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The rise and rise of the product specialist

Impacts on just where the relationship manager now goes…

The ongoing dilemma facing businesses in the $5-500 million turnover segment has been what channel to best use into their banks – the relationship manager (RM), the product specialist, or both, the branch, telephone banking or online and how each best meets their transacting and purchasing needs. In this hunt for solutions and service, business customers have landed on the product specialist (PS) big time.

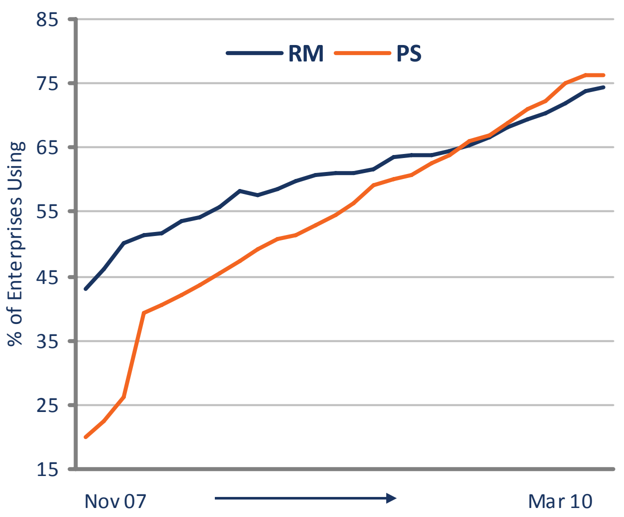
Clear differentiations in what the customer can expect have occurred during the GFC, especially at the smaller end of the market, between the RM and PS.

The RM has traditionally been the main point of contact between the business and the bank and the number one resource for customers to secure advice on their relationship and needs. The RM, however, over the past two years has been more focussed on "re-educating" and re-pricing credit for business customers in their core portfolios and customers have become disenchanted with these experiences. The PS by contrast, typically combines sales, marketing, technical and implementation skills to design, promote and sell specific product solutions, generally via the RM. The PS is generally involved with a products entire life cycle – from conception to market deployment – to ensure optimal customer benefits and, as a result, sales and margin outcomes for the bank.

Changing Channel Dynamics

Across the main channels used by middle market businesses all have been either declining or have plateaued over recent years except for RMs (a 72.7 percent growth since Nov 2007) and the PS (a massive 279.8 percent growth rate since Nov 2007). See Figure 1.

Figure 1 – Channel Usage



Those channels experiencing declines in usage are the Branch (-75.4 since Nov 2007), Automated Telephone Banking (-86.1 since Nov 2007) and Call Centres (-83.3 since Nov 2007). Online Business Banking and ATM usage are remaining at 98 percent and 23 percent respectively. It is also interesting to note that the average number of channels used per business customer has risen 54.3 percent from November 2007 to 2.84 in March 2010.

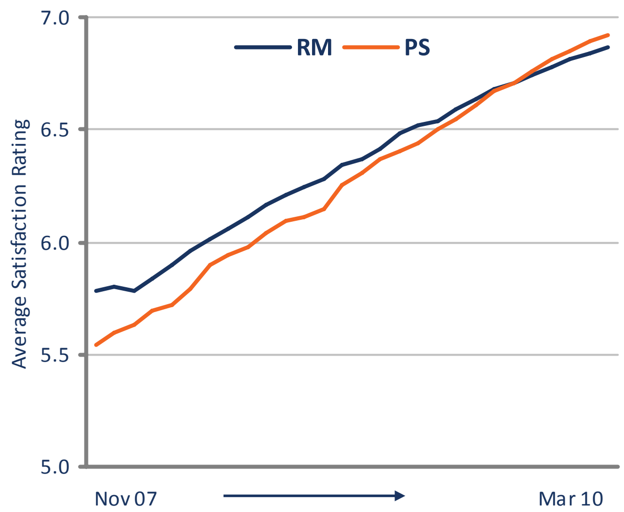
Customers at the larger end of the market ($150-500 million turnover) have been extensive users of Product Specialists with an average of 90.4 percent of these businesses engaging this channel, a huge 221.2 percent growth rate from November 2007. Fully 56.6 percent of businesses in the $25-150 million turnover segment engage with Product Specialists – a staggering climb of 336.2 percent while the $5-25 million turnover market has an average usage of just 27.7 percent.

Channel Performance

Customer satisfaction with experiences of using channels mirrors engagement by customers quite closely, with RM's having an 18.9 percent climb since November 2007 as banks have deployed more RM resource and satisfaction with PS's showing a 24.9 percent improvement.

Online Business Banking also has an improvement of 38.1 percent. Satisfaction is declining with all other channels – the Branch with 38.8 percent, Automated Telephone Banking with 36.2 and Call Centres with 32.3 precent decline since November 2007. Business satisfaction with ATM's remains relatively static. See Figure 2.

Figure 2 – Channel Satisfaction



Key questions are raised by these changing customer engagement dynamics:

- Has the role of the RM effectively reverted to its traditional focus on credit?
- Is it time to remove the RM's gate keeping and cross sell responsibilities?
- Does the PS now provide a better sales interaction for the businesses?
- If so, how does the customer get to the PS quickly and cleanly?

These and many more questions will be addressed in future editions of Research Note.

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Source: East & Partners Business Banking Customer Satisfaction Monitor