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Changing the Model of Servicing Corporate Customers by Banks

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ABSTRACT

The author examines the peculiarities of the work of banks, the regulatory and competitive pressure on which has increased significantly in the last 10 years, that negatively affects their profitability of their activities. The purpose of the study is to find the optimal model for the interaction of universal banks with corporate clients, which provide most of their income and profits. The theoretical and methodological basis of the study was the scientific works of foreign scientists and experts on improving the efficiency of banks' services to corporate customers. Methods of qualitative and quantitative analysis of scientific publications, analytical materials of well-known consulting organizations, and statistical data were used. As a result of the study, the author concludes that in a significantly more complicated and unstable macroeconomic environment, it is expedient and beneficial for banks and companies to reconsider the nature of cooperation and proposes a new model for servicing corporate clients by banks, in which each party will deepen its specialization.

Keywords: efficiency; business model; creation of additional value; comprehensive service

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INTRODUCTION

Strengthening the reliability of banks, through which funds flows, that are absolutely necessary for the healthy functioning of the economy, is a priority for regulators of national and global banking systems. Sustainability of banks is achieved by increasing their capital adequacy, increasing reserves to cover possible loan losses, creating liquidity buffers, strengthening the awareness of their customers and combating fraud in banking transactions. All these activities require additional costs. At the same time, new digital players are trying to take part of business from traditional banks, offering customers banking services that are cheaper, more convenient and faster performed. As a result, the banks' strategic base for profit generation is reducing, which makes us wonder how to expand it.

ON THE CURRENT STATUS OF THE BANKING INDUSTRY

Following the 2008–2009 financial crisis, banks significantly strengthened their capital base under pressure from regulators, create liquidity buffers and reserves for possible loan losses, which allowed the most profound phase of the current economic crisis to be successfully completed. Global average for the banking industry Tier 1 capital adequacy in relation to risk-weighted assets in 2021 stood at 11%, which is lower than the 12.5% in 2019, but significantly above the standard Basel III — 4.5%. Within 15 years until 2020, the global banking industry has managed to increase revenues from 3 to 5.5 trillion USD and profit from 0.8 to 1.5 trillion USD, however, failed to achieve a return on bank capital above its value for the shareholders of credit institutions (about 12%): the actual return on capital invested in banks in the world averaged in 2019–8.9%, which is approximately the same rate for the last 10 years, and is expected to recover to the pre-crisis level closer to 2024 after decline in 2021 [1].

True, the largest American and European banks (as well as the Russian Sberbank) benefited from the economic recovery that began in the second half of 2020, and their profit for 12 months to July 2021 were the highest in history, as for example at JP Morgan, Goldman Sachs and Morgan Stanley, and the biggest ones over the past decade at UBS, Barclays and Deutsche Bank.[1] This is not typical for the entire banking industry and rather reflects the ability of major credit institutions to attract and retain private and corporate clients with a wide range of services, to support them with loans and activities in the capital markets, because such clients concentrated their operations in the most reliable credit institutions as they wanted to avoid the risks of working with smaller banks. All this affected the capitalization of the entire banking industry, which by Q2 in 2021 has almost returned to pre-crisis indicators,[2] and return of bank shares for 15 months to the end of May 2021 globally amounted to 12%, but it cannot compare with the return on investment in companies of most other industries, which ranged from 20 to 55% in this period [2].

There are three intra-industry factors that affect the competitiveness of credit institutions in terms of return on capital relative to other sectors of the economy:

- strengthening and expansion of regulated banking activities and regulatory efforts to increase competition in the market for certain banking services (first of all, retail), involving non-bank organizations for consumer benefit, which leads to higher costs for banks and at the same time encourages banks to improve their operations;
- emergence of digital banks not burdened with multiple branches, as well as fintech and large technology companies, which, using modern technological solutions and means of communication, try to provide services mainly in the retail banking and small business segments (often — in a very narrow range of services in those areas where traditional banks are not prepared to compete with them by price, speed and convenience);
- preservation by traditional banks of outdated business models and in-house technological solutions, orientation on banking products, rather than on customer satisfaction by solving their problems with bank's assistance.

