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COMMERCIAL LENDING

Enhancing Customer Relationships in Your Commercial Lending Division: *How Technology can Help*



Enhancing Customer Relationships in Your Commercial Lending Division: How Technology Can Help

Online banking has grown in the retail banking world particularly because large numbers of retail customers have found that they prefer the electronic connection for some aspects of their banking relationships. As a result, those retail banks who did not offer online capabilities found themselves at a competitive disadvantage. Commercial lending offers its own opportunities for customers to benefit from electronic connections. This article explores ways for commercial lenders to use technology and especially the Web to gain competitive advantage — combining the benefits of electronic efficiencies with the potential for enhancing customer relationships.
By Joseph N. Lane

Commercial lending is a “relationship business.” Industry professionals generally agree that success depends on developing customer relationships based on mutual trust, and that it is difficult to develop that trust without discussing business issues and negotiating transactions face-to-face. On the other hand, the industry is challenged to find new efficiencies, and today’s technology offers the promise of handling increasingly complex transactions with little or no human contact. Finding the right balance between direct contact and

the use of technology-aided communication is more critical to your business than ever.

Most banks are still developing their methods for interacting with customers using technology, especially through the Web. A well-designed online interface may offer high returns in efficiency and time savings to both the bank and the customer. This opportunity, though, does offer its own imposing challenges: Which types of online services and capabilities contribute most to customer satisfaction? How can we “push” information exchange toward this medium while strengthening bonds with customers, rather than creating more distance? This article explores ways of using technology and especially the Web to your advantage — combining the benefits of electronic efficiencies with the potential for enhancing customer relationships.

Teetering on the Technology Tightrope

First, let's consider the challenge: evidence that technology can be used for improved efficiencies and enhanced relationships. As a simple example, most of us are comfortable with e-mail because it offers outstanding flexibility to both parties in the exchange, but it can also seem highly impersonal. Some customers prefer this method of communication, and others despise it.

The paperless office was an expected outcome of technology, especially interfaces with the Web and all the applications that both source and draw information from it. Paper has not been eliminated. Yet many companies have changed their processes to take advantage of the capabilities of the Web. In today's commercial lending market, it is easy to name situations in which face-to-face interaction is preferred and even required:

- ◆ When negotiating large transactions, the magnitude of risk makes direct discussions necessary to build sufficient trust on both sides of the relationship.
- ◆ In the process of syndicating loans, the high value of the transactions typically far overshadows the effort and cost associated with face-to-face meetings.
- ◆ In the process of first establishing any new business relationship, a face-to-face meeting is often the ante to get into the game.

Do these examples illustrate “the rule” for managing customer contact in the business today, or the exceptions? Either

way, the name of the game is using time and technology productively. We must leverage person-to-person contact when the investment or risk justifies it. Equally important, we must maximize the value of personal contact by handling everything else as efficiently as possible — using the best technology available.

A Delicate Balancing Act

One way to attack this set of challenges is to think about three principles that can help maintain and improve customer relationships, while balancing the unique powers of both personal and electronic information exchange:

Principle #1: Pure Data Exchange

Technology offers the most accurate and timely means of gathering, assimilating, and delivering information for the convenience and satisfaction of the customer.

Principle #2: Shifting Staff Time to High-Value Activities

Knowledgeable people in your business are critical resources when it comes to solving customer problems. Technology that collects and organizes your data can enable these people to increase their personal productivity by equipping them with fast access to information needed to respond effectively to customer questions and concerns. Every routine task handled electronically creates time — staff time freed up to focus on higher-value activities, like building relationships.

Principle #3: Leveraging Personal Preferences

The best Web-based applications enable “personalization” of technology to make your customers' interaction with them pleasant and complementary to your

desired overall business image. Many in this Web-generation of businesspeople appreciate the flexibility provided by a well-designed portal for exchange of basic information. In fact, many are even coming to expect this option, and may choose business partners based on their mastery and use of such technology. Let's look at how each of these principles might be applied in your business.

Pure Data Exchange

Our first principle is that a need for a simple exchange of data can be handled with greater customer satisfaction by offering the option of handling it quickly and easily through electronic means. Consider the following "want to know" situations:

- ◆ A borrower mails a payment two days before the due date, and wants to know whether the payment was received in time.
- ◆ A borrower is waiting to hear about the status of a loan application, and might be considering approaching another lending source as well.
- ◆ A borrower is applying for credit with another financing source for a type of transaction that your bank does not offer, and needs a quick reference to the outstanding balance on her existing loan with you.

In all of these cases, someone needs to check a current status, a need that could occur at any time. In the first example, the borrower could call the lender's customer service department for this information; often, a message is left on the first try, and the query must wait for ... a return message at a later time. It's easy to see how Web-based information access improves this process: a login and look-up provided the system works well,

results in a faster and more dependable exchange.

In the second case, your entire loan opportunity may be at risk. You may have already obtained loan approval, but have not been able to get the word to the borrower. If the only option for the borrower to find out about the status of an application is to talk with you when a live person is available, it may become difficult and costly for you to maintain the level of service that today's borrowers expect. As an alternative, you could provide automated notification of approval by e-mail, perhaps triggered immediately when the credit decision is finalized in the system. You might even include a link with the option to download secure documents which can be printed, reviewed, and executed.

Do some customers prefer to talk with a human being, regardless of the need? Yes. Increasingly, though, we all save those in-person conversations for times when the discussion can get much more complicated.

Shifting Staff Time to High-Value Activities

Technology that collects and organizes your data can enable knowledgeable staff to increase their personal productivity by equipping them with the fast information access needed to respond effectively to customer questions and concerns. Every routine task handled electronically frees staff time for focusing on higher-value activities, like building relationships.

