

## The Options List and Bespoke Solutions Part 2

Reader warning. In order for this to make sense best to read the previous bulletin if you haven't already done so. Then again, if you are used to my stream of consciousness rants press on regardless!

We left things last month with observations around bank activity during Covid, a consumer culture of low responsibility and some sense that banks need to provide alternate options for clients who are prepared to pay for it.

Let's digress for a moment. As many of you will know I am a student of the motor industry. That is, I love cars and have a history of making "investment" decisions in this regard. I've noticed that car dealers do something interesting in the value-add bespoke department. They are not the only ones, but they are very good at it. The fancier the brand, the better. Want a car? No problem. Here it is and here's the price. Want leather? Extra. 5 years servicing? Extra. Extended warranty? Extra. Those beautiful 22inch wheels that the display model just happens to have? Extra. You see where this is going.

Car brands do something else interesting. They have entry level no frills vehicles and more expensive, better equipped aspirational models. Even the so called luxury brands have adopted this approach. More cunning still is the marketing that portrays the owner of said brand as special, sophisticated, discerning, elite.....you know...a wanker! But seriously, that marketing works, and many car owners are happy to pay for the experience.

Makes me wonder why banks in this country haven't pinched the idea. Yes, some have private bank services, but these are aimed at high net worth clients. Why not open the experience to anyone prepared to pay for it? And by experience, I'm not talking about corporate boxes, long lunches or special events. Let's just start with good old fashioned personalised service. You see, for far too long the banks have been engaged in a race to the bottom. That is, a race to offer the lowest interest rates while maintaining profits for shareholders. It should come as no surprise that in a country obsessed with the value of our house and the interest rate we pay the banks are simply giving us what they think we want.

Unfortunately, if you squeeze lending margins and still want to make a few bob something's gotta give. In this case, as in most corporate scenarios, it's service and a cookie cutter approach designed to save money. For home loan applicants the outcome is most clearly manifested in slow credit approval times and a maddening level of paperwork. For business borrowers it's a whole lot more complicated. Slow credit turn around times are exacerbated by often strange and bizarre questions reflecting a combination of inexperience and convoluted credit policy.

Now, divert already stretched resources to existing clients impacted by Covid and service for new applicants goes from bad to worse.

The answer I propose won't gain traction overnight and will take some years to resource, but I think it's worth a closer look. It will require a rethink of our political and social obsession with interest rates and a cost of service mentality.

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fresh ideas...

Here's a few examples of the options list for business loans:

#### Standard Equipment

- Low interest rate and fees
- Loan applied for largely online and application administered offshore
- No credit policy exceptions
- No guaranteed turnaround times
- No relationship manager
- No specific real person to contact post settlement
- Call centre contact model
- A different person or department every time you want to do something

#### Options List

- Competitive interest rate but not the lowest
- Premium service fee
- Low minimum loan amount
- Dedicated and well supported relationship manager with expertise in your industry
- Dedicated credit team with expertise in your industry
- Flexible credit policy with exceptions fully analysed and supported if sensible
- Higher gearing supported by proper half year reviews
- Guaranteed 7-day approval from receipt of all information
- Same day service guarantee for enquiries and questions
- Personalised post settlement support
- One stop shop no matter what you need
- Personalised assistance throughout the application process
- Paperwork minimisation support

Hmmm.....that options list is starting to look a whole lot like what our clients get from us already.....for free! Yes, shameless plug but it's a fact

If I'm a borrower looking for 75% gearing on a management rights and need an answer fast, I have an option to have my request analysed by experts with credit support and resources to deliver. I've just got to be prepared to pay for that service. In my view banks and other corporates have got it wrong on client service. The old mentality of the bigger the client, the better the service is gone, soon to be replaced with a truly user pays model. Perhaps the end result will be an opportunity to blend product use and service levels into the truly valued added offering we see in sections of the airline industry. Maybe there will come a day where people will actually talk about being a premium bank customer in the same way they wax lyrical about business class flights and lounges.

Here's a question. If you could call a real person direct (in any big corporate) with authority to sort pretty much anything and with no mind-numbing call centre queues would you pay a bit extra? I would.

In closing I hope that just as Covid has forced us to rethink much of what we once saw as normal, perhaps we can extend that analysis to our relationships with the banks. The only thing I haven't figured out is how to make brand cred and cache a value driver for bank customers. It's a lot harder than just driving your fully optioned new Porsche down Tedder Avenue.

\*No I don't have a new Porsche!

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