

Bank-corporate client "partnership" relationship: benefits and life cycle

Mosad Zineldin Associate Professor in Banking and Marketing, School of Management and Economics, Växjö University and School of Business, Stockholm University

Describes the concept of the bank-corporate "partnership" relationship, the benefits of this relationship for the bank and the firm, and the life cycle of the relationship. Shows how banks can establish, maintain, and enhance ongoing long-term multi-service partnership relationships with corporate clients. Four stages of the partnership relationship life cycle (PRLC) have been identified and discussed: the early stage, the development stage, and long-term stage, and the final stage or ongoing partnership stage. PRLC suggests strategic guidelines for managing and adjusting the product/service and the relationship through the different stages of the life cycle. It requires the banker to make specific efforts to establish and develop a high quality service/product mix. Suggests that a differential strategy will be of great interest to those banks with the strongest capability to differentiate their product/service mix. The bank should understand the process and stages of the relationship of the life-cycle. Finally, it should continually audit its relationship with each corporate client at each stage in the life cycle.

Introduction

The continuing move towards deregulation in the banking sector and the associated increase in competition faced by the banks, have increased the importance of establishing and maintaining banking relationships with major corporate clients. A number of researchers have concentrated in studying the relationships between banks and companies (Donnelly *et al.*, 1985; Moriarty *et al.*, 1983; Thunman, 1991; Zineldin, 1993a). Findings showed that there is a difference in the nature of the bank's interaction and relationship with different sized companies. Large companies are more likely than small companies to have relations with several banks. The size of the company also affects the level of dependence between the parties. Large companies are much more able to reduce their dependence on commercial banks by operating with multiple financial institutions and borrowing directly in the commercial paper market. However, a small firm has a greater incentive to operate with a single bank to maintain a long-term relationship with that bank.

Zineldin (1995) argues that most small companies in Sweden are not satisfied with their relations with banks because there is a lack of confidence and co-operation in the atmosphere. The bank's knowledge of the firm's operating environment, e.g. industry and market, were given much lower ranking and the banks were seen to be particularly weak with respect to knowledge of the firm's business and industry. But this study also showed that there was a relative healthy atmosphere of confidence and co-operation between banks and middle and large size companies.

A key question is how can the bank develop an effective process for establishing and maintaining the relationship with key corporate customers/clients? One answer is that they have to renew or improve their strategic management and marketing of their financial and support services in a more systematic manner. Zineldin (1995) states that a strategy based on establishing or improving a long-term relationship in particular with large corporate companies requires patience on the part of the bank and may yield benefits only

after a long period of persistent effort. The attractiveness and importance of the large corporate companies to a bank is not difficult to understand (Watson, 1986). But small and medium-sized firms also represent the nation's future and provide banks with valuable potential. Those banks with the deepest and strongest "partnership" relationships will stand the best opportunity of retaining the key client's transactions. On the other hand, this relationship may not be appropriate as a primary strategy for all banks because of the resources required and the varying attitudes of corporate customers to this type of relationship. However, many banks are selecting a few key market targets and concentrate on trying to serve them better than competitors. Banks have to choose what products/services to offer, which markets to target, and how to gain access to potential customers.

The present paper draws on the recently developed theories and concepts of industrial and services marketing along with a series of interviews with key personnel in the banking field. The paper describes the concept of "partnership" relationship between bank-corporate clients, the benefits of a long-term partnership relationship for the banks and the corporations, and the life cycle of the relationship. The factors affecting corporations' desires and needs for the banking partnership relationship are also discussed.

Development of concepts

Banks operate in a highly competitive climate and offer a wide variety of new services to both individuals and business firms. Traditionally, bank customers were loyal, few products and services were on offer, the competition was clearly defined and operated according to traditional rules and precepts. Bankers understood their business and they knew how to manage it. Today, bankers find themselves facing more aggressive competition, uncertain market conditions, and unlimited opportunities. Bankers have witnessed that they must change the way they do business with customers. The new marketing imperative is the creation of satisfied customers in a deregulated, complex and competitive envi-

ronment. This new environment led banks to realize that they must change and restructure the way of establishing and maintaining ongoing consumer and client relationships.

Once marketing had successfully established itself in consumer goods, marketing champions began to emerge in some industrial markets (Håkansson and Ostberg, 1975). A large number of marketing scholars were dissatisfied with the application of marketing mix theory to industrial goods marketing. The marketing of industrial goods has been regarded as basically different from the marketing of consumer goods. In their research, the International Marketing and Purchasing Group (IMP) (Håkansson, 1982) have developed a new approach to the industrial markets which is called the "interaction approach".