Regulators' position on tightening requirements for banks in terms of capital adequacy and lending objects, and parallel provision of opportunities for non-financial entities to conduct certain banking transactions, have encouraged many customers to seek non-bank funding for their activities. So, according to PwC, over the past 10 years with the total amount of funding mobilized annually from 69 to 79 trillion USD, share of bank loans fell from 52% to 48%,[3] i.e. has stagnated in absolute values. However, the introduction in 2022 of new risk calculation standards Basel IV for all active balance sheets may require additional capital injections by banks and affect traditional banking models of lending to customers, since only to maintain the current return on capital will it be necessary to increase gross return by 7.5% [3].

Of course, the banks are not inactive in improving their profitability: while in 2010 cost-to-revenue ratio in the industry was 67%[4] globally, then in 2019 it improved to 54.4%. But this is not the limit: costs of banks, working on digital format only, may be 70% lower than traditional lending institutions [1]. When

[1] Global Banks $ 170 Billion Haul Marks Most Profitable Year Ever. Bloomberg, August 03, 2021. URL: https://www.bloomberg.com/news/articles/2021–08–03/global-banks-170-billion-haul-marks-most-profitable-year-ever

[2] URL: https://www.statista.com/statistics/265135/market-capitalization-of-the-banking-sector-worldwide/

[3] Securing your tomorrow, today. The future of financial services. Pw C. 2020:27.

[4] Tightened belts loosen due to income crisis. The Banker. July 06, 2010. URL: https://www.thebanker.com/Banker-Data/Banker-Rankings/Tightened-belts-loosen-due-to-income-crisis

analyzing bank income, it should be noted that the share of bank commission earnings in the world is gradually decreasing. For example, the commission revenue share of the 700 largest global banks by capitalization in the world declined from 45 to 37% of total revenues between 2006 and 2020 (including net interest income) [3]. Banks develop commission income possibilities, but, obviously, part of such income, especially in payment transactions, increasingly goes to digital competitors (the work of only non-bank organizations contributed to its decline in banks by about 20% over the past 4 years [4]), whose activity is encouraged by regulators, while income growth in other segments is insufficient. At the same time, ever new restrictions imposed by regulators on bank credit products reduce the prospects for bank credit expansion and the growth of the corresponding interest income, although the basis for it in terms of increasing capital has already been created.

These circumstances, which are changing the banking environment, lead to the conclusion that banks need to adapt their business models to new conditions and find other ways to create value in the intermediary activities that banks are engaged in to meet the goals of their customers (lenders and borrowers). In addition, it must be taken into account that with growing capital, even stable returns reduce the return on this capital. As a result, it turns out that, while strengthening the stability of banking institutions in the face of economic crises, and without a change in the business model, banks will not be able to match the return on investment, which companies in other industries offer (or approach to), and, consequently, they will find it increasingly difficult to attract new capital, thus reducing their reliability as a key characteristic of one of the pillars of the market economy.

ON THE ATTRACTIVENESS OF CORPORATE BANKING

According to McKinsey, of the global banking industry's total revenue of 5.5 trillion USD in 2019, retail operations have brought 1949 billion USD, banking support of corporations (corporate and commercial banking) — 1653 billion USD, payment operations — 788 billion USD, state and asset management — 739 billion USD and capital market operations — 390 billion USD [1]. These segments differ significantly in profitability: cost-to-income ratio in the retail business in 2019 was 62% (data for Europe only) [5], in the corporate banking sector — 45–49%, in the investment sector — 62% [6]. From the point of view of generating profit per unit of income, the attractiveness of corporate banking is obvious compared to retail banking, in which margins are higher, but the risks and expenses of traditional banks for maintaining branches are also higher: the first creates 876 billion USD of additional value, and the second — 740 billion USD. And if the corporate segment of banks is combined with the investment segment (since it takes into account servicing large companies along with services in the capital markets), then comprehensive business servicing brings banks 1024 billion USD of added value (author's calculations). In the payment business, which is one of the most competitive segments of banking activity, more than 70% of revenue comes from the retail segment (author's calculations based on [7]).

Thus, complex servicing of corporations is not only the largest segment of banks by revenues, but also the most profitable. However, there is very strong pressure from regulators on the banking sector (to ensure the reliability of the banking system as one of the key structural elements of the economy of any country, and because the banks servicing business attract deposits of the population), as well as from digital competitors who are trying to infiltrate not only the retail operations of banks.

At the same time, priorities of corporate banking clients are changing, financial departments of which are increasingly focusing on performance analysis and development proposals to improve efficiency and competitiveness of its own companies.

