

by

Alan Gemes
gemes_alan@bah.com

Fabienne Konik
konik_fabienne@bah.com

Caroline Moss
moss_caroline@bah.com

Striving for Excellence

Global Banks Embrace New Technologies to Tackle 21st
Century Challenges

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Global Banks Embrace New Technologies to Tackle 21st Century Challenges

Global banks are raising their game across the board and across the globe. In comprehensive study of more than 100 banks, Booz Allen Hamilton found that retail banks are developing and adapting their distribution channels to meet the needs of increasingly demanding customers; branches are more attractive and better designed; websites are more secure; and call centres offer quicker solutions to customers' problems. Some banks are achieving excellence in key fields; take HSBC in Hong Kong, setting the standard for branch banking; or Woori Bank in Korea, showing the rest of the pack how online banking should look, feel and function.

However, there is still an enormous amount of work to do. Despite efficiency programmes, most banks have not significantly reduced their cost to income ratios. While costs have fallen, so have revenues, thanks largely to growing competitive pressures and narrowing margins.

Clear opportunities for expansion exist, but many banks are failing to adequately capitalise on the enormous potential of the key growth channels—call centres, online and mobile sales forces—because the performance of these channels does not yet meet customer needs and expectations. Moreover, banks need to pay far greater attention to channel integration, an attribute highly prized by customers, but which few banks are managing to achieve to a meaningful extent.

While some banks have achieved excellence, there tends to be a huge gulf between best practice and

average performance, particularly in call centres and mobile sales forces, suggesting that for the majority of banks, there is ample opportunity to improve performance and boost revenues.

In order to establish how far banks have come and how far they have to go, Booz Allen carried out extensive research—a study of consumer insights based on 2,000 interviews with bank customers in Europe, North America, Latin America and Asia; and an extensive mystery shopping exercise based on the shopping and service experiences for each channel. Based on the findings of this research, the Booz Allen Revenue Enhancement (BRE) Index has been developed, taking into account performance across the four main channels, as well as a multi-channel index.

What do customers want?

Booz Allen's consumer research reveals that despite the development of alternative channels, customers remain happiest purchasing products within the branch. However, the importance of the branch is in decline, and the group leading the march away from branches, and towards the telephone and internet, are the mass affluent. When it comes to alternative channels, customers prefer online to telephone transactions, particularly when the product and the transaction itself are relatively simple. One area that does need development is that of the mobile sales force, which at present is limited or non-existent in all but a few countries.

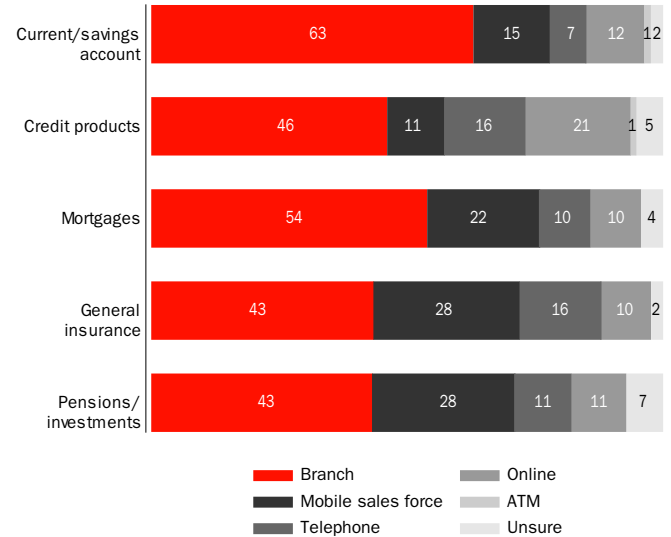
While these are the broad trends, there are variations in channel preference, driven by the complexity of

