

## ***James Berkeley's Profitable Growth Notes:***

### **The Reinvention of SME Banking**

I recently sat with the Head of Innovation for a global bank with a leading market share in the UK. The conversation turned to innovation initiatives in the SME Banking unit and my own experiences. What is immediately apparent is so few large corporate executives actually put themselves in the "shoes" of an entrepreneur. In attempting to protect the bank's operating margins they have lost sight of the simple, common sense dynamics that impact every aspiring business owner's journey. Here is a "cheat sheet" for bankers wanting to understand the real world issues:

1. SME Business survival is largely about the business owner's ability to excel in three areas:
  - Identify an existing or anticipated "market need"
  - Existing competencies or an ability to quickly develop them to address the market needs
  - Enthusiasm to undertake the work to deliver those competencies to resolve the customers' needs
2. If you cannot market as a SME business owner you won't survive. Three requirements:
  - Generating a sufficiently large "pool" of high potential customers (individuals not organisations).
  - Applying the appropriate marketing tactics to establish credibility and draw in high potential buyers to the firm's products and services.
  - Offering attractive alternatives to meet or exceed the buyer's expectations at different price points (within and above their budget).
3. Business Owner's lack of self-esteem kills more businesses than running out of capital. I am talking about a failure to establish a peer level trusting relationship with buyers of their products and services. Self-limiting beliefs on market opportunities ("we are not credible", "we don't have a strong enough brand", "we need to be lower than other competitors"). A fear of investing in their own skills and those of their subordinates and technology at the launch of the business (business mentor, outsourced IT). A fear of spending money to make money (travel to visit a prospective client, invest in a client marketing event).
4. Access to capital in the form of cash, credit and investment is important in so much as it provides the "fuel" for some of the above investments. Prudent risk taking should be encouraged rather than hoarding of cash at all times. Capital (or the lack of it) has a corrosive impact on business owners' mindset, which is often largely misunderstood by bankers.

## How Can You Offer Valuable Help:

The future of SME banking is about the customer relationship. With heightened competition and an array of new competition, here is a list that should be copied and pasted to the "desktop" of every Relationship Manager (real or virtual):

1. **"When", "Where" and "How" Can I Provide Valuable Insights to the Client?** Keep a set of files on important issues facing all of a RM's clients growth issues, irrespective of whether you have talked or plan to bring it to the Clients attention. Keep a file on "Sales", "Marketing", "Delivery" and "Business Management" issues. Save to those files any war stories you have picked up from other clients, potential market opportunities (non-proprietary), articles you have read, meetings or events you think might be appropriate, competitor marketing materials. Once a quarter, review each file, eliminate duplicate information and have the RM send to all their clients. If there are more appropriate sub-sections for specific industries, target customers and so on, by all means customise the quarterly materials.
2. **How Can I Make It Easy For My Clients to Get Help?** Regularly update them with your personal contact details. When a client needs help speed is as important as the quality of your response. The argument that there is insufficient time to address all clients issues within an RM's working day is ridiculous. Give the client phone, voicemail, email, chat lines, online banking service centre support details in one place. Organise yourselves better internally and leverage technology to permanently resolve issues.
3. **"When", "Where" and "How" Can I Discuss Important Matters?** The mindset of the RM must be that "I am here to help our clients grow their businesses successfully, I would be remiss in not pointing out...." For example, the RM may hear views from their customers on another client's business. On the assumption that "hearing" the feedback is better than not knowing, inform the client. It might be the behaviour of a key employees, it might be disparaging comments about the business owner by his subordinates, it might be a talented individual(s) who could help accelerate the firm's business growth in an existing or new market.
4. **Who Can I Valuably Recommend or Introduce To My Clients?** I have routinely asked my banker for names of people within and outside HSBC who might be helpful for networking, public speaking or professional services. None of these requests take much effort to respond to but for different reasons I have rarely received a response, which just makes me think the banker doesn't care. As an RM keep a list of service providers or product suppliers. I do the same in my own business. I make it clear that this is a professional courtesy and due diligence is down to both parties. The mere fact of helping introduce someone (greatly warms my client relationship). Let me add in a regulated world, there is no banking guideline saying you cannot do this if you are upfront about your intentions. Equally, if there is no payment for the referral, you further minimise the "risk".
5. **"When" and "How" Can I Reasonably Go Beyond the Call of Duty?** For example, the challenge of entering the workforce is harder today than for many years. RM's are in a unique position to see the challenges and prospects of many SME businesses in