The work of payment and credit provision of corporation's acitivity and the respective risk management, which in itself does not create added value for companies, does not provide qualitative differences in goods and services, which companies offer on the market, but requires a decent cost to finance (on average about 1% of revenue). Therefore they see it now as a by-product of their core business, not determining their competitive position in the market. It may therefore be appropriate for companies to outsource this work to professionals in the field, which are credit organizations, if the latter are ready and able to provide companies with the appropriate service [8].

Obviously, that banks should be interested in strengthening linkages with their corporate customers, if this gives them a chance to earn more, since credit institutions for the most part are still far from achieving a return on capital above its value to shareholders. In this regard, it may be useful to consider opportunities, which banks have to develop the revenue base in this segment to help improve their overall profitability.

It should be noted, that engaging digital competitors in retail banking operations, an important advantage of which is the lower price of the respective service, makes traditional banks compete with each other on this indicator, that, reduces their overall income pool from retail activities, if they do not come up with new sources of income in this field of activity or find new opportunities in business servicing. The corporate business of traditional banks is not yet under such pressure from digital competitors in terms of lending (except of SME), but in provision of payment and risk management services, fintech and large technology companies are making serious efforts to obtain a share of commission income from this business, which traditionally belonged to the banks. For example, in total revenue from financing global trade in 46 billion USD in 2019 share of payments on an open account (without participation of bank in documentary confirmation of delivery) amounted to 46%,[5] of which non-bank financing already accounted for 38%, with the expected increase over the next five years to 50%.[6] That is why, and taking into account the above circumstances, banks need to take steps to increase interaction with corporate clients in order to strengthen their franchise with them, preserve and further increase their revenues and profits by reaching a new level of relationships that will allow this group of clients to focus more on their own development, managing, but not engaging in the operational management of payment and credit operations and related risks, services for which can be provided by outsourcing banks.

THEORIES OF RELATIONSHIPS BETWEEN BANKS AND CORPORATE CLIENTS

This conclusion makes to consider the existing theoretical substantiation of the relationship between banks and corporate customers in order to better understand how they fit into the changed circumstances of banks' activities and companies' priorities.

First of all, it should be noted, that the role of banks in society is determined by their ability to securely hold temporarily free funds of legal entities and individuals and to credit those who have a temporary shortage of cash resources. To be able to store money and pay interests for its use, banks must find sources of revenue, such as payment fees and other risk-free services provided to customers, as well as interests on loans and other income from the bank's risky operations. Thus, value creation for the bank consists in the art of risk management and in ensuring efficient standard payment operations by improving internal processes.

In the role of a lender, the main task of the bank is to assess the risk of non-return of

[5] 2020 ICC Global Survey on Trade Finance. International Chamber of Commerce. July 2020:126.

[6] How corporate banks can ride the disruptive. E&Y. August 31, 2020. URL: https://www.ey.com/en_gl/banking-capital-markets/how-corporate-banks-can-ride-the-disruptive-wave-of-global-trade

money by the borrower, to establish such loan conditions under which it will be advantageous for the borrower to repay the loan and pay all interests on it, that creates the basis for making a profit and increasing the value for the bank. The effectiveness of credit work largely determines the bank's reliability and creates the prerequisites for strengthening the base of its liabilities, attracting more funds in the form of account balances and deposits. On the other hand, the very offer of products and services demanded by the market does not create a competitive advantage for the bank, because there are many other providers of the same service on the market. It is important how the bank ensures the realization of the client's goals through access to its products. Moreover, the client does not care what kind of product the bank has, the main thing is that the bank's service on competitive terms lead the client to his goal. Thus, the bank's main objective is not product development and its cross selling, but achievement of the client's goal with the help of the bank's payment and credit provision combining with the relevant risks management, if the client does not have the time, willingness or qualifications to undertake such work or considers this work non-core for his activity. Therefore, value creation by a bank is only possible and feasible by creating value for the consumer.

It is important to note, that in the mass product market such as retail banking, product availability, price and terms of consumption prevail over the importance and character of the client's relationship with the bank. In corporate banking, terms of cooperation with the bank become no less important for companies than the bank's product range and its price characteristics.

Increased competition in the banking market resulted in the standardization of many banking products, reduction of its price, and increased ease of use (one might say, their commoditization), making it more difficult for consumers to differentiate between individual banks. Therefore, the next stage of competition is not increasing the bank's recognizability, who sells standard products (what is expensive and difficult to do with small chances of success, which can be short-term), but the influx of new customers and the retention of existing ones with new profitable services, which is not an easy task.

