



The Basel III Accord – What Is It For?

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CLIENT RELATIONSHIP MANAGEMENT – REMEMBERING THE BASICS, EVEN IN A RECESSION

In this article Mark Andrews, Head of Banking and Finance at Risk Reward Limited reminds us that in a recession it is all too easy to neglect the performing section of the customer base. Too much time spent trouble shooting and not enough on customer care could mean that this essential component of the business may be diminished to the extent that when the recovery eventually does come it will be much harder to achieve normality than it could be. A few basic customer care steps is all that is needed to make the task so much easier.

Probably the most enduring memory from my own bank training days, is a film by Video Arts, called "Remember Me – I am the Customer?" – first edition (1980's). I vaguely remember an American wandering into various outlets experiencing the worst aspects of customer service, often being ignored. The film ended with the message "Remember me? Yes, I am the customer and I can walk away" as he did so.

Although most of the situations were extreme for training purposes, the film left me with the strong message that it is very easy to lose good clients by simply forgetting the basics. These start with the fact that you are only as good as your last client contact and end with the clear message that clients who are not served well will simply and quietly, go elsewhere.

This memory came back to me recently when I was talking to some clients about debt recovery and reconstruction. Their marketing and other senior executives were so busy fire-fighting problem cases that they had actually forgotten the basic rule of client relationship management (CRM) – look after your existing good clients or somebody else will! The 10% of problem cases were using up most of their time, leaving little or no

opportunities to ensure the 90% of their client base, which was actually still performing, felt wanted.

The Current Challenge for Banking

Some surveys suggest that nearly 65% of clients who change banks do so because they feel that their custom is neither valued nor appreciated. The most frightening aspect of this statistic is that just like the man in the film, good clients do not tell you they are thinking about leaving, they just go. Given the high cost of acquisition of new customers, this can represent a significant loss of income.

Banks need to act promptly and prudently in a difficult financial market, such as that in which we are currently operating. Obviously in the short term, it is right and proper for recoveries management to prioritise the worst recovery cases above existing clients because that is where the major challenges exist.



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However, in the medium and long term, preserving the core business so that when the recovery does come –



and it will - the firm goes on to thrive, is vital. This means remembering, somehow, to take care of the most important resource after your staff – your customers.

As the fictitious customer in the film kept stressing, good clients rarely complain, they usually prefer to avoid making a fuss, and do not protest as they should when they feel ignored or undervalued. What they can and will do is leave you – eventually.

On average, unhappy clients will tell between 10 and 20 others just how poor they found your service. As an example of this potentially cumulative damage, try and recall the last time you asked a friend or colleague about a local restaurant only to be told “I have not been there myself, but I am told its poor”.

To address the problem, it would be natural for top management to use their best staff in the recovery process, especially those that have the best people

skills. This usually means the marketing or CRM team. This would be the most effective approach in the early stages but it is easy to forget that client relationship experts are best engaged in protecting the client base and building new business. If they are left in recoveries for too long, they lose their entrepreneurial spirit and can become totally negative seeing problems or

hidden dangers in every proposition even where none exist. “He who does nothing, does nothing wrong” is the way to create a reputation in a recession but it is almost useless once the recovery is over and growth is required.

Of course many firms see the whole area of recoveries as essentially a legally oriented process which does not deserve CRM skills leading to additional consequential losses.

