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MEDIA RELEASE

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Global Booz Allen study shows Australian retail banks lag international peers on key customer sales and service measures

- ▶ Australia 13th in comparison of retail banking service in 17 countries
- ▶ Branch, call centre and online banking services in Australia average by global standards, however the gap to international Best Practice is significant
- ▶ Branches remain the most important interface, but diminishing as poor service drives customers to seek other face-to-face options
- ▶ Affluent driving shift to online banking, but variety and breadth of online services poor
- ▶ Customers choose a preferred channel to meet most of their banking needs and do not want to be directed to specific channels for certain activities
- ▶ Best retail banks: HSBC in Hong Kong, Raiffeisen and UBS in Switzerland

Sydney, 18 June 2007 – An international study by global management consultants Booz Allen Hamilton has revealed Australian banks under-perform many of their international peers in meeting customer needs through branch networks, call centres and online banking platforms.

The study, *Striving for Growth: Best Practices in Retail Banking Sales and Service Channels*, ranked 100 major retail banks in 17 countries¹ according to sales and service performance in the four key areas of customer interface - branches, call centres, online banking and deployment of mobile bankers - as well as how effectively they integrated each channel.

In a combined measure of performance across all five categories, Australian banks ranked at around the global average, but well short of global best practice. Relatively poor perceived sales and service through branches (ranking -14th), call centres (14th) and online banking (13th), was offset by strength in mobile banking (not offered in all countries), in which Australia ranked second.

Eight Australian banks – ANZ, Bendigo Bank, CBA, HSBC Australia, NAB, St George Bank, Suncorp, and Westpac – were included in the global study, which was based on independent consumer research conducted by MORI Ipsos and an extensive ‘mystery shopping’ exercise. Leading Australian banks by category were: Westpac (branch and call centre), St George (online), NAB (mobile banking) and HSBC (multi-channel integration).

¹ Austria, Australia, Brazil, Canada, China, Germany, Hong Kong, Korea, Kuwait, Netherlands, Saudi Arabia, Spain, Switzerland, Thailand, UAE, United Kingdom and the United States.

Globally, Hong Kong's banks ranked highest, followed by those in Switzerland and the United States. Hong Kong set the global standard for banking through branches, call centres and mobile banking, while Korea leads in online banking and Britain in multi-channel integration.

Australia-based partner in Booz Allen Hamilton's financial services practice, Peter Burns, said the study showed Australian retail banks needed to rethink their customer interface if service standards were to match the best of those found in comparable markets overseas.

"Australian service is generally at the global average, but the gap to international best practice is significant. This presents a real opportunity for Australia's banks if they can address the shortfall identified," Mr Burns said.

Among key findings of the Booz Allen study:

- ▶ Australian banks' call centres scored poorly in terms of accessibility, product knowledge and segmentation of the offering. In line with the global experience, Australian consumers recorded frustration with long connection times, the inability to speak with a human and being passed around advisers.
- ▶ When visiting branches, Australians valued staff knowledge about products, ability to resolve queries, privacy and up-to-date information. While their banks perform strongly on transaction capability through branches, they scored poorly on their ability to recognise existing customers and provided a tailored or segmented offering. Australian customers remain frustrated with the need to constantly re-fill forms and provide information on themselves. Demonstrating an understanding of customer needs was seen as one reason for the strength of the more customer-focused mobile banking model in Australia.
- ▶ Bank customers worldwide cited security as their main concern with online banking – Australian customers were no exception. The survey found 72% of banks have failed to develop segmented online offerings for affluent customers, who had the strongest preference for online banking. While broadly performing at the global average for the online channel, Australian banks lag their global peers in security, a clear and logical portrayal of information and segmentation of online services.
- ▶ Australians are less reliant on branch networks than consumers globally. In Australia 48% of customers preferred to use a branch for transaction and savings accounts and only 38% to arrange a mortgage, compared to the global response of 63% and 54% respectively. For mortgages, 45% of Australians preferred to deal with a mobile banker, reflecting the relative maturity of this channel in Australia. More than half say they would bypass a branch to purchase less complex products such as credit cards and general insurance (31% preferring to transact online and 24% by telephone).

"Branches remain central to Australian banks' service model - while branch usage has declined, this is not because customers do not want personal contact with their banks. Indeed, customer leakage from branches has generally been to other face-to-face channels, including mobile bankers and third party brokers," he said.