Theoretical studies of banks' relations with corporate clients were determined by the need to answer the question: how can the bank benefit from such a relationship? Therefore, the initial development of the topic focused on the functional aspects of the relationship between bank and corporation (attracting deposits and providing credit and other services) [9]. In parallel, the issue of eliminating the information asymmetry that exists between the lender and the borrower was examined.[7] Accordingly, the first approach is called transaction relationships (transaction banking) — one-time transactions and obtaining information about the client by the bank limited to public data. Competition for a larger share in the customer's operations has forced banks to move towards closer relations with non-financial sector companies, which enabled them to obtain confidential information about their activities, to better assess risks and, on this basis, dare to increase the volume and expand the product range of operations with them. This approach has become known as a banking service based on a trusting relationship between the bank and the company (relationship banking) [10, 11]. At the same time, the proposal to strengthen the role of banks before intervening in the current affairs of the company (both in Japan and partly in Germany [12]) was not viable due to banks competition for customers and companies' desire to optimize their respective costs, dividing business between different banking structures [13].

Relationship banking theory assumes that multi-level personal contacts of bank and

[7] Diamond D. W. Financial Intermediation and Delegated Monitoring. The Review of Economic Studies. 1984;51(3):393–414.

company managers (in addition to using the fruits of the information and technological revolutions, which allow you to learn a lot about the object of interest without personal communication) will fill the information vacuum of both sides on the current situation, will create a base for servive of the customer and sales of various banking products, as well as a help the client during economic crises or in the implementation of long-term perspective projects [14, 15]. However, the parties do not sign any formal documents under the terms of such cooperation, leaving the possibility for each of them to change their affection due to different circumstances, that, in addition to the potential benefits to one side in a change of partner, threatens the other side with loss of business and opportunities together with the risk of disclosure of confidential information obtained through cooperation. It is correct to assume that binding a company to one bank, even in many-way relationships, can narrow the company's choice in terms of the product range and the cost of banking services. However, specialized studies prove that the profitability of companies focused on such relationship is higher than that of companies with a large number of banking partners [16]. Moreover, too much competition de-motivates banks to establish such a relationship with companies, require large investments in the creation of the infrastructure to work with them, due to the high probability of a corporate client changing the banking partner [17].

This theory explains the interest of banks in the relationship with corporate clients in terms of increasing revenues from the sale of their products and creating value for the bank. But it does not take into account the position of companies in relation to payment and credit operations and management of the respective risks, that has changed significantly recently. This is because the non-financial sector has increasingly seen the financial function of companies as a non-financial reporting activity, as well attracting and putting money, but as a work primarily aimed at identifying within the company the reasons for improving its efficiency in internal processes, the products it manufactures, its relationships with suppliers, buyers, employees, shareholders and community, which no one else will do and which determines its competitiveness in the relevant market and creates value. In this context, the company's payment and credit operations support its core activities, but do not distinguish a company from others in the fight for the consumer of its products. It cannot be said, that companies lost interest in payment and credit operations and management of the related risks. They simply become non-priority in terms of achieving the main goals of the company, require serious costs and highly qualified specialists, and therefore it turns out to be desirable to transfer their processing to specialized organizations. Probably banks have not yet fully realized the change of priorities of their corporate clients, and therefore their business models are mainly focused on selling their individual, although and complex, products, rather than on an integrated partnership with companies to provide the necessary payment and credit operations and management of the related risks through formal arrangements.

CORPORATE CUSTOMER BANKING MODELS

Models of cooperation of banks with corporate clients are determined by the goals that banks want to achieve. The main ones: increased profit and return on capital, taking into account the opportunities available to credit organizations through the sale of bank-generated products to customers, reducing costs to improve its ration to income, countering aggressive attempts of digital competitors to take part of banking business, accelerating innovation and meeting complex customer requirements. Working in these directions influences the entire value chain of banks, which includes contacts with customers, banking products (with and without taking risk on the bank's balance sheet), sales channels, availability of resources (monetary and intellectual), brand and history of customer relations, operational processing and supporting the bank's core business functions.