This research stresses that the relationship between buyers and sellers in industrial markets has another character; e.g. both buyer and seller are active participants in the market; the relationship between them is frequently long-term, close and involves a complex pattern of interaction between and within each company. Researchers in service marketing and international business have also stressed the significance of buyer-seller interactions and long-term relationships (Engwall, 1984; Grönroos, 1979).

However, in recent years a large number of writers in service industry including banking sector, have pointed out that the traditional marketing discipline and marketing mix theory are not directly transferable to the service and banking sectors (Grönroos, 1984; Gummesson, 1985; Zineldin, 1992). As a result, Gummesson has developed a new marketing concept which integrates the service marketing theory, industrial marketing theory, and interaction/network approach with traditional marketing mix theory. The new marketing concept or approach has stressed the significance of, for example, customer participation, integration between production, marketing and consumption, and the close interaction between supplier personnel and customers.

Despite the importance of the relationships between banks and corporate clients, this issue has until recently attracted scant attention of scholars in the field of banking. Turnbull and Gibbs (1987) express it in this way: "The concept of corporate customer relationships, neglected by banks for so long, is now receiving increasing emphasis".

However, during the last ten years or so serious attempts have been made to develop new concepts and models of bank strategic management and marketing, thereby improving banks' interactions with their customers (e.g. Donnelly *et al.*, 1985; Ennew *et al.*, 1993;

Haubrich, 1989; Militello, 1984; Moriarty *et al.*, 1983; Turnbull and Gibbs, 1987; Watson, 1986; Zineldin, 1992, 1993a, 1995).

These writers recognize that in many respects banking is a very different industry. As a consequence, a number of the concepts and relationships established in manufacturing and other services may not be fully applicable in banking, or have a different emphasis. Accordingly, to apply the traditional theories and concepts of marketing directly to the banking sector may be inappropriate. However, despite the distinction between the nature of buyer-seller relationships in the industrial markets and the bank-corporate client relationships in banking industry, scholars working in the field of banking have found that various industrial concepts and approaches can be applied to develop the bank-client relationships (e.g. Engwall and Johanson, 1989; Thunman, 1991; Zineldin, 1992, 1993a).

Central to these approaches is the recognition that customer orientation and relationship banking becomes a more effective, serviceable and profitable way of approaching bank strategy. The banks and the bankers must recognize that they sell transactions, not "products", in which the clients are actively seeking solution to their problems. The successful bank is the one whose clients feel that in their transactions with the banker they receive real and meaningful value over and above the bare products actually purchased.

Moving from selling product concepts to the transaction and marketing concepts may require changes in the attitudes of every level of bank staff, and also requires a change in the marketing strategies. Thus, bank management must create environments that focus on developing the relationships that turn key consumers and corporate customers into long-term clients whose specific needs are satisfied effectively.

Within the field of industrial markets, customer portfolio analysis is a significant tool to ensure that relationships with key customers are managed effectively. According to Campbell and Cunningham (1983), the term "key customers" includes existing large customers and those on which strategic resources are expended, and suggest that market analysis is required to group the key customers into a portfolio and analyse them to identify the position of the largest and to indicate the position of "tomorrow's customers". Such customer analysis can provide important insights into the existing customer base of future potential. Central to an interaction approach to bank marketing is the recognition of the importance of bank-customer relationships. These relationships

can in many ways be regarded as partnerships.

What is a "partnership" relationship?

The bank-corporate client relationship is a dynamic process which demands interactions between two active parties, where they both may obtain benefits in the form of cost and uncertainty reduction and/or increased profitability. During the life cycle of the relationship the service provider attempts to solve the company's problems and to satisfy its specific needs through a series of transactions. At the same time the company evaluates the quality of the service received and the relationship developed. In a bank-corporate client partnership relationship, the client not only participates with the bank in the manufacture of product and service, but also makes a judgement on how effective it is. In short, a bank-client partnership relationship is a philosophy about how the bank and the client should run their ongoing business.

The bank-corporate client relationship depends on and is affected by three groups of components and different sub-components, i.e. environment, atmosphere and interaction processes. These components and factors are summarized in the BCC (Bank Corporate Client) model postulated by Zineldin (1992) which is derived from the work of the IMP Group (Häkansson, 1982). A careful consideration and analysis of these components provide banks with fundamental marketing tools to establish, maintain, and enhance relationships with corporate clients.