"Where Australian banks are falling behind is in providing a differentiated customer experience in branches. Customers want from their branch the ability to have their problems resolved efficiently by knowledgeable staff in privacy, and they are not getting that currently. The best-performing banks globally have invested in both branch facilities and staff capabilities, and while many Australian banks have lifted their game in this regard, we still lag best practice performers – the most notable being HSBC in Hong Kong" he said.

“Call centres remain a significant element of the service mix, but it is clear customers are dissatisfied with the service they receive. Repeatedly, they cite frustrations with the inhuman interface, long delays, repeated hand-offs to other advisers and, often, an inability to understand their adviser.”

Mr Burns said the survey revealed an important shift to online banking in Australia driven by affluent customers, who were twice as likely to prefer online banking services, a figure higher than the global average.

“Online banking has become an important and growing channel to the mass affluent market, for inquiries, transactions and sales. Yet Australian banks are still not delivering the variety and differentiation in online services that customers want.”

According to the study, the best-performing banks globally were:

- ▶ HSBC (Hong Kong): Ranked best globally in both branch and mobile banking categories, the bank’s branch and mobile staff were seen as highly flexible, knowledgeable and able to offer expert advice. The bank was praised for its use of technology in branches and by mobile bankers, who are equipped to complete transactions. Its branches are considered exemplary for their appeal to affluent customers, with dedicated floors and work areas providing a sleek, hotel-like service.
- ▶ Raiffeisen (Switzerland): Raiffeisen enjoys positioning as a client-centric bank based on strong regional roots and an extensive branch network. It was singled out for a high-quality advisory process and the high standards of its relationship managers.
- ▶ UBS (Switzerland): UBS wins praise for striking the balance between efficient and reliable processes and personalised customer relationships. The bank’s attractive branch facilities and well-trained staff are complemented by strong call centre and Internet banking services.

Booz Allen’s survey revealed a rich vein of best practice examples in individual banks, and across countries. Citibank UK was the best call centre, two of the world’s best three online banking services were offered by Korean banks (Woori Bank and Citibank Korea), and HBOS in the UK had the best multi-channel service.

Hong Kong’s banks were praised for highly segmented branch offerings based on specialist advisers and inviting environments with interactive TV walls, and call centres offering instant connection to a human voice and short waiting times. Swiss call centres typically ensure one agent handles a query from start to finish, while US banks’ global ranking of second on branch performance was based on innovative strategies such as convenient opening hours, retail-like promotions and an emphasis on customer service. Korean banks were exemplary for the high security embedded in their online service.

“What comes through very clearly in this study is that once a customer has settled on a preferred channel of interaction with their bank, they expect to have most of their requirements met through this channel,” Mr Burns said.

“The banks excelling at a global level are those driving customer thinking into all service models. Australian banks should see the intelligence gleaned in this study as a template for closing the gap between what they offer currently and international best practice,” he said.

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About the study

Booz Allen's 2007 Revenue Enhancement Study set out to test the role of sales channels in retail banks' revenue generation, taking as its starting point the fact that, across the globe, banks' drive to improve efficiency through cost reduction has been offset by a decline in revenue generation. The study took a two-fold approach:

- ▶ MORI Ipsos, the independent consumer research company, was tasked with undertaking interviews with banking customers in Europe, North America, Asia, Latin America and the Middle East. Research covered 17 countries and assessed consumer preferences for each distribution channel and overall satisfaction levels.
- ▶ Booz Allen carried out an extensive mystery shopping exercise at 100 banks, focusing on the consumer experience. This included a shopping and servicing questionnaire in a number of branches for each bank, plus internet assessment, telephone calls to call centres and shopping with mobile sales forces.

Based on the findings of this research, Booz Allen defined five individual channel indices to measure banks' performance; branch, call centres, online, mobile sales force as well as a multi-channel index. Once weighted by consumer importance, this formed the Booz Allen Revenue Enhancement Index Score, which was used to rank banks' performance across the main channels.

About Booz Allen Hamilton

Booz Allen Hamilton has been at the forefront of management consulting for businesses and governments for more than 90 years. Providing consulting services in strategy, operations, organisation and change, and information technology, Booz Allen is the one firm that helps clients solve their toughest problems, working by their side to help them achieve their missions. Booz Allen is committed to delivering results that endure. With 19,000 employees on six continents, the firm generates annual sales of \$4 billion. To learn more about the firm, visit the Booz Allen Web site at www.boozallen.com. To learn more about the best ideas in business, visit www.strategy-business.com, the Web site for **strategy+business**, a quarterly journal sponsored by Booz Allen.