Where are there places in your operation where your systems could support easier or faster use?

- ◆ As your people follow up to board a loan, they may discover missing information, perhaps a missing document. Filling out the appropriate forms could be an extra step for every loan, or could be a form created automatically by your systems. Having the system populate all of the appropriate fields from a single entry of the data frees up someone's time — either to handle more loans, or to be able to answer questions when needed.
- ◆ You have concerns about risk concentration, and you need to examine the composition of your loan portfolio by industry. Although you could have a staff member compile and present this data to you, you are not yet sure what specific questions you might have. If you were able to access a tool that provides the necessary data online, you might be able to determine not only the questions, but also the answers to those questions by analyzing the data yourself.
- ◆ Your sales rep is preparing to visit a customer with whom your company has done business before. The rep could check company files or system reports to put together a picture of what has been happening with that account. More and more frequently today, though, sales reps want something faster — like the ability to look at account and loan information online, to ensure the best use of their time and the most accurate possible insight into any pivotal business issues.

Provided your systems are well designed for their purposes, the time savings available through direct electronic access to data are significant. Throughout your organization, this efficiency gain opens valuable opportunities to spend that time in more productive ways.

Leveraging Personal Preferences

Some people actually prefer electronic communication, especially when some effort has been made to tailor the electronic medium to their needs. The best applications today enable “personalization” of technology to make your customers' interaction with them pleasant and complementary to your desired overall business image. Here are some examples from prominent companies.

- ◆ Northwest Airlines, like most travel companies, has invested significant resources in promoting its services by outbound e-mail. They also take a second step in respecting their customers' wishes, enabling their frequent fliers not only to opt in for e-mail notifications, but also to select the types to receive (fare sales, special promotions, and partner promotions).
- ◆ American Express actively promotes the customer's ability to choose online statements, with the option of also paying online. Given the extent to which American Express customers typically travel, the ability to see the statement from wherever they happen to be is a distinct benefit. They receive the added security of not having a statement sitting in their mailboxes while they are away.

In your own commercial lending division, where are there opportunities to use electronic personalization to enhance the experience for your customer?

Once you have closed on a loan, the primary contacts with the customer are likely to be restricted to periodic invoices. Many banks have used the invoice mailing, or even the invoice itself, as a low cost way to conveying messages that need to be provided in writing, such as rate changes for variable rate loans. Why not offer the option for customers to access these notices, or even their invoices, electronically? Find out how many corporate customers might prefer the convenience of say, an e-mail notice that an invoice is ready to be downloaded, and the security and predictability of being able to find that invoice in a few seconds online. One of the quickest ways to enhance customer service is to offer options to address differences in customer preferences.

For those business customers who have multiple commercial loans at any given time, maintaining changing loan data in paper files, or spreadsheets, or even internal systems involves time and cost for your customer. Even those who prefer to do this maintenance might want a periodic reference point for reconciliation or verification purposes. Those who have multiple loans outstanding are likely to be some of your best customers. Why not offer secure access to loan balances and other statuses online, perhaps in a portal where your best customers can see data on all of their loans in one place? This feature that is becoming a standard service in retail banking can be a great convenience on the commercial side as well. Better yet, work with other groups

within your bank to create a shared portal which enables customer CFOs to see the statuses of all of their accounts with you – loans, credit lines, depository accounts – in the same convenient portal. You provide additional value for your customer, strengthening the relationship with you.

Nothing in any of these scenarios precludes the possibility of visiting or calling a live person. Used appropriately, today's electronic tools can support and enhance those person-to-person conversations. As long as the electronic medium is a choice, and not the only option, it can enhance your customer's perception of your service and responsiveness.

And there may be something more subtle going on here...

There is one more advantage of online exchanges that, in a more subtle way, can enhance your company's image along with your customer's experience. Hotel reservation systems may have blazed this trail. Many of us have learned to write down the eight-digit confirmation number that the reservation staff provide when we reserve a hotel room. It often means more than that we have a hotel room — assurance of having a non-smoking room with a king bed on a lower floor, perhaps. If our plans change, that same number may be our best assurance of a quick (and cost-free!) cancellation. To most of us, there is something reassuring in this sense that we appear to be reliably “in the system.”

All through that online process, we saw how quickly and efficiently the hotel presented detailed information about its facility, rates and location. As “premium” customers, we may have

realized the added convenience of having the system default in information from our existing records on file — saving us the time required to key in this data, and reassuring us of their security by suggesting one of our credit cards in the format xxxx-xxxxxx-40013. In addition, with every refresh of the screen, we were treated to the corporate logo, colors, and other elements of the hotel's image that reinforce the experience of working within this well-designed, accessible, reliable process.

In commercial lending we can achieve this type of subtle reassurance in ways appropriate to our processes — as simple as an application confirmation number, or as seemingly complex as a set of easily printable loan documents delivered quickly, conveniently, and securely to the browser. The online exchange need not replace the personal relationship; instead, it enhances that relationship by backing up the in-person handshake with the subtle, but reassuring printed confirmation that something will happen: after all, we are “in the system.”

Deciding How to Implement

One challenge in applying these three principles is in knowing where to draw the line on technology to maintain quality customer relationships — “win/win” relationships that lead to real satisfaction, confidence, and loyalty. The second, perhaps even greater challenge is choosing and applying technology in ways that enhance these relationships, rather than attempting to substitute computerized activity for human interaction.

The central lesson: Good technology is simply a powerful tool. It's how you

apply it within your business that really matters.

Today, Web-based technology can deliver major competitive advantages to commercial lending divisions that use it well, especially in the time-consuming, information-intensive “front-end” processes. Web-based technology can never completely replace the “human touch,” but it can be applied in ways that enhance the overall customer experience and by doing that, promote better relationships with your customers.

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