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Deal Management for the 21st Century

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In a pre-pandemic world, corporate banking across the world was on an upward trajectory. North and South America led the way, registering 19. 5 percent increase in corporate lending in 2019.[1] Then as the events of 2020 unfolded, the sector witnessed unprecedented disruption and an unavoidable slowdown. Corporate banking was badly hit, but as the world adjusts to this new pandemic induced normal, activity in this segment is expected to pick up. However, banking may never be the same again. COVID-19 has accelerated the pace of digitization within the industry. And it has sharpened the focus on customer centric business models to ensure customer delight and loyalty. Hyper-personalization is the new rule of the game and corporate banking is not exempted from instituting uber customized engagement models for better business outcomes. This does not mean just marketing programs and outreach programs. Processes central to the business of banking like managing negotiations and deals will need to be revamped with a strong technology focus to ensure greater transparency, customer engagement and revenues in the coming years.

Why Change How Deals Are Managed?

Industry pundits have been talking about digital transformation in banking for years now and the sector has been moving forward on its digitalization journey. Why is there now a new urgency to fast track these initiatives? There are two reasons for this. The first, of course, is the pandemic that almost overnight changed the world as we knew. As work, business and life was disrupted, technology ensured continuity, access, and some semblance of normalcy. And it will continue to play a vital role in sectors like banking where contactless transactions are likely to continue growing even post pandemic. The second reason is the modern customer and what they expect from their banks. Digitally savvy and aware, customers today demand higher degree of personalization, greater autonomy and control over the banking process, greater choice, and greater transparency. According to KPMG, by 2030, customers will expect banks to not only know them but also be seamlessly integrated with their lifestyles. They expect automated, intuitive, and user-friendly processes that will minimize time and effort required for interacting with banks. This extends to corporate banking and the deal management process as well.

Deal Management In A Bygone Era

Banking deals are worked out between customers and sales managers, and they involve specific product portfolios. Traditionally, discounts and offers would be worked out basis some broad segmentation efforts such as location, and company size. In the absence of advanced data analytics efforts, these were not very sharply personalized. Sales managers would try offering better deals by combining multiple products and offering discounts based on their discretion. Not only would some of these offers be unrealistic, but they would also be difficult to track. They could lead to conflict later if questions arose on a particular customer getting more discount than another. The lack of visibility into the deal process was also a bone of contention between the internal and external parties involved in a deal. Above all, unstructured and informal offers could lead to unprofitable contracts, revenue leakage and serious compliance violations.

Automating Deal Management

Here's where automated deal management platforms can prove to be game changers. These platforms help banks establish rules and clear-cut processes for negotiations and deals. These platforms are built to cater to a "segment of one" – a hyper personalized categorization of the customer that will deliver the best price for them based on an in-depth understanding of them, their requirements, their existing business and engagement modes, their future growth prospects and much more. The process begins with the product manager determining the optimum price for the product. They then understand in-depth data driven customer segmentation insights to create a range of discounts and offers that can be offered to a specific customer. This gives the sales manager a broad framework within which to operate by standardizing the negotiation process and establishing pricing governance models with negotiability limits. The framework is highly flexible and is based on data driven insights on key factors like profitability, revenue impact based on commitment, actual business-based simulation.

Proper documentation, usage of appropriate tools, standardized reporting, clear communication with the customer as well as their documented sign off on the final deal ensures a high level of visibility and transparency. Every commitment across product and service lines can be tracked and monitored easily and progress reviewed periodically. It also allows for better control over the deal negotiation process. For example, the sales manager has some flexibility to offer discounts from outside the fixed parameters. But they must get an approval from the product manager for this. In case the product manager takes time with approvals, the system can flag the delay and escalate the matter to the next approval level. This ensures a faster turnaround time on offers and contracts. In short, automated deal management solutions can improve the deal management lifecycle, cut down time taken to close deals, reduce revenue leakage and ensure transparency and compliance.

Deals, discounts, and special offers are an integral part of business, and this fact will not change in the future. The only factor that has changed is the customer's expectations. They want personalized offers and discounts, greater control and visibility into the process and a seamless experience. On their part, banks want optimized deals that will grow their revenues, long term customer relationships, and a process that is rules-based, transparent, and structured. Automated deal management platforms meet the criteria of both parties. As the world moves on from the disruption of the pandemic, manual, error-prone processes must be replaced with state-of-the-art automated solutions that can meet changed customer demands and match the evolving requirements of the new business landscape.

Sources:
[1]Deloitte