



Will Transparency Ultimately Drive Commercial Banking Relationships?

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Banks have been the subject of many discussions in the past few months. Their restrictive behavior in giving out mortgages and commercial loans, influenced by the necessity to comply with Basel 3, isn't making their clients feel enthusiastic about the relationship. Moreover, discussions about bankers' bonuses have led to a lot of upheaval; restoring bonuses generates negative feelings and mistrust, especially in the many cases where banks were bailed out by their government and still need to repay their debts to the taxpayer. Banks form a crucial part of the economy and are important in overcoming the recession. They are still very powerful, and few companies out there will openly criticize their relationship with their bank right now, as they depend on it. But for how long will the commercial banking relationship remain that way?

In retail banking, transparency is a key factor in the move toward customer-centric banking. Banks are exposing their margins and making their products easier to understand. Will this also happen with the more complex commercial banking relationships? I think so. The other day, I met with Vallstein (www.vallstein.com), a company that has a software solution that gives insight into the commercial banking relationship. A core element of Vallstein's banking relationship management (BRM) solutions is WalletSizing. With WalletSizing, corporations can calculate how much revenue they are creating on an annual basis for their banks and how attractive these revenues are in terms of associated returns. This banking revenue analysis is significantly different from the sum of all banking costs that can be identified in the P&L. Essentially, it is an approach that allows the constructive optimization of bank relationships. It will give CFOs a substantive basis for negotiating with banks and looking for alternative solutions. However, importantly, banks can also benefit from improved knowledge of their real revenues and returns and can help their clients optimize their banking relationship while also securing their own returns at their targeted levels.

I think we will see more of these solutions entering the marketplace, and, as in retail banking, this will lead to more transparent commercial banking relationships. eBusiness and channel strategy executives at banks should prepare their organizations for this more open dialogue with their customers, which may lead to profit erosion. But take note: At the end of the day, an open and fair discussion about margins will help restore the trust that is necessary to restore our economies — a true win-win situation.
