



BANK RELATIONSHIPS

Introduction



Relationships are the cornerstone upon which many successful businesses are built. Relationships are not just with your happy customers but with your suppliers, other local businesses in your community and the array of professional services that your business depends on for advice and finance.

It's often the case that some small business owners don't give enough time to think about relationships let alone act to foster or deepen them. Someone that knows you, your business and how passionate you are about its success is a lot more likely to work with you to get to the next stage of its development.

Your local bank manager is one such relationship that should be fostered. A deep and meaningful relationship is not a prerequisite for daily banking activities but when push comes to shove and you are looking for additional investment or short term overdraft facilities, the strength of your relationship with the bank manager will come into play.





Why You Need to Think About Your Relationship With Your Bank

It is not possible to run a business without the services of a bank. At the very least, every business requires an account to maintain deposits and make payments from.

But it is advisable to nurture a relationship with your bank as it can be an important ingredient in your business' growth, for without funding, in many cases it wouldn't be possible to expand, hire staff or purchase new equipment.

With this in mind, the relationship is very important, because a bank will not lend to a business where there isn't an ongoing relationship or a sound business proposal to consider. Once you have established a relationship and there is a high level of trust, you will stand a better chance of receiving funding as well as advice and other services available through the bank.





Handling Payments

For your business to succeed, you will need to have in place an efficient system to process payments for your goods or services. As we read in *Types of Payment Guide*, there are numerous methods available to accept payments, from basic cash transactions to contactless platforms. You will need to have the relevant bank account to offer these methods to your customers.

If you are setting up your business or looking to shop around for a new bank partner, be sure to visit and meet with the relevant people. By doing this, you can build a rapport with the bank and its business advisers. Be prepared and bring with you all the relevant information you feel might be required before the bank will do business with you. Make sure you find out what fees, if any, the bank charges for their services. And as we mentioned in the Customer Service guide, treat others as you want to be treated yourself: be courteous and friendly, but professional.

The more information you can give to your bank about your business, the more it can understand what you are doing and thus enhance its service to you. Being prepared will also help you negotiate on fees, or perhaps extend an overdraft facility or obtain a bridging loan.

Even if your business adviser doesn't remain long with your bank or branch, do not underestimate the power of a personal connection. Apart from not having to repeat yourself every time you make an appointment, establishing a relationship is very important in the wider business context: for example, the adviser who worked with you in 2005 may remember you in 2017 in a more senior position when you're looking to do something more audacious! By maintaining a healthy and communicative relationship, your bank will be in a position to offer good advice on payments and other aspects of your business and the relevant options available to you.





Funding

Very few businesses have an unlimited supply of cash reserves, so the role of the bank in advancing finance to develop your business can be crucial. If your relationship with your bank has been healthy and productive, then taking it to this level will be easier since you will already have good form with your bank.

Discuss with your business adviser the best way of funding your growth or project. Some types of funding are more suitable than others, discuss the options: overdrafts, loans, invoice finance, sale and leaseback, leasing or asset finance. Generally banks provide this advice for free.

Getting an Overdraft: If your business is seasonal, a 'credit' facility might be vital to your company. If you can show your bank that your business' main months of turnover will carry the company for the rest of the year, then it will only encourage them to help you in lean times. Alternatively, you may have a short or unexpected cash flow issue – perhaps a customer is a little slow to pay against an invoice – which the bank could help with too. An overdraft can be a useful form of loan for managing seasonal trade and cash flow issues.

As stated earlier, it is important to have your homework complete so the bank can trust you. Show them a forecast chart (projected income minus cash out) that explains the expected shortfall. The bank needs to believe that you have a plan to exit the overdraft facility in the agreed time scale. Further information on this important business task is available in our *Cash Flow Guide*.





Getting a Loan: If you are planning to expand your business or acquire new and more modern equipment, a loan could be required. To secure the best terms available on repayments (monthly sum, interest rate and term duration, for example), you need to show how it will be repaid. It will certainly help if your bank already understands your business. Even if you have a good relationship with your bank and your credit rating is sound, every loan is treated individually, meaning that you will need to demonstrate that:

- Your business is financially sound or your idea has the potential to generate significant income;
- You and your team have experience managing the business well and can manage expansion;
- The loan has a specific function and will be repaid within the agreed timeframe;
- You can put up security against the loan if the bank asks for it.

Cutting Down on Red Tape: If you are shopping around and speaking with a bank that is not aware of you or your company, the process of obtaining a loan can be lengthy and time consuming. If you have an ongoing relationship with your bank and your paperwork and financials are in order, then that timeframe can be shorter because it will be much easier for the bank to check and approve your application. This may be crucial if your loan is required at short notice, or if the investment amount is significant.





Business Advice

The ongoing relationship established between yourself and the bank can have other benefits. In terms of planning for future growth, the bank might be in a position to indicate business opportunities or introduce you to other clients who might be potential customers or supply chain companies for your business.

On the other hand, if your business is struggling or the economy as a whole is performing poorly, you can avail of their experience, probably at no extra cost to you, to create a survival strategy for tough times.



Maintaining the Relationship

Two-way communication is very important in all aspects of business. You probably emphasize this to your employees when they deal with customers, but do you apply this philosophy when dealing with your bank? If you produce a company newsletter, make sure copies are sent to the bank. Feeding your designated business adviser news about your status, whether good or bad, is important to maintaining a good and positive relationship.



Be Professional

If you supply incorrect information to your bank or regularly cancel appointments or don't return their phone calls, this is not going to reflect well on you or your business. If this is how you operate and you then ask your bank for financial support, would you be surprised if they declined?

To have credibility with your bank, it's very important to ensure you maintain a professional relationship with integrity. Don't chop and change your strategies as they will wonder if you lack vision, direction and are indecisive. Your bank needs to know that you have a clear, thought-out strategy. If big decisions are required, involve them in the decision-making process. By doing so, they are more likely to understand and assist you with your planning.



Reliable Information

Don't inflate your turnover or expectations. If you are providing information relating to loan requests, make sure your data and forecasts are backed up with statistics and evidence. Your information needs to be accurate and delivered on schedule.

No two businesses develop or change at the same pace, although there are common issues across all sectors. For example, if you've grown to a stage where additional staff are required or new software is needed to provide more succinct data, then invest accordingly. If you require the bank to be involved, supply the relevant information for them to understand your situation.

By managing your relationship and being proactive with your bank, it will help you succeed and go a long way to developing a successful and thriving business.



Bank Relationship Checklist



Are you fully utilising all the relevant services your bank has to offer?



Have you communicated to your bank what your business is and what your direction is for the future? Do they understand your strategy?



Have you obtained the best financial services available on the market to suit the requirements of your business?



Have you a 'human' relationship with your bank? Do you know who is responsible for your business?



Are you keeping your bank informed of the developments in your business?



Are you aware of the bank's funding strategies that are relevant and available to your business?



Have you maximised the available payment options to suit your business model?



Are your financial records up to date so you can easily supply information to your bank whenever required?





WHO WE ARE



Big Red Book is the largest and longest established Irish company that supplies accounting software to the small business market.

Big Red Book is designed for ease of use so you can spend more time running your business rather than worrying about the accounts.

We understand that doing accounts can be a challenge so we provide free training. We also have an expert customer service team ready to take your call and help you with any support issues.

In addition to Big Red Book accounts software, we also supply an easy to use payroll solution – Big Red Book Payroll. For those companies that want to use a cloud based accounts solution, we offer Big Red Cloud.



With over 20 years' experience providing accounting software and support to over 39,000 Irish businesses, we invite you to join our business community.

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