

## **Are You Delivering for Your Customers?**

by Charles Wendel

PNC bought a full page in my local Miami business paper (*South Florida Business Journal*) with the headline “Is Your Bank Delivering for You?” This sponsored content raises some significant questions for bank customers (and the banks that serve them) to consider.

PNC asks its customers to focus on addressing the following questions about their business and their bankers:

- Do you regularly discuss the objectives, concerns and opportunities for your business with knowledgeable professionals?
- Does your banker deliver innovative solutions based on thought-leading insights with a sense of urgency?
- Are you taking advantage of the latest technologies to streamline your back office processes and improve cash flow?
- Can you offer your employees market-leading benefits to help them prepare for retirement and optimize personal financings?
- Are you optimizing returns for excess cash?
- Do you have a strategy for dealing with the new rising rate environment?
- Are you effectively managing emerging risks –like cyberfraud, interest rate and foreign exchange volatility?
- Is your capital structure flexible enough to support evolving strategies?
- Have you planned for the next phase of your business?

PNC sets a high bar for itself in this ad: “At PNC, we believe an effective financial collaborator asks tough questions and challenges easy assumptions...At PNC, digging deep to find relevant ideas is in our DNA, and it’s the reason we’re able to provide critical guidance others often miss.”

I have no idea how well PNC meets its own criteria for serving as an “effective financial collaborator,” although my experience with other banks tells me that not all PNC bankers make the cut. However, I do know that many other banks miss this mark by a mile, in particular if the questions are answered by small businesses or lower-end middle market companies, those below \$25mm in revenue.

Many bankers lack the training, experience, sophistication, and/or curiosity to accomplish what PNC suggests. Even those that do have the “right stuff” likely lack the time required to diagnose needs and develop options for their clients. Management has allowed bankers to be burdened with an increasing number of administrative tasks, often chaining good bankers to their desks while providing mediocre ones with an excuse for inaction. And, sometimes bank management has made cooperation between internal groups difficult to achieve.

Unfortunately for banks, customers asking the above questions might never even consider working with their bankers to get to the answers. Most companies do regularly “discuss the objectives, concerns and opportunities of their business with knowledgeable professionals”, but whom do they consider “knowledgeable professionals”? Based upon what they offer to their clients, lawyers and accountants naturally fit into that group.

Bankers need to work their way into a privileged relationship with their clients. The elements required for them to succeed at doing so include:

*Expertise*, whether involving an industry, loan structuring, wealth management, cash management and/or other areas.

*Consistency*. Companies do not change lawyers or accountants except for a pressing reason. In contrast bankers often change jobs or the banks themselves reorganize and change the banker. Companies want their bankers to stay in place. One bank we know is trying to move a set of customers to a different bank group for organizational reasons. While understandable, they risk alienating customers, some of whom have already made clear they want to remain where they are with the same bank personnel handling them.

*Proactivity*. If anything, bankers are more reactive than they have ever been. The tendency to be an order taker or a product pitchperson has increased in light of banker turnover and metric-based management. Over the years we have reviewed multiple surveys in which the customer asks for more ideas from his bankers. Customers also want ideas that cut across bank organizational lines. The PNC write-up mentions business and employee needs, but few banks operate with a holistic focus.

*Preparation*. Related to the above, many bankers go to meetings unprepared or fail to involve colleagues from across their bank. PNC writes that they “pull together the right team of professionals in the areas that can be most helpful.” Too often, solo bankers try to offer cross-silo solutions that they do not fully understand or overlook opportunities or approaches that a team-based analysis would uncover.

*People quality*. Relatively few banks have created a hiring system that attracts top tier bankers combined with a compensation system that retains them. The banker able to address the issues that PNC lists has extraordinary qualities; extraordinary bankers are in short supply.

Bank management will serve itself well by considering whether they have the team in place to help their customers address the nine questions PNC presents. While many bank customers may not be considering these questions today, they should be, and it is inevitable that they will.

One problem related to a bank's self-diagnosis related to these areas is that they often see what they would like to see rather than the brutal reality. Can your bankers meet the test that PNC presents? If not, what steps should senior management and the Board be taking?