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Banking Relationships Require More Than Just Access to Credit and Capital

As the economy has improved over the last year, most banks have increased their lending in the upper tier of the middle market and to large corporate customers. The consensus of large corporations is that they are satisfied with their banks' abilities to meet their funding needs, as well as satisfy their credit terms. Over 20% of large corporations in the middle market and large corporate market plan to seek additional credit capacity in 2015. This is no doubt a reflection of the economic outlook, combined with favorable credit terms and relaxed financial covenants.

Credit relationships always affect treasury and banking service relationships, however, the increased stabilization and contentment with their bank makes it less likely that a company will move its treasury services to a new bank due solely to credit issues. For middle market companies, nearly 65% state they would move their treasury services to the same bank that granted them credit terms. For large corporations, only 43% state they would move their treasury services to the same bank that granted them credit terms. The larger the company, the more decoupled credit and treasury become.

The factors a corporation considers to be the most indicative of a bank's commitment to their relationship is showing some changes on the last few years. This is due mainly to the fact that credit availability is no longer the main driver in a bank relationship; corporate customers are now demanding higher levels of customer service. When it comes to ranking the importance of a bank's customer commitment, credit availability is no longer number one in importance. The most important factor is problem resolution. While credit availability remains number two, factors such as new services offering and relationship efforts rank very close to the top.

Treasury management and banking services pricing continue to be under significant pricing pressure. Corporations are now increasingly sensitive to banking and treasury fees and costs, as credit tightness has eased and is not as much of a concern. In a 2014 study of large corporations, over 80% of respondents plan on an evaluation of their treasury and banking operations efficiency and cost structure in 2015. For the middle market companies, over 50% stated the same intent. Having said this, most corporations will not change their treasury services provider relationship strictly for cheaper pricing.

While the cost of treasury services is always a concern for companies, credit access has always driven the selection of the banking relationship. In the current economic environment, without the difficulty of securing credit, customer service and quality of offerings are the overwhelming reasons why corporations move treasury management and services from one bank to another.

At Vizant, our knowledge and expertise in treasury operations is very deep. It embodies all aspects of managing the efficiency and cost of incoming and outgoing money flows and payments. We focus on the functions of treasury operations that involve the flow, control and management of inbound and outbound funds. Vizant is service provider ‘agnostic.’ We do not prefer, select, recommend or encourage any single service provider. We understand how important our clients’ banking and treasury relationships are to them. It is why we are focused on and prefer to work with clients’ existing service providers, whether it is a bank or other type of service provider. Unless directed otherwise by our client, this is our mantra.