of the relationship. Changing personnel on ether side can affect a relationship, for better or worse. A mutual respect and confidence will be established, where one can level with the other, without it being misconstrued and damaging the overall relationship. On the other hand, every one knows that some personalities would not mix, no matter how skilled each may be. It will take a very keen observer of human nature to detect what is really going wrong in many of these cases.

Future of Relationship Management – value creation.

Today, banking relationships are not about gaining or losing competitive advantage or relative power. Rather, they are about creating mutual value and sustaining the mutual value-creation process into the future. Companies today place a very high value (or relationship premium) on the predictability and continued availability of services and products that meet their most important needs. Therefore, banks that know their customers and products best tend to

contribute the highest degree of value to a relationship. From the customer’s point of view, being a captive or dependent customer is harmful to building long-term relationships. Interdependence through valued customer status, which is the centrepiece of corporate relationship management practices and behaviour, is the only route to mutual satisfaction and relationship success. Now more and more banks prioritize their resource attentions by referring to their "share of customer wallet". With this, the concept of "Market share" is going the way of the dinosaurs. Today it is far more fashionable and prudent for a banker to speak in terms of "customer share". Being a valued customer, is a major theme that keeps everyone focused on the priority of relationship building. This is a major drive behind future strategies for corporate relationship management practices.

The Bank Perspective on Value

Banks see value in terms of Return on Equity (ROE). This is achieved through a trade-off between business they want to do most, in exchange for types of business they wish to doleast or simply have to do in order to preserve their most profitable relationships in the marketplace. In today's investor-sensitive, return-on-capital environment, higher ROE’s (relative to the market) allow banks to attract capital and enhance their market capitalization. Consequently, business opportunities that contribute positively to a bank's ROE (namely, fee-based businesses that require less committed bank capital) are competitively sought after and prized dearly by the banking community. Moreover, banks today see their success and survival in terms of how effectively they can cross over into new and higher ROE business areas.

Most sophisticated banks have built in profit centre accounting in order to assess the value of the customer relationship, even down to specific products offered to the customer. Serious profit centre analysis through individual account profitability will show a bank quickly not only where it stands with each customer, but also which products are most valuable in its long-term strategy. This numerate approach of account profitability is important in the essential stage of monitoring a relationship carefully. Further, the type of bank product often sets the parameters, which in turn affect relationships. Banks have three basic categories of earnings; annuity earnings, transaction earnings and forex income. Annuity earnings (Interest income) arise from continuous service derived from lending, money transmission, deposits etc. Transaction earnings arise form the fees and single transactions, or unconnected series of transactions.

Banks must also decide the type of capital structure and return they want, in order to balance the equation between their objectives in terms of ROE and Capital Adequacy requirements as per Central Bank directives. A way forward is to develop a pricing model for loans which calculates expected losses based on historical loss trends and the risk rating of the company, giving a risk adjusted return on equity (not simply the asset) for the deal. This is a big step forward from the past, but still only one of the tools. However, in itself it still does not define the value of the customer relationship and also the general market conditions in terms of pricing.

Banks must be aware that they must earn their way into higher ROE relationships. Specifically, they must provide their customers with credit-related products and/or services that may not

immediately represent the best allocation of the bank's capital. However, such offerings hopefully bring with them customer loyalty and what bankers frequently refer to as their "relationship premium". The latter is simply what bankers see as the eventual payoff they receive for building customer loyalty. These value-contributing opportunities are essential to the bank's future and ability to both sustain and attract shareholder capital. Creating mutual value hinges upon reconciling the fulfillment of the customer's most important needs with the bank's most desired business opportunities.

Banks are now increasingly under pressure to obtain their own credit ratings from rating agencies making the public aware of their standing in the market place in terms of stability and public confidence. Going forward, these ratings will be used by corporates to determine which banks should remain in the 'inner spectrum' of key relationship banks. Therefore, it will be a challenge for commercial banks in the future to maintain a respectable credit rating even through some difficult periods. Effectively, commercial banks would be faced with the problem of how to maintain relationships with clients in the traditional product areas, when these clients begin to be concerned about the declining debt ratings for the bank from the agencies.

Moving forward, a bank's own credit rating will be a critical factor for marketing, developing and maintaining of good corporate relationships.

Summary

:: The above analysis expresses the corporate banking relationships in terms of achieving and sustaining mutual value-creating or win/win outcomes. A summary is as follows.

:: Increasing competition – rapid rise in competitive pressure from established institutions, from new competitors from others sectors, and from new Greenfield entities.

:: Mergers - strong impetus towards mergers for increased economies of scale.

:: Relationships – need to form new relationships to deliver the services customers require with a mutual understanding that is profitable to both sides, a win-win situation.

:: Increasing customer choice and mobility - this makes customer retention harder to ensure.

:: Customer perception - a step change in the way customers (retail and corporate) expect to receive their services.

:: Corporate relationships – developing, maintaining and retention of corporate clients falling within the selected target markets, banks objectives and credit policy.

:: Changing banking relationships – resulting either through clients and/or bank's change of situation.

:: Value creation - A need to develop strategies, channels and products that fit in to an increasingly customer – led rather than sales-push environment. Customers now wish to own the relationship and create themselves the solutions that they need.

:: Share of wallet – strong driving force towards increased economies of scope by selling more products types and increasing customer 'wallet' share.

:: Account profitability – numeric approach to monitor a corporate relationship very critically.

:: ROE – higher ROEs allows banks to attract capital and enhance their market capitalization.

:: Banks' rating – risk rating of banks will be a critical factor for maintaining good corporate relationships.

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