

Inside the Black Box

How Institutional Pricing Practices
Are Quietly Costing Banks Millions

Opaque pricing practices in corporate banking are quietly eroding profitability. This article explores how intrinsic revenue leakage starts and what banks can do to fix it.

The Pricing Divide Between Retail and Institutional Banking

In retail and small business banking, pricing is largely standardized. Customers receive the same base product or rate, with only minor adjustments based on metrics like balance or transaction volume.

Corporate and institutional banking, by contrast, operates under a far more complex model. Clients such as Tesla or Walmart don't just buy products; they build multi-entity, multi-service banking relationships that stretch across geographies. These often include dozens of accounts and span services such as cash management, lending, trade finance, and international transfers. Banks tailor pricing to reflect the expected scope and value of each relationship.

But without defined structure or baseline governance, this flexibility opens the door to what's known as intrinsic revenue leakage.

Lack of Standard Pricing and Misaligned Discounts

Although tailored pricing is necessary in corporate banking, many banks face a foundational problem: they don't have a consistent baseline for applying discounts. Standard pricing often lives in outdated spreadsheets, emails, or informal documents, leaving pricing decisions to guesswork rather than defined policy. For example, a bank might list remittance services at \$100 per transaction but agree to a \$50 rate for a client that promises high volume.

Similar concessions are made across services, such as lower fees for payments or better terms for loans, all based on projected balances or transaction activity. These agreements are built on trust and potential, but the promised value is often tracked informally in siloed systems and rarely revisited once the deal is signed.



What Is Intrinsic Revenue Leakage?

This disconnect gives rise to what's known as intrinsic revenue leakage—the silent erosion of revenue baked into the structure of the deal itself. When clients fail to meet their promised volumes or balances, they often continue to receive discounted pricing anyway, simply because banks don't have the systems in place to track and enforce those commitments.

To make matters worse, many banks don't have a clear understanding of their own cost-to-serve. It's not uncommon for a bank to charge \$50 for a remittance transaction that actually costs \$80 to process, resulting in a \$30 loss per transaction. These losses are often rationalized internally: teams assume that shortfalls in one area will be offset by gains in another—say, increased deposits or higher payment volumes. But since those offsets aren't consistently tracked or verified, the expected profitability of the relationship can quietly unravel over time.

The Governance Gap

A major contributor to this leakage is the absence of formal governance and oversight in pricing decisions. Too often, relationship managers are empowered to offer steep discounts ad hoc, motivated by short-term wins rather than long-term profitability. These decisions are rarely vetted through a structured pricing workflow, and profitability analysis, if it happens at all, is retrospective and superficial.

There's typically no integrated system to support or monitor pricing across the relationship lifecycle. Instead, pricing is set manually in separate systems for trade finance, liquidity, payments, and other services, each following its own isolated rules. Outdated pricing engines often operate independently from a central pricing database, require manual rate entry, and are rarely updated when repricing events occur. The result is a high-friction, high-risk environment where pricing accuracy, consistency, and accountability all break down.



This disconnect gives rise to what's known as intrinsic revenue leakage—the silent erosion of revenue baked into the structure of the deal itself.





The Path to Remediation: From Reactive Fixes to Proactive Revenue Management

The Cost of Manual Execution

A root cause of revenue leakage lies in how fragmented and manual the pricing execution process remains. Relationship and operations teams are often responsible for preparing monthly invoices by hand, even when billing systems are in place. These processes involve extensive manual data entry, reconciliation, and rate application, making them resource-intensive and error-prone. The inability to scale or automate billing workflows not only adds operational cost but also leads to missed charges and underbilling. For large institutions, the cost of this inefficiency can climb into the millions annually.

Structural Change Through Automation

Addressing intrinsic revenue leakage requires more than policy tweaks or better spreadsheets. It demands a structural shift: from ad hoc pricing decisions to a disciplined, data-driven framework grounded in transparency, enforcement, and automation. This means rethinking how pricing is designed, implemented, and monitored across the entire lifecycle of a corporate relationship.

Intelligent Platforms and Billing Automation

Naehas addresses this through automation and structured data integration.

The goal is to create an integrated billing engine that calculates and generates invoices automatically, using preconfigured rules tied to each contract. The system allows users to easily toggle between consolidated or granular invoicing views, selecting the level of detail required per entity or jurisdiction. This "click-in, click-out" model eliminates manual effort and dramatically reduces the risk of error. Still, the path forward is clear: automation of pricing execution and billing is no longer a future state—it is an immediate priority.

Embedding Governance in Deal Execution

Equally important is embedding end-to-end deal governance into the pricing platform itself. Solutions like Naehas support critical capabilities such as upfront profitability analytics through integration with dedicated profitability engines, giving relationship managers immediate insight—for example,

"If the client fulfills its commitment, the expected margin is 7.5%"

If client performance falls short and projected profitability drops below internal thresholds, the system can trigger approval workflows. These platforms can also generate proactive alerts when client commitments begin to lag, helping banks act before underperformance leads to losses. Most critically, automated mechanisms can revert clients to standard pricing when thresholds are not met, ensuring that enforcement does not depend on manual oversight.