In modern conditions, the achievement of these goals is accelerated by implementation of emerging technological solutions, which improve the efficiency of each bank's activity. For example, in-depth analysis of customer needs contributes to income growth, identify a range of products and services beyond those already provided and offer existing and new, when they are needed by the client, at the optimal price for the bank and the client. Models of predictive analytics provide an opportunity to identify and significantly reduce possible risks in the activities of the bank and the customer. Integrated automation of processes organized on new technology platforms, is contributing to the simplification and accelerates transaction processes, increases their reliability and, therefore, lowers transaction costs. Innovations allow to qualitatively improve the management of liquidity and capital, provide for the client transparency of operations in real time. The digital transformation of banking transactions is clearly reflected and increasingly articulated in the assessment of these service providers by the market: for example, in October 2021 the ratio of the capitalization of universal banks worldwide to the book value of their capital was on average 1.0 and has been falling at a rate of 5% per year for the last 5 years, while the non-bank entities specializing in servicing retail customers had these rates 1.8 and it has been raising by 31% annualy, herewith the organizations dealing with payment only had these indicators as 8.5 and +66% respectively [18].

These data are also consistent with the results of the global survey of the consulting company Accenture, which showed that in 2020 only 12% of traditional banks actually adopted digital technology as the defining architecture for their business model, at the same time 38% of them were just on track to reach this goal.[8]

Since far from everyone is able to work effectively at all links inthe value chain, the following models of interaction between banks and business can be identified:

- Confidential consultant, when the bank, having won the client's favor by deep knowledge of his business and the industry in which he works, offers advisory services to support a particular business, in which the bank's own products or the products of third-party providers play the role of tools to accomplish the task of increasing the income from this customer. That is, the focus is on earning more commission than on interest income on risky transactions.
- Product specialist, developing innovative products, demand of which is determined by the best market ability to meet the specific needs of the customer by price/quality ratio, allows it to gain market share even with high prices. Specialization on individual products provides an efficient cost-income ratio for the bank and a large market share because of their novelty and high demand.
- Transaction banks focus on economies of scale from selling standard banking products or low-cost solutions.
- Universal banks try to offer their products to customers in all industries and segments of banking, diversifying risks and expanding sources of revenue in an attempt to reduce costs by increasing the number of customers.

The existing models of relations between banks and corporate clients are primarily aimed at selling their products on individual requests, rather than at a comprehensive solution of the problems that customers have. These models consider corporate clients as buyers of various banking services, there is no desire to move to a new level of service, which would mean

[8] Banking as usual. Banking industry narrative. Accenture. August 2021. URL: https://images.info.accenture.com/Web/ACCENTURE/%7B23aa3f91-cdac-4119–8e63–506e4e36b34e%7D_Accenture-Banking-Global-Industry-Outlook.pdf?elqcst=272&elqcsid=1168

removing technical problems from companies, related to payment and credit operations and management of related risks, which would allow companies to focus on improving their core business.This change in interaction does not mean of course that all risks are passed on to banks, rather the opposite: banks undertake such work after thorough study of the client and his industry, determining the need for payment and credit support for its activities and the associated risk parameters, where the bank provides appropriate support to such a customer.

As an example of the effectiveness of such a business model is a life-cycle contracts for the construction and maintenance of infrastructure in Moscow, where the city government's mission is to create a comfortable living environment for residents, rather than solving the problems of infrastructure facilities, which are a tool for achieving this goal. Under such contracts, the producer/supplier of an infrastructure facility (trains, roads, etc.) has to take care of more than just its sale, but also by removing from the city authorities of the burden of issues of management and operability of a non-core facility for them during the entire predetermined period of its life. As a result, such producer receives more money from selling its product, which is combined with the service on its functioning, and the city has no problems with a non-core work for the authorities (when they fulfilling their payment obligations). Clearly, both parties win in this situation.

According to OliverWyman and MorganStanley data, over the last 10 years, for every dollar of revenue, banks have reduced the share of active operations funded from their balance sheet by 21%. Moreover, some experts believe that due to regulatory innovations and taking into account the results of the work of digital competitors, banks should move to a model followed by non-bank organizations that receive more than 80% of commission income [4], while banks have them at about 40%. It appears that such recommendations do not take into account that a business organization come to the bank nor for the purpose of making payments only, that can be carried out by any bank, but to obtain loans that increase the effectiveness of its core activities, boost its output, and ultimately improve its position in relevant markets and return to capital. Raising loans for businesses is also interesting because it is usually a cheaper form of company's funding of its development than to attract capital. But just the presence of credit relations allows the bank to sell its other products, including ones on a commission basis, much more effectively (and earn more profit), firstly, because often it is a condition of credit, and secondly, it is just convenient for the corporate customer, given the standardization of many banking products in quality and price, i.e. to go to a competing bank for a separate service does not make much sense.

