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Relationship Management and Banking in the age of Fintech

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In the conventional days, functionally silo-ed banks employees would focus on the tasks. Two things changed that. One, a management focus shifted among banks to customer service, and two, the arrival and adoption of financial technology among banks facilitated that new focus.

Each customer is now a potential depositor, borrower, and beneficiary of myriad solutions in insurance and other forms of investment that banks now offer. Servicing this potential customer to market the several banking services is now each employee's responsibility, making them relationship managers. In short, relationship managers communicate persuasively with existing customers about the new products and services.

Relationship manager. That is no mean task for a conventional bank employee. It also means that banks now invest in what has become a familiar catchphrase—unlearning and relearning. This investment in training for employees is often multifarious and sometimes unconventional. Converting an accounts specialist into a marketing communicator-accountant-sales professional requires a change in mindset, and the training entails classroom to simulated experience. Predictably, this requirement has spun off new businesses in training for financial services, and many large Indian banks have partnered with these businesses—many of whom are start-ups.

A relationship manager's role entails building, sustaining and growing relationships in two ways—with the customer and with other businesses. Depending on seniority and other parameters, a relationship manager could do either or both. Then there are specialized relationships that managers handle specific kinds of relationships. A major international bank recently advertised to hire workout and recovery relationship managers who would "interact and coordinate with various departments within and outside of CRM, including BRM-LF, Legal, Loan Operations, Finance, and Front Office, as well as with external constituencies such as other lenders, investors and restructuring professionals." Because this laterality of function is not a terribly familiar scenario for many Indian bank employees, the rush to understand and imbibe their new roles is both exciting and challenging.

How fintech is related to banking. Financial technology, or fintech, is a foundational disruptor for this functional change.Fintech is competing with conventional financial delivery systems. Mobile banking is the most popularly adopted tool. Data analytics, mobile and artificial intelligence constitute the most popular fintech investments, and some have gone into more sophisticated forms of artificial intelligence such as robotics. However, the report observes that blockchain, a decentralized and continuously growing list of records linked together in networks, will be among the most popular of the fintech tools to be adopted in the financial services sector in India. PwC India's Financial Services Technology leader Vivek Belgavi sums it up: "FinTech has had a remarkable impact on the financial services industry in the past year. Financial services companies are realizing the threat as well as opportunities that FinTech players bring, causing them to engage and redraw the lines that separate them. Financial institutions have begun to look inward, driving internal innovation through partnerships with FinTech companies, innovations and technological developments." Indeed, a 2017 survey indicates that "most financial services companies are concerned about losing business to fintech".

Threat or opportunity? The challenge of fintech is often seen as a threat even by third-party evaluators. Consulting firm Accenture articulates it as such, adding that to counter the threat, "banks are acknowledging that they need to shake themselves out of institutional complacency and recognize that merely navigating waves of regulation and waiting for interest rates to rise won't protect them from obsolescence. Embracing openness and collaboration, and making smart investments is a good place to start."

One such 'shaking-out' initiative is to make banking employees more relevant to customer-centric services. A specific threat from fintech to the banking industry, of course, is the shrinking relevance of human heads in banks. Only about half the respondents in a PwC survey of the traditional banking sector believe they are customer-centric, compared with more than 80 per cent of the more modern, fintech-friendly banks.

Because fintech is fundamentally digital technology, the implications of all things digital are visible. The perceived dubiousness of social media in professional services has been—and will continue to be—debated in critical circles. Yet banking has already started adopting social media to reach out to customers: By 2020, social media will be the primary medium to connect, engage, inform and understand customers, as well as the place where customers research and compare banks' offerings.

The three rules-of-thumb in new-age banking. The role of relationship managers in banks on social media is an extension of their overall function of plain old customer service. Bankers have expressed concern over privacy and information leakage because of fintech, but the ways to address the business threats of fintech to banking have been as new-age as the technology.

The cool part of many new-age customer service representatives, however, will be that they are not marketing personnel trained preliminarily in banking, but technically qualified bankers who are trained preliminarily in marketing communication. This means that not only are they capable of providing technically sound solutions, they will also be enabled to be flexible in those solutions. This may be especially true of business-to-business (b2b) relationships by providing continuous assistance in managing finance, not merely investing and buying banking products and services.

B2b servicing exemplifies the role of the human interface that cannot be undermined in the world of fintech. This flexibility,coupled with the independence of decision-making and the responsibility that goes with it, is arguably the key function of a new-age banking relationship manager, addressing each customer's problem individually and provide technical and business solutions, perhaps in innovative ways.

Second is the larger imperative of collaboration. Banks are rapidly partnering with technology solution providers. Many banks—such as HDFC—have also partnered with training firms to train relationship managers in fintech. Globally, technology providers offer diverse solutions to conventional problems. One such technology helps CFOs make informed decisions of which bank to invest in for best returns, based on various parameters.With such collaborations comes the need for relationship managers to also understand technology, in addition to banking and marketing communication. In effect, this understanding spurs the bank's movement towards a more digital-age ecosystem.

Third is fluidity, or movement across divisions. As we saw in an example above, a relationship manager is expected to cut across departments, between legal and loan operations, investments and front office.

So is it possible to see the threat of fintech to banking as a clear and present opportunity? While the answer is a resounding yes, the dimensions of this possibility go beyond functionality. By providing specialized services (such as the one for CFOs we saw above), by making employees one-stop-shops for customers, and by providing (or at least aiming to provide) the last word to the customer, banks have already expanded into domains of investment that cross traditional frontiers of banking. Co-opting fintech into banking is perhaps of the most exciting service solution in recent times.

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