To employ Grönroos's (1990) definition: "establishing a relationship involves giving promises, maintaining a relationship is based on fulfilment of promises, and enhancing or developing a relationship means that a new set of promises are given with the fulfilment of earlier promises as a prerequisite". This is similar to approaches to supplier chain management in the industrial marketing and purchasing literature:

partnership in supply chain relationships is clearly a very powerful strategy. It encourages a joint approach to problems and it can lead to reductions in costs, improvements in quality.

Over a relationship's life cycle, the bank and the client become more valuable to each other. During this period, the bank will be able to gather comprehensive and accurate information about the customer's current and future investment plans and financial measures, business strategy and tactics, and the branch's competitors and marketplace. With this information, the bank is much

more able to understand what is the customer's current and future needs and what is a reasonable way of satisfying these needs. As Paré (1990) stated: "The best marketing tool banks have available to them is the vast amount of information they have about their customers: from the checking account application, the auto loan application, the mortgage application". It should therefore be relatively easy for a bank to emphasize deeper penetration of the existing customer database.

In the banking industry, these data about a customer's needs and behaviour allow banks to identify today's key customers, develop relations with tomorrow's customers, calculate the revenue the customer generates, and estimate future investment opportunities. This information enables banks to identify, create and profitably offer new simple or complex product and service packages.

The product/service package is a package of basic or core service (Normann, 1984) and peripheral or facilitator services (Maister and Lovelock, 1982) with different tangibles and intangibles, which together form the total product. The core service is a key element around which a relationship can be built. The ideal core service attracts new customers by satisfying the basic needs and wants of the customers and binds the relationship through its quality. The facilitating services are the additional services which are needed to facilitate the use of the core service. Well conceived facilitating services are favourable in encouraging relationship enhancement. Because core and facilitating services have multiple component parts and are continuous, they facilitate cross-selling packages. They can be tailored to the needs of specific corporations.

Grönroos (1990) goes further and has added supporting services as a third type of services which should be included in the package. The main objective of supporting services is not to facilitate the use of the core service, but to increase the value and to differentiate the product/service from the services of competitors. A well-developed and conceived product/service differentiation strategy or supporting services would transform customers into long-term, multi-service clients.

The multiple links, levels, and quality of product and service packages, functions, and personal relationships will, ideally, form the basis of mutual interdependence and ongoing institutional "partnership" relationship between the bank and the client. Boon and Nyquist (1981) and Johanson (1981) observe that the delivery of services involves a "high contact partnership" between the customer and the firm or financial institution. Thus, a long-term institutional multiple-product and

service package relationship is a partnership between the client and the bank. A partnership relationship strategy should be based on mutual trustworthiness, co-operation, shared interest and objectives, closeness, openness, and a commitment to doing business with each other on an ongoing basis. The effective development of this relationship usually leads to client loyalty to a particular product/service supplier.

Benefits of a partnership relationship for the bank and the client

A customer relationship based on the sale of a specific product may be short-lived. A bank-client relationship based on mutual benefits and multiple-product and service package is a long-term institutional partnership. Therefore, in a partnership relationship, the emphasis is on a philosophy and strategy of creating and developing a bank-client relationship. The distinction between the client and customer notion has been discussed in connection with order-taking banking and relationship banking by Donnelly *et al.* (1985). In a bank-customer relationship, customers are served as part of the mass or as part of large segments. Customers are statistics and may be nameless to the bankers, they can be served by anyone available and they may have no strong reason to feel an allegiance to a given bank.

In contrast, clients in bank-client partnership relationship are often served on an individual basis by a professional banker; they cannot be nameless. Clients are entities in and of themselves; specifics about them, background data, services used, and special requirements are captured in a database and they assume that they have a personal relationship and are therefore more likely to feel an allegiance to their banks. In such cases, partnership relationship includes an acknowledged perception of mutual interdependence between the bank and the corporate client. Such relationships are often formed over relatively long periods of time.

Banks in such a relationship have a great opportunity to gain access to vast information about the corporate clients' business and investment plans, which provides a substantial competitive advantage in selling more products and services to their corporate clients. Corporate clients, on the other hand, are assured of preferred access to credit and other financial services.