their domain. There is nothing stopping the RM but their own boss and volition to help clients by offering to sit down for 30 minutes with a client's son or daughter and offering practical advice about businesses where they might find work experience or full-time employment opportunities. If you want to build relationships not just offer service, you'll do this. For every SME client, there is potentially 4 or 5 retail or future commercial banking clients.

6. **How I Can Help My Clients Promote Themselves?** Local trade and professional associations, industry event organisers, print and electronic media are hugely grateful for the names of an expert speaker, case studies, event attendees, networking opportunities and so on. There is no excuse for RM's to not be closer to media, event organisers and sponsors, where there is a mutual interest in growing their relationships. Indeed, banks have wanted to be increasingly seen more and more as a "convener" in spurring business growth.
7. **"What", "Where" and "When" Can I Better Support My Clients' Charitable Causes?** Banks want to be seen at the centre of communities, the challenge is quite where they direct their time and money. Have RM's quarterly bring to the Clients' attention available funds and ask for requests of charitable giving that would have a meaningful impact on the Client and the communities they wish to better serve. Such requests are entirely ethical and do not fall foul of regulatory restrictions. They are extremely welcome and engender long-term loyalty within the business.
8. **"When", "Where" and "How" Can I Be of Value To Others In The Client's Firm?** SME business banking is inextricably linked to retail banking relationships. Indeed it is estimated upto 20% of retail banking funds are actually SME banking related but the customer for their own reasons chooses to use retail banking products. Beyond every business owner in an SME business there is an ecosystem of actual or potential retail banking clients. Those clients from time to time have needs which are being entirely or largely under-served. Equally, a Financial Controller's dissatisfaction with their own personal retail banking relationship can rapidly morph into a suggestion that the firm switch banks too. There are abundant alternatives today to harness the power of technology to provide higher touch and more impressive retail and business banking customer experiences. Why ignore them?
9. **"What", "When" and "How" Can I Best Point Out Misjudgements To The Client?** SME Clients are often so close to their businesses that they often overlook the blindingly obvious. SME business owners are often surrounded by an abundance of "Yes" people, who fear the consequences of pointing out an error to the Client. For example a market assumption about growth potential that all known evidence suggests is wrong. The banker has the opportunity to intervene. Indeed, their value and integrity will immeasurably rise where they do make the point to the Client. Growing businesses is incredibly tough work. Supportive RM's are invaluable when they don't fear to point out failings and offer constructive advice just as they are helpful in lending support when everything is going well.
10. **How do I Best Treat My Clients as Equals?** We are getting to the essence of why so many business banks in the UK and elsewhere are struggling to compete successfully. My observation is that many RM's know what to do and how to build a peer-level relationship with their clients. Yet many feel powerless to offer that level

of service based on accountabilities set down by their bosses and arbitrary performance targets that have very little to do with growing the client relationship and everything to do with protecting the bank's bottom line. The mindset needs to be that SME business owners and RM's cannot accomplish success without each other. It must be a collegial not an adversarial relationship. The RM needs to support the business owner and the business owner needs to support the RM. We must provide each other valuable help and meaningful resources. RM's must configure our skills and technology to maximise the success of our clients. We must bring new, relevant value to accelerate the speed of our clients' success and help them move rapidly from "survival" to a "thriving" business. How do we best accomplish that such that we both win?

Neanderthals will argue that commercially this type of leading-edge client relationship is impossible. Yet these are precisely the same people, who have driven large banks into a corner, which threatens their relevance to a vital part of the UK and other economies. It is time to draw lessons from other sectors, who have overcome these perceived obstacles with very impressive results.

If you would like to discuss this personally, contact us at telephone: +44 203 440 5072 or email: [james@elliceconsulting.com](mailto:james@elliceconsulting.com)

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