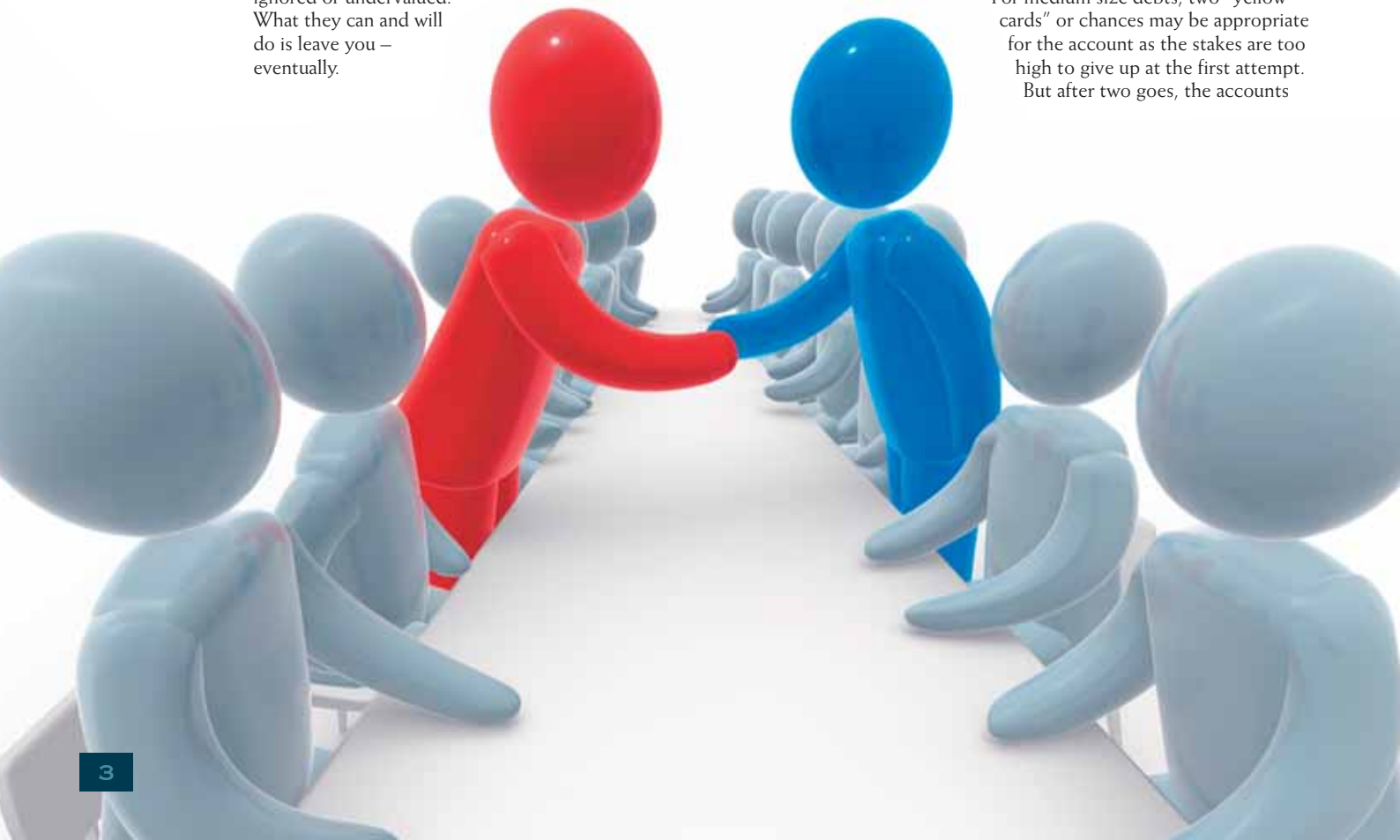
Changing your Approach

So having identified the problem, what is the solution?

Well the first issue is how to deal with recoveries without using all of your CRM team’s resources in the process.

There are no hard and fast rules because each problem portfolio has a different composition but generally speaking, the small debts should be handed straight to a collection agency or specialist recoveries team after only one attempt by the CRM to reach an arrangement. It is not worth spending too much management time on relationships where it will not be cost effective.

For medium size debts, two “yellow cards” or chances may be appropriate for the account as the stakes are too high to give up at the first attempt. But after two goes, the accounts



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should ideally still be sent to the specialists and away from the CRM because in my experience, after two failures, the law of diminishing returns applies and you could be wasting the team's skills.

For the large debts, where considerable amounts are at risk, CRM involvement is vital and should only be withdrawn when senior management feel there is no point in continuing the rescue efforts. This is a judgement call and it is not unusual or inappropriate to keep the CRM continually involved in these important cases. However, this logic must not apply to the whole portfolio and everything else should normally be switched away within a short period, especially if the negotiations are not making progress or promises made by the client are broken.

Having freed the CRM teams from all but the most serious recovery cases, they can now be deployed to do what they do best - look after the client base and continue seeking new opportunities.

Looking after your customers

So how do we look after the client base to maintain its integrity?

To start with a negative, there is no place for sentimental or soppy contact such as "happy birthday" texts. You must keep in touch in a manner that is appropriate and avoids superficiality. Most clients will feel you are just going through the motions if you are not careful and I have heard of more than one client where the birthday date was actually wrong.

What must happen is that some type of normal business contact should take place regularly, with a minimum of half yearly intervals. A brief letter or e-mail for the smaller clients thanking them for their custom and offering to meet them to see if you can help with anything is fine.

For medium sized clients you may well write or e-mail offering a meeting, inviting them to do so if they wish.

Sometimes a telephone call will suffice but remember that an unsolicited phone call can be seen by customers as annoying and counter productive. You do not want the contact to be a negative experience and in the UK there are even legal restrictions under Financial Promotions legislation.

For larger clients or anyone judged to be important, regular contact including meetings is essential unless the client declines. You should consider dropping by, calling briefly or simply e-mailing. But do remember an impromptu meeting or brief call should be just that, short, no more than 15-20 minutes unless the client wants you there longer - and do not attempt to sell. The purpose of the call is relationship building not sales - the client will approach you anyway during the contact for anything they need if you handle this well.

Whatever system you use, no client, however small, should be ignored or overlooked by you for longer than six months. By staying in touch in this way, you will make all your key clients feel special, appreciated and above all, unlikely to walk away.

Finally, one question I am always asked is how to manage the time available when the CRM is flat out and seems to have no spare capacity. I have two answers.

First every customer is entitled to the same degree of service and quality from

you but they are not entitled to the same amount of your time. You must allocate resources to those areas where they are most likely to deliver the best dividend. If you do not or cannot do so, you are allowing your in-tray to manage you; it must be the other way



round.

If you are manager, you should be able to manage.

Secondly, and back to in-trays, if you are so busy that you cannot complete all the tasks allocated to you in a day, you must order your priorities by deciding who you can afford to disappoint and who you cannot. Try to let the unlucky clients know with a call or e-mail and keep them updated about progress. They may be disappointed, possibly, but not as angry as a client that is or feels ignored.

Managing the CRM Resources

In summary the CRM is an important and crucial part of the maintenance of credit relationships and needs to be carefully managed to ensure that you emerge from the crisis in the best possible state.

For further information please contact:

Dennis Cox – CEO

telephone: +44 (0)20 7638 5558
email: DWC@riskrewardlimited.com

Lisette Mermod – New York

telephone: 1-914-619-5410
email: LM@riskrewardlimited.com

Mark Andrews

telephone: +44 (0)20 7638 5558
email: MCA@riskrewardlimited.com