A partnership relationship is essential for the corporate client to ensure that benefits obtained when purchasing banking services are continuous (back-up service) and not

merely temporary. As a result of the long-term relationship, the company is assured about the bank's reputation and perceived technical skill. Most corporate decision makers are by nature conservative and will not tend to take risks with institutions of unknown reputation in areas of substantial activity such as banking products and services. In a partnership relationship, the client can benefit from a preferred access to certain forms of low-cost credit and financing.

Ongoing and preferred access to bank core service (e.g. credit) and facilitating services (flexible rate, maturity, and payment schedules, etc.) can be considered as an insurance policy by the client against crisis periods, e.g. serious credit and cash-flow squeeze. Moreover, the clients may have an interest in establishing close relationships with major banks in the expectation that, in time of crisis, they will gain service and credit priority over the less loyal. Finally, a partnership relationship based on mutual trust, co-operation, closeness, openness, flexibility, and interdependence could mean greater assurance that credit with favourable interest rates and terms (differentiating service) will be available when needed by corporate clients and that the banking services (whole package) will be of a high quality.

As a result of the continuing movement towards deregulation and the associated increase in competition, establishing a long-term institutional relationship with corporate clients becomes of great importance to the banks in order to gain a moderate or greater share of the financial market and of a corporation's business. In effect, because the bank provides its corporate client with additional facilitating and supporting services, the demand for banking products and services by a partnership relationship client will be less sensitive to price than is the demand by a short-term, non-relationship customer. The decision to purchase banking products/services involves interactions between at least two individuals, one from the client organization and the other from the bank, usually, finance director or corporate treasurer. It is essential for the banker to recognize that his personal interaction with the corporate financial officer is not the only interaction which takes place. The finance director or officer is subject to a variety of influences within his own organization.

A long-term partnership relationship means that the bank is able to recognize and understand the factors that influence the corporate client's behaviour and decisions regarding banking arrangements. An understanding of the way in which corporate clients organize the corporate treasury function is also essential to identify future client

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needs more effectively and to be able to adjust and adapt the services and marketing strategy to produce the desired results.

The partnership relationship life cycle (PRLC)

This section analyses the process of establishment and development of partnership relationship over time by considering the life cycle and stages of this relationship. Partnership relationship life cycle (PRLC) is based on concepts and ideas generated from service marketing and industrial marketing. In services marketing, Grönroos (1984) divides the customer life cycle into three stages: initial stage, purchasing process, and consumption process. He argues that considering and identifying these stages has substantial marketing consequences. In industrial marketing, Ford (1986, 1990) describes the process of establishment and development of buyer-seller relationships by considering and reviewing five different stages: the pre-relationship stage, the early stage, the development stage, the long-term stage, and the final stage. He found that understanding of the nature of each stage is essential in determining the resource allocation between different relationships according to their potential and stage of development.

In essence, the PRLC proposes a very similar life cycle for banking-customer relationships, i.e. that the infant relationship is born and goes through various stages (e.g. growth, maturity) in its life and becomes a partnership relationship (see Figure 1). From a bank strategic marketing and management perspective, the PRLC provides important guidelines for managing the development of a multiproduct/service bank-corporate client relationship.

It should be noted that the process described here does not propose that partnership relationship development is inevitable. Relationships can fail to develop or regress depending on the actions of either partner. However, it is apparent that four stages of the relationship life cycle can be identified. These stages are: the early stage; the development or the basic relationship stage; the long-term stage and; the final stage or the partnership relationship stage. It may be possible and useful to view the progress of a bank-corporate relationship as in the above described life cycle. The progress of the relationship between the bank and its corporate client will depend on various factors: industry trust, mutual interest, mutual dependence, the state of conflict or co-operation, and overall closeness or distance of the relationship as well as on the partners' mutual expectations.

From a bank strategic management and marketing perspective, the PRLC can be a useful tool for understanding the behaviour of the customer/client.

The early stage

Both partners will face uncertainty about what they hope to gain from the relationship. They are unaware of each other's performance abilities and requirements and these have to be clarified and communicated. If this is successfully achieved then the relationship enters the second stage. However, if at this stage the partners do not understand each other's needs and wants, fail to develop an appropriate offering, or act in a manner inconsistent with expectations, then the next stage probably will not occur. The corporate customer will continue to seek another partner (new source).