Development of credit relations with corporate clients, which are natural for banks, is necessary to continue the fight against non-bank competitors. Many large technology companies have introduced credit (deferred payment) programmes for their marketplace suppliers, in order to link the best of them to their ecosystems, to provide them opportunities to develop, because the enormous working capital of the technology companies allows this. In this case, it turns out that on a number of parameters such loans are more advantageous than bank credit: for example, with the same amount of loan provided by Amazon to its small and medium-sized business supplier, the total cost of the loan is in the range of 10–13% per annum versus 4–14% traditional bank loan rate, which, in addition, usually simultaneously charge an additional fee for loan granting. In addition, the approval of a loan in Amazon takes no more than 5 days compared to 5 weeks in the bank; when making a loan, Amazon uses its transaction information and does not require any additional documentation, unlike a large data package requested by a bank from a potential borrower; Amazon does not impose penalties for early repayment of loans, unlike the bank, etc.[9]

Technology companies, seeing the inability, unwillingness or misunderstanding of traditional banks to work with these customers, themselves begin to engage in credit support for their suppliers.. It seems that such an approach of such companies is forced, since it diverts some of the capital from improving the efficiency of core operations, only to increase the efficiency of interaction with their clients in unusual activities for them, if banks are not able to carry out their operations on competitive terms or they have more attractive objects of lending (state authority, for example). As a result, technology companies increase customer loyalty, increase profitability, and banks lose a significant part of the profitable business of commercial counterparties.

It may be assumed that this attitude of banks to lending is largely due to the fact that, as noted experts in Oliver Wyman, Marsh, GuyCarpenter, Mercer, the existing credit models rely mainly on historical data to predict risks in the near future and therefore are essentially retrospective. Their effectiveness has been questioned in a macroeconomic environment where reasonable expectations for the near future may be very little resemblance to those of the recent past. For a large number of enterprises, pre-crisis financial indicators provide significantly less information on their continued viability, as industry business and operating models evolve rapidly and change to adapt to the new environment.

The experts point out that to adapt to changed conditions, banks may need more than a systemic review, calibration and/or updating of existing models, policies and decision-making processes, but also creating new perspective forecasting capabilities at the customer level. These capabilities will need to model the borrower's performance in economic situations, which are not visible in historical data, and thus determine the cause-and-effect relationships of future events, not just historical correlation. Such an analysis would facilitate a shift away from the typically less detailed, product-oriented retrospective statistical models (which are superimposed to expert estimates) to industry analysis, independent of the banking product, with predictive modelling of causal relationships. Understanding why a client may fail and how this can be avoided with financial support, will have a profound impact on both the ability of banks to manage risks in the uncertain future and their ability to proactively, better and less costly to serve the financial needs of their customers. Not only the way in which credit is provided should change, but also the understanding of the risk profile — today this is a completely different challenge [19].

Thus, it can be stated that banks need qualitative transformation of their operational processes to increase their efficiency and reach the level of cost of products and services that is no worse than that of digital competitors, as well as a radical overhaul of their business models to adequately support corporate clients in achieving their goals through better corporate engagement by providing payment and credit support and management of related risks. In turn, such changes will increase the profitability of banking activities, which, as noted by the consulting company Bain, "goes hand-in-hand" with high customer loyalty [20].

CHANGE IN THE CORPORATE CUSTOMER BANKING SERVICE MODEL

Taking into account the above circumstances, banks by improving and automating internal processes and using application programming interfaces (API) (its own and fintech companies') try to create opportunities to connect banking networks to enterprise resource planning (ERP) and treasury management systems (TMS). This allows corporations to safely and conveniently manage bank and payment transactions in its internal environment without entering multiple

[9] URL: https://www.oliverwyman.com/our-expertise/insights/2020/jul/big-banks-bigger-techs.html

platforms to perform various functions, helps customers make payments in real time, control their financial position, improve standardization of operations and reduce errors. So, for example, a bank J.P. MorganChase does, who connects its program Treasury Ignition to the system NetSuiteERP of its corporate customers to make payments and provide other business services without re-entering various systems and costly or prolonged technology deployment.[10]

