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Who really owns the customer?

RMs versus the banks

For most domestic business banks, deploying a strong relationship management culture is seen as essential to winning, servicing and retaining business customers. Underpinning this relationship value proposition, East's research shows that customers are demanding greater loyalty alongside business and industry expertise from their service providers, and for the most part relationship managers (RMs) are being focussed and empowered by the banks to meet these demands.

This, of course, is leading to RMs enjoying very strong relationships with their clients, which is naturally a good thing until the RM decides to leave or is poached away. Given the continued shortage of quality RMs available and the increased competitiveness of the markets, RM churn appears to be accelerating, especially as certain banks actively target their competitors' known and successful RMs.

So what happens to the client when the RM leaves? In some markets, such as Singapore, which is a very lending based market, there is a strong correlation between RM churn and customer churn, with average corporate account lifetimes of only three to four years and RM tenures of only two to three years.

Certainly, current evidence in the Australian markets seems to be in favour of the bank, with significant and accelerating churn taking place amongst RMs switching banks, customers have a clear preference for stability (at least that is for as long as they want the relationship to remain in place) and don't appear to be following the bank's RM. This is also driven, especially this year, by the "flight to quality" after the sub-prime crisis and nervous customers gravitating to the big 4 for their lending needs.

Also the size and complexity of the Australian business banking relationship often make it arduous to shift multiple product relationships beyond lending across service providers, deterring customers from doing so. But other less complex product areas, Treasury for example, can provide recently moved RMs with an opportunity to take portions of a client's business with them.

Another big question banks must ask themselves in the light of RMs moving from bank to bank is where does the intelligence on the customer reside?

Is it in the CRM systems (where banks have spent billions on trying to get right) and thus still accessible to remaining staff? Or does it still substantially reside in the minds of the departing RMs?

This issue of customer ownership and protection requires continued vigilance to ensure the large customer investments being made in commercial banking, don't walk out the door every time a senior RM leaves for fresher pastures.