The critical marketing objectives in the first stage are for bankers to:

- create interest in the bank and its products/services;
- identify their target corporate clients, their behaviour and the rationale underlying this behaviour;
- understand precisely the customers' needs, and to what extent these needs are being met, whom do they at the present time use for financial requirements;
- cross matching the product/service features to meet these needs;
- emphasize those features of bank's product/service that will be likely to have the most appeal.

The development stage

At this stage, the potential corporate customer and the bank have already agreed on a product/service solution. This stage is marked by increasing experience between the partners to the transaction. Additionally, they will have acquired knowledge of each other's norms and values (interaction). The adaptations required to meet the wants of the customer will have become more apparent. Each partner/party will be better able to judge the adaptations and services necessary to meet its own requirements. If the outcome is negative, the next stage will not occur. If the outcome is positive, the probability is that the customer relationship will continue. This takes both parties into the third stage of the life cycle.

At the development stage, bankers are more able to:

- convince the customer that his requirements will be fulfilled by the benefits of the product/service on offer;
- identify future customer needs more effectively;

- identify the level of satisfaction currently obtained by customers;
- improve the bank's ability to communicate with existing and potential customers;
- identify trends in attitudes to the bank;
- identify the current and the future key clients by conducting a customer analysis.

The long-term stage

If the relationship moves to this stage, a strong, close and interactive relationship has developed characterized by mutual trust and satisfaction. The client has taken the decision to transact most or all of its business with its partner bank. The customer relationship becomes a long-term client relationship and the bank is able and willing to offer its corporate client more additional and facilitating services. Thus, it has the opportunity to build and maintain an ongoing partnership relationship with the client. At this stage, maintaining service quality and performance are the most important marketing tasks. More additional and facilitating services in the form of product development or sales training programme may also be a valuable way to maintain and develop the relationship.

At this stage:

- the degree of client loyalty is higher;
- bankers should build the strongest possible client relationships by establishing bonds

that are most important to corporate clients but difficult for competitors to imitate;

- adaptation, innovation, and product/service attractiveness are more important;
- bankers have more opportunity to talk with clients and to understand how they view the bank and its ability to satisfy their needs;
- professional/individual service delivery is most important to clientizing the relationships;
- the perceived service quality is highly dependent on the quality of the interaction;
- an enduring customer relationship should be achieved.

Here the perceived service quality is highly dependent on the quality of the interaction.

The final stage "partnership" relationship

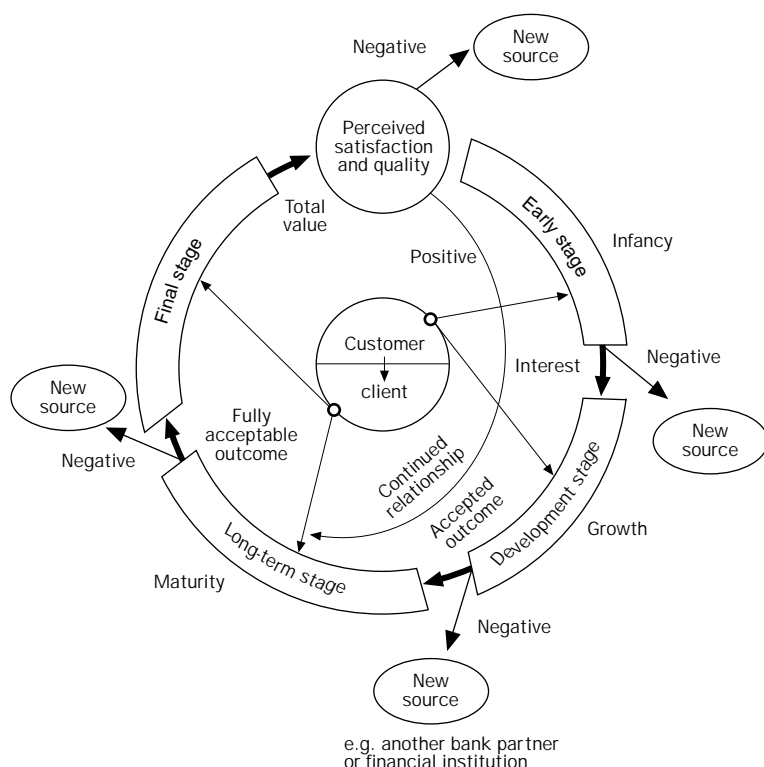
The client relationship is now a partnership relationship. During this process the client is confident about the bank's ability to take care of its current and future problems and provide a quality service package. The bank should seek to solidify relationships with institutional bonds in addition to financial and social bonds. For the bank, providing products/services that are valuable to corporate clients but not readily available from other competitors will be a great tool to differentiate its service/product packages from the services of competitors. However, each bank should create differentiating and facilitating services according to its resources and strengths. A high degree of product/service differentiation can reduce the level of price competition and increase the customer attractiveness.