From the bank's point of view, the activities it implements are divided into those, which require early introduction to maximize value creation and operational efficiency, and those that have the greatest impact on customer satisfaction, compliance with regulatory requirements, etc. Although the integration of banking operations with corporate cash flows has the greatest impact on customer satisfaction, priority for banks, in terms of value creation, according to the research of the consulting company Capgemini in 2021, digitization of communication with clients and investment in fintech solutions.[11]

Probably, there is a divergence of priorities of banks and their corporate clients. It was mentioned earlier that banks tend to sell their products, rather than assist customers in an integrated manner in achievement of its own goals in their core markets through bank support. Now we can see that the technical aspects of the digital transformation of banks prevail over the integration with companies in the area of payment and credit operations. Many commercial banks focus on data-based transformations, gradual improvements to existing business models and processes. But "focus, generally, is done on the elimination of immediate pain points, rather than on breakthrough innovations that can lead to exponential growth of profitability. 78% of banks in the world use data extensively, but only 7% scale analytics and only 5% scale artificial intelligence to extract more value from customer data" [21].

It is unlikely that the institutional selfishness of banks regarding immediate increase in their profitability can be blamed on them — after all, this task is set by shareholders. But, on the other hand, solving short-term problems creates the base, and does not ensure the implementation of the more important strategic task of strengthening relations with corporate clients based on the transition to a new level of integration with them in terms of payment and credit support for their activities and management of the related risks. Especially since, as consulting company Bain notes, if banks focus more on their core competencies and open up to partners, they may emerge victorious from the current price war (with digital competitors). Competitive price offer is important, but in the long-term corporate customers will choose not the cheapest, but the best bank.[12] That is, the problem is likely to be a different understanding of what banks think is best for corporate customers and what they want most from banks.

Then it is reasonable to try to find the answer to the question: which bank do corporate clients consider the best? According to the results of a global survey of financial services, the consulting company BCG notes that corporate treasurers want their banking partners "provide a convenient, integrated and seamless process of the company's interaction with suppliers, systems and products ... So that banks do more than automate existing processes ... They want that bank was a universal center to meet all the needs of the Treasury" [22].

But it still looks like a technical requirement to improve, accelerate, increase the efficiency

[10] Commercial Banking Top Trends2021. Capgemini. 2020:26. URL: https://www.capgemini.com/wp-content/uploads/2020/12/Commercial-Banking-Trends_2021_web.pdf

[11] Commercial Banking Top Trends 2021. Capgemini. 2020:26. URL: https://www.capgemini.com/wp-content/uploads/2020/12/Commercial-Banking-Trends_2021_web.pdf

[12] Bain corporate banking index: decline in corporate banking business accelerated. Bain corporate banking index: the decline in corporate banking is accelerating. Bain & Company. July 09, 2018. URL: https://www.bain.com/about/media-center/press-releases/germany/2018/corporate-banking-index-bain-2018/

of existing processes, that do not change the essence of the relationship between the company and the bank, as it is about transaction functions, such as accounting, accounts payable and accounts receivable management. In this regard, McKinsey notes that, while most companies have opportunities for further improvement, further efficiency improvements will almost inevitably show a decreasing impact as the basis for improvements in these activities is reduced. At the same time, however, efficiency gains in such areas are much lower, as financial planning and analytics of internal processes of the company, optimization of the capital structure, tax planning, control, internal audit and financial risk management. Percentage financial services time devoted to these areas, that contribute to the creation of additional value as opposed to transaction and accounting transactions, increase from 2010 to 2020 from 43 to 51.3% [23]. Although, according to KPMG estimates, in order to maximize the contribution of the financial service to the company's strategic objectives to improve its financial efficiency, it should devote at least 80% of its time [24]. From this point of view, the priority of the company to win competition in the market of its goods and services and to focus the efforts of all departments on this goal, leads the financial service both to the maximum automation of routine processes and to outsourcing to the bank some of the functions of the financial service on payment and credit operations and management of the related risks as an activity that does not determine a company's competitiveness in the market, as opposed to the technical, quality and price characteristics of the goods and services offered, in order to devote almost all of his time to solving the company's strategic tasks, improvement of internal processes to increase financial performance.