Channel Global most valued attributes in descending order

Channel	Global most valued attributes in descending order
Branch	<ul style="list-style-type: none"> ▫ Privacy ▫ Product knowledge ▫ Query resolution ▫ Central location ▫ Short wait time ▫ Staff knowledge of customer
Online	<ul style="list-style-type: none"> ▫ Robust security measures ▫ Simple and quick log on ▫ Site availability ▫ All services on same site ▫ Clear and intuitive layout ▫ Comprehensive information
Call centres	<ul style="list-style-type: none"> ▫ Option to speak to human ▫ Fast security checks ▫ Query resolved within call centre ▫ Multi query resolution within call ▫ Short wait time ▫ Few handovers
Mobile sales force	<ul style="list-style-type: none"> ▫ See same adviser again ▫ Query resolution ▫ Adviser completes request ▫ Updates all systems ▫ Product knowledge ▫ Time flexibility

Exhibit 1

Global Consumers: Preferred Purchasing Channels



Source: Booz Allen Hamilton Revenue Enhancement Study 2007

the activity, the complexity of product, the degree of affluence and nationality.

▫ While customers are quite happy to purchase straightforward credit products—such as cards and personal loans—over the internet, they are much less likely to purchase pensions or investments online. Moreover, they are 2.5 times as likely to carry out a simple transaction over the telephone than they are to purchase a product.

▫ Wealthier customers, who tend to be time poor and require a more specialist service, are 30 per cent more likely to prefer the online channel.

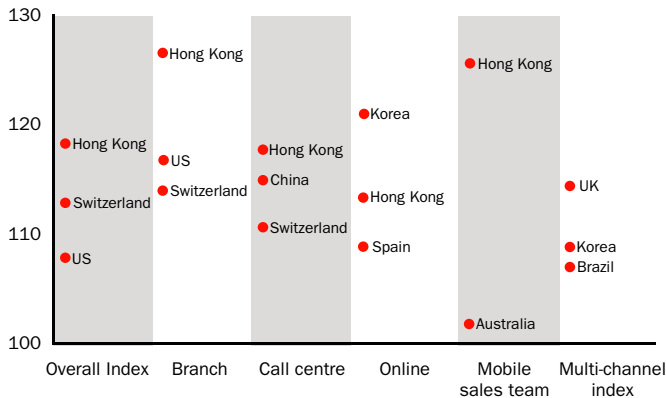
▫ Regional preferences are also clear: North American customers, for example, strongly prefer to purchase products online.

Which countries are achieving excellence?

First world countries are not always those offering first class banks; banks in certain developing countries, including Brazil, China and Korea, often point the way for the rest of the pack. The strongest country overall, leading the field in three out of the five categories, is Hong Kong, followed by Switzerland and the United States. Certain regions excel in certain areas: Swiss

and Chinese banks, for example, have great branches and good call centres, while Korea leads the field by a considerable margin when it comes to online performance. The biggest gulf in performance exists

Exhibit 2
Average Bank Performances by Channel and Country



Source: Booz Allen Hamilton Revenue Enhancement Study 2007

in mobile sales teams, where only a few countries, including Hong Kong and Australia, offer this service.

Which banks are achieving excellence?

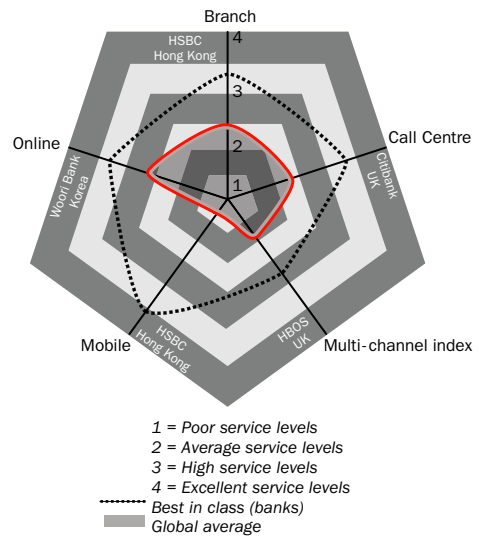
There is a very wide variation in performance at bank level, but the best banks overall are HSBC in Hong Kong, Switzerland’s Raiffeisen and UBS in Switzerland. HSBC Hong Kong also tops the tables for best branch and best mobile sales team, while Citibank UK offers the best call centres. Two Korean banks, Woori Bank and Citibank Korea, feature in the top three banks for the online channel, while the UK’s HBOS offers the best multi-channel integration.