At this stage, mutual interdependence, social bonds, complex psychological and interpersonal relationships will exist; and ongoing institutional relationships are constituted. Clients feel that they are receiving value, feel valued, and will be willing to pay a premium price for the benefits of the product/service offerings. Technological innovation in service delivery is an important factor to maintain the relationships in this stage.

An essential component of the development of a relationship is that the client values the quality of the relationship over the life cycle period. The value placed on the relationship may fluctuate over time. The bank/er should understand the process and each stage of the PRLC. However, according to Militello (1984), corporate treasurers increasingly feel that the commercial banker knows less and less about the environment, financial problems and decision-making processes of their corporations. Thus, to be competitive bankers should have a clear strategy for dealing with their corporate clients at each stage of the PRLC. It is not enough to introduce the

Figure 1

The partnership-relationship life cycle (PRLC)



customer to the bank's product and service. The corporate client must be shown that the bank provides a real value superior to the alternatives offered by competitors. The bank should continually audit its relationship with each corporate client at each stage of the life cycle.

Are corporations appropriate for partnership relationships?

Implementing a partnership relationship bank-corporate strategy may not be an available or appropriate strategy for all corporations. Many factors could influence the suitability of this strategy. Pastré (1981) examined bank/industry relations in the USA. In his study, special emphasis was given to the factors such as power/dependence, interlocking directorates, the size and duration of term loans, and the types of banking and non-banking financial services provided by banks and required by corporations. Some companies do not need long-term loans, some avoid the dependence on a specific bank, others believe in their future capability of securing credit and service when needed. Such firms purchase banking services on the basis of price and quality competition rather than on a long-lasting partnership relationship basis. In effect, the partnership relationship is not an appropriate strategy. However, Moriarty *et al.* (1983) identify six factors that they believe affect the perceived value of the banking relationship by the firm:

- 1 *Competition*: Firms having access to multiple banks that are able and willing to meet and satisfy their needs are likely to place less value on long-lasting specific banking relationships.
- 2 *Need for credit*: Firms requesting large amounts of bank credit are likely to place a greater value on banking relationships than do firms having access to the commercial paper market or having a primarily deposit relationship.
- 3 *Need for non-credit products and services*: Firms requiring complex non-credit product and service packages, for instance, international cash management systems, will place a great value on long-lasting banking relationships since fewer banks will be capable of providing these packages.
- 4 *Need for flexibility*: Firms involved in unconventional or complex businesses, such as structuring and financing large investment projects in foreign countries, will place a greater value on banking relationships since these relationships assist them in obtaining the skills and customized services they require.

- 5 *Financial health*: Firms that are less strongly capitalized, that have poor earnings, and firms which are involved in risky business will appreciate and place a great value on a banking relationship.
- 6 *Attitude towards management of the financial function*: Some large firms are capable of producing most of their financial services and may prefer to combine or integrate backward whenever possible and internally absorb functions previously performed by banks, while others prefer to concentrate their managerial resources on their own line of business and buying their needs of financial services. Firms preferring to purchase financial services rather than produce them in-house are likely to place higher value on banking relationships.

As previously noted, the attitudes and preferences towards establishing and maintaining a banking partnership relationship can be correlated with the size of the corporation as well as the information and transaction costs (Elliehausen and Wolken, 1990; Moriarty *et al.*, 1983; Zineldin, 1992). Small and medium-size corporations are more likely to value a stable relationship with a specific principal bank more than do large corporations. Significant information and transaction costs will cause a small corporation to conduct its transactions with a single bank to maintain a long-term relationship with that bank. Because of the transaction and information costs, large corporations are capable and more willing than small corporations to have multiple locations bank relationships. There is evidence that small corporations are more likely than medium corporations to depend on one principal bank and to maintain a working partnership relationship with that bank rather than seek out a different supplier for different banking products and services. Recent research in this area is reported by Zineldin (1995) who surveyed bank-corporate client interactions and relationship in Sweden. He found evidence that the relationship is to a great extent correlated with the size of the corporation. Four factors have been identified regarding the effects of company size on the banking relationships:

- 1 *Competition*: Increased domestic and foreign banking competition has caused large companies to move more easily between various banks and financial institutions. In effect, they are more likely than small firms to have multiple relations.
- 2 *Dependence and dominance*: Large companies are usually in a stronger financial position and are less likely to depend on a dominant banking relationship. Throughout the diversification of financial

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institution relationships, large corporations believe that they are much more able to reduce or avoid one bank's or fewer banks' control and dominance. They tend to be bank dominance-averse.