As shown, both banks and corporations understand that it is necessary to significantly improve the quality of their cooperation, but largely focused on its technical aspects. Banks and companies face the task of increasing the efficiency of their core activities in order to win market competition in their industries in the context of increased instability and uncertainty of the economy. It is logical to assume that, in their mutual relations, deepening cooperation through the concentration of each party on their respective work would have a positive effect of each of them. Banks and companies are working quite seriously to solve many technical issues of cooperation, but so far within the old paradigm of companies issuing orders and requests to banks for execution of certain operations and banks selling their services. If companies consider it appropriate to free themselves from such non-core work as the technical part of payment and credit operations and management of related risks (which are the profile activity of banks), credit organizations should help their corporate clients within the framework of outsourcing to perform the above routine part of the financial function. The bank can increase the efficiency of this work for the company, which will increase the contribution of its financial service to improve the efficiency of the core business.

Nevertheless, the parties are still hesitant to move to a new level of relations, which will be characterized by the transfer by companies of settlement and credit support of their core activities and management of related risks to partner banks, leaving to companies the setting of the parameters of such support and control over its execution. Banks will provide such support within established parameters automatically, offering effective, qualified solutions that will generally bring bank-company relations to a higher level, strengthen and make their relationship long term. In the author's opinion, for the establishment of this kind of complex partnership of banks with corporate clients (partnership banking), banks, especially universal ones, need to use appropriate infrastructural foundations, that will not only integrate banking and corporate systems, but also transfer the relationship from the area of execution of orders for certain operations to the state of their automatic implementation within the parameters specified beforehand.

These changes represent a radical restructuring of the nature of banking relationships with corporate clients. If the digital transformation was triggered primarily by the intrusion of digital competitors into banking operations and a fear "they'll eat the bankers' breakfast", about 10 years later the fear of the banks has passed, as the total seizure of banking operations did not occur. The statements apearred that "active players will keep what they have ".[13] We believe that there is no ground for such complacency, as digital competitors are moving (may be slower than previously feared, but surely) towards capture next jumping-off place in relations with banks'corporate clients, which is reflected, as shown above, in return on banks' capital. The main thing that banks lose, when losing the competition to digital rivals, it is close contacts with companies that enable banks to generate income and profits.

The proposed transition to a comprehensive partnership of banks with corporate clients seems necessary for banks as a source of new income, which will be generated by creating conditions in the banking field for such clients to achieve their own goals in their core business. The transition from the sale of services by banks to payment and credit support for the business of their clients, building on this foundation, a new, stronger relationships with them will provide a sustainable growth base for both sides of the cooperation, that with adequate development with implemention of new technologies will allow to repel attacks of digital competitors on banking contacts. Comprehensive service will reduce the costs of corporate clients to carry out payment and credit support of its business, while the management of related risks will be carried out by a qualified partner.

[13] Emerging business models in banking. EY, Tapestry Networks. November 2019:15. URL: https://assets.ey.com/content/dam/ey-sites/ey-com/en_gl/topics/banking-and-capital-markets/ey-bgln-vp-emerging-business-models.pdf

The need for such changes is felt by experts. As BCG notes, to ensure further growth, instead of thinking in terms of individual products, banks need to analyze customer relations in general and propose solutions, which eliminate key pain points and provide enhanced experience in addition to maintaining primary banking relationships [25].

Some banks and companies may view banks' complex partnerships with corporate customers as something unusual they have not seen before. But it seems that both banks and companies have theoretical grounds for developing such relations. The uncertainty and fragility of the global economic situation pushes the most thoughtful to make decisions, which had not been tested before, but all the prerequisites for exploiting the emerging opportunities are available. Business leaders, who are able to see even weak signals, try to implement them in new business solutions, of which there are many examples in recent times: these are social networks for communication, new patterns of trade, management of tourist business, economy of shared consumption, etc., that simply didn't exist 20 years ago. But they have been successfully implemented because the initiators of such projects have realized that the conditions for their implementation are ripe.

CONCLUSIONS

The picture of the changing circumstances of banks' work presented above and the transformation of the priorities of non-financial companies in the provision of credit and payment support for its activities makes it possible to conclude, that it is expedient and advantageous for both sides to re-examine the pattern of interaction in the direction in which each of them will deepen their specialization and provide their customers with a service of the best quality and at the best price. The company's outsourcing to a trusted bank of cash management, coordination of automated payment and credit support for business and management of related risks within the framework established by the parties will allow the financial services of companies to focus on improving internal processes, and the banks will have a new area of cooperation with corporate clients. As a result, each side will increase customer satisfaction, will create opportunities for improved cooperation with them, which will strengthen their position in the relevant markets, and allow banks to protect their corporate business from digital competitors.

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