

Redefining Bank Relationship Management

An interview with Hugo van Wijk, CEO of Vallstein

Vallstein was founded in 2000 and is solely dedicated to optimising bank relationships in commercial and corporate banking through its WalletSizing® system. Clients applying WalletSizing® technology solutions obtain full transparency in their bank relationships. Vallstein's software solutions enable ongoing monitoring, reporting and reconciliation of banking costs, ensuring embedded pro-active control and compliance with a company's banking policies. The WalletSizing® system provides a complete data view and in-depth analysis on all banking relationships.

Vallstein operates from offices in the Netherlands and Portugal and serves its clients worldwide through partnerships with companies including Accenture, Belling and KPMG. *The European* caught up with CEO of Vallstein Hugo van Wijk to find out more.

Vallstein has been at the forefront of Bank Relationship Management (BRM) for 20 years. What are the main developments influencing the sector today?

Hugo van Wijk: Banks are under ongoing pressure from regulators and fintech innovation. Regulatory pressure comes from revised minimum capital requirements, ever-increasing compliance costs, and from anti-money-laundering and know-your-customer legislation, such as FATCA, PSD-2, etc. Fintech innovations aim to provide alternative



ONE STEP AHEAD
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solutions in specific products, for example, payments, credit or FX, and are typically focused on client groups like retail, small businesses. Some consolation comes from the fact that most fintech innovations must at some point also comply with regulation. Furthermore, low interest rates in certain markets also pose challenges for banks' profits.

All of this means that banks must choose their battles carefully: what kind of clients to serve in which markets? With what products, and what kind of delivery channel? So, we see banks rethinking their business strategies, which means corporates can't always take historic bank relationships for granted. Therefore, the banks working with these corporates are refocusing in terms of countries, product mix and credit appetite. Secondly, the easiest way for banks to deal with such pressure is to try and pass

on "regulatory" costs to their clients in combination with cherry picking business with low regulatory capital intensity to boost return. So clients should pay attention. They must have an in-depth understanding of the value their own relationship represents for their banks, so they get their pricing, and terms and conditions right with the banks that best fit their needs.

But banks have been refocusing for many years now and some just don't seem flexible enough to really change. Will fintechs will simply out-compete banks?

HVW: No, I don't think so. Banks can overcome new competition, if they get it right, which admittedly is not to be taken for granted. Fintechs have been successful in markets that were until now underbanked, like personal banking in certain (pre-)emerging markets. But in mature markets, in commercial and corporate

banking, banks, if they manage their business right, should not fear competition from fintechs. It can be complementary, in fact. Remember, for all fundamental banking requirements that corporate or commercial clients may have, such as in the area of funding, or operational, or in risk management, banks already in principle have every possible product solution available. There is nothing that is uncovered or unbanked. So, it is not that fintechs bring completely new products to such clients that address a currently unfulfilled banking requirement. So then it is a matter of price, mostly. And it is quickly apparent that, in theory, mono-product providers, as most fintechs are, should have a cost-disadvantage on the full relationship because they cannot cross sell. A bank that has its house in order should be able to withstand such competition. Also, remember, corporate clients typically do not like much fragmentation in the procurement of their financial services. Having said that, there are surely certain niches and strong innovation introduced by some of the fintechs. But then again, sometimes these are just bought by banks once sufficiently proven.

So what should a corporate do then, to ensure best practice in Bank Relationship Management?

HVW: It always starts with knowing where you stand today. That first step has not changed one bit over the past 20 years: do your homework before you speak with the banks and consider changes. If you don't know where you are right now, and you don't know where you should go, it doesn't matter in which direction you go. So, knowing where you are right now, as a corporate client in your bank relationships means analysing all your banking products that you use from each bank, in terms of transaction volumes and pricings in order to see the annual revenue value your business represents for each of the banks. That is the first step towards transparency. Still, many companies even today are quite blind to this. And remember, the contribution your business represents in the top profit and loss lines of the bank is quite different from what you book as financial expenses in your own accounts!

Secondly, you then must analyse the associated regulatory capital requirement that each bank has to set aside because they work with you. That is a bit technical and complex, but without this, you cannot have a good insight into whether you are paying fair pricing or not. These two steps together are what we call WalletSizing®, and once you have this full, transparent insight into your banking wallet, you can then optimise, and understand how many banks you really need to work with – and how should you allocate the various products you use over these banks, to ensure each bank has a fair share of wallet. Only then are you in full control of your Bank Relationship Management. ■

'Banks can overcome new competition, if they get it right'

Further information
www.vallstein.com