- 3 **Transaction and information costs:** Transaction or transport and information costs tend to be higher relatively to the size of transaction and loan for small corporations than for large corporations. Small companies have no significant opportunity to search for information about alternative non-local credit and service suppliers. The net expected benefit from searching outside the local area for better loan terms is likely to be greater for large firms. Small firms believe that communications with one single bank are desired because the banker will know and better understand their needs.
- 4 **Credit securing:** Because small and most medium-sized corporations are mostly in less strong financial and power positions than large corporations, they believe that having a close partnership relationship with a single bank is more appropriate in securing credit in the future if needed to finance its growth.

The factors affecting the perceived value of banking partnership relationships outlined above describe some of the motives and actions for the selection of clients' attitude and approach to this relationship. To be of value in management and marketing planning these factors and motives must be analysed and defined in terms of specific needs and wants that the bank is capable of satisfying during each stage of corporate client life cycle (PRLC).

The decision to implement bank-corporate partnership relationship is not an easy task. It involves interactions, attitudes, motives, and behaviour. It is a process which includes three basic elements, i.e. needs, action and satisfaction. The two parties identify their needs which will stimulate a drive or urge to take action which will lead to the satisfaction of the need. Satisfaction acquired from a service or product varies depending on the quality of the relationship over different stages of the life cycle. Key contributing factors include mutual trust and confidence, flexibility, understanding of clients' needs and problems, its ability to develop innovative solutions to unsatisfied needs, the capability to reduce uncertainty, competitive pricing, and the capability and ability to behave and be rewarded like an entrepreneur. These factors can be used to facilitate and differentiate the product/service packages and generate customer satisfaction.

Conclusions

Many banks today are seeking ways and tools to develop formal, ongoing relations with principal corporate clients. Based on the work of Ford (1986, 1990) this paper describes the concept of "partnership" relationship and its life cycle as a key instrument for establishing, maintaining, and enhancing relationships with corporate clients. Four stages of the partnership relationship life cycle (PRLC) have been identified. The life cycle of the relationship and the benefits for banks and corporations of partnership relationship have been discussed. The four stages are: the early stage, the development stage, the long-term stage, and the ongoing partnership stage. This paper suggests that the corporate client values the quality of the relationship over the life cycle period. If the client is satisfied, the probability is that the relationship will continue and the client will get into the next stage. At any stage of PRLC, if the outcome is negative, the next stage will probably not occur.

This article reveals that each stage of the life cycle requires the banker and management to constitute a specific strategy in order to be able to move to the next stage. Thus, a bank-corporate client must have a philosophy about how the bank and the client should run their ongoing business recognizing the mutual interdependence of the two parties.

However, not all customers wish to have close partnerships with banks. The main factors (e.g. competition, size of the firm, need for credit and non-credit product and service, transaction and information costs, dependence, and firm's financial health) affecting the perceived value of bank-corporate relationships offer bankers a way of understanding why some companies are not appropriate for partnership relationship with banks. Understanding how corporations are motivated in selecting the type of relationship is important for the bankers because it enables them to identify future corporate needs more effectively and to improve their ability to communicate with existing or potential corporations and to obtain the confidence of clients by showing how the bank understands their point of view.

Because most banks offer the same core products/services, a differentiation strategy will be of great importance to those banks wishing to gain a competitive edge. Each bank should therefore develop and create differentiated products/services according to its resources and strengths. A competitive bank-key corporate client strategy provides banks with significant benefits such as additional business from current clients,

favourable word-of-mouth communications, reducing the level of price competition, increasing market attractiveness, and attracting tomorrow's customers. The validity of bank-corporate client partnership strategy depends on how effectively it is implemented. The present study reveals that the PRLC's relies on its ability to suggest strategic guidelines for managing and adjusting the product/service and the relationship through the different stages of the life cycle.

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