Overall, banks perform best in branch and online channels. Call centres are good for basic transactions, but they are unable to cope with more complex products and transactions. Channel integration is generally superficial; while the look and feel of different channels might be the same, the cross-channel functionality is limited; and customers cannot easily switch from one channel to another over the course of a purchase or transaction.

Best practice

The gulf between the very best banks and the average is huge, but the lessons for those banks failing to

Exhibit 3
Best Performing Banks for Each Channel



Source: Booz Allen Hamilton Revenue Enhancement Study 2007

achieve excellence are clear; there are specific targets to aim for, across all channels. The best branches have a hotel lobby style appearance, the best call centres have short waiting times and instant connections to real people rather than lengthy recordings; the best websites have unbeatable security complete with security certificates, pin cards and even random number generators. To achieve the gold standard, banks should aim to offer:

- Advisers with immediate access to customer information who are able to suggest a range of alternatives based on that customer’s history and circumstances
- Private meeting rooms, even for the simplest transactions
- Specialist adviser, available immediately, both on the telephone and in branches
- Minimal handovers
- Holistic solutions
- Dedicated staff, offices, websites and call centres for the mass affluent market.

Get the basics right in branches

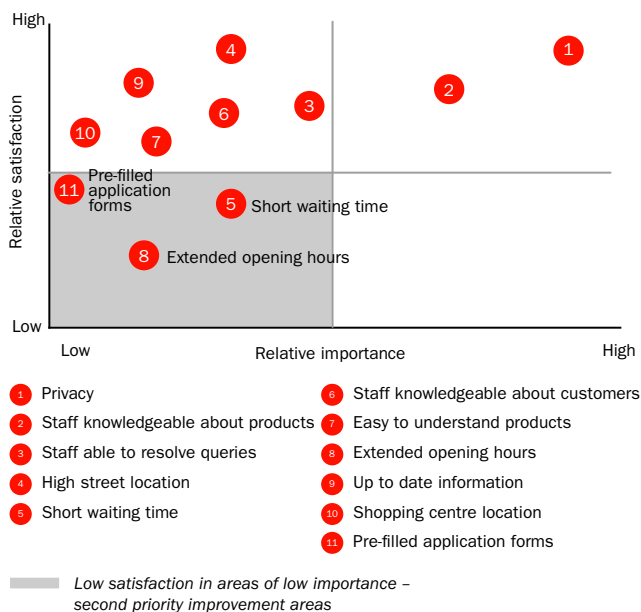
Despite technological advances, and the shrinking of networks in many countries, customers still want to do most of their banking in branches. It is their preferred purchasing channel for all products, but especially for current and savings accounts and mortgages.

Goals: The secret to successful branch management is to get the basics right. Customers should be welcomed; appointments systems and sales processes must be sleek and very well organised. Appointments should be confirmed by text message or email, and advisers should be able to sell more than one product at a single meeting. The mass affluent should be offered separate premium banking facilities and different pricing structures.

Performance: Although average service levels are higher for branches than for any other channel, there is still a significant difference between the performance

Exhibit 4

Branch: Vital Attributes—Relative Importance v Satisfaction



Source: Booz Allen Hamilton Revenue Enhancement Study 2007

of the best banks, which are at or near excellent, and the rest of the pack. In product knowledge and transactional capabilities, performance is high, but segmented offerings and customer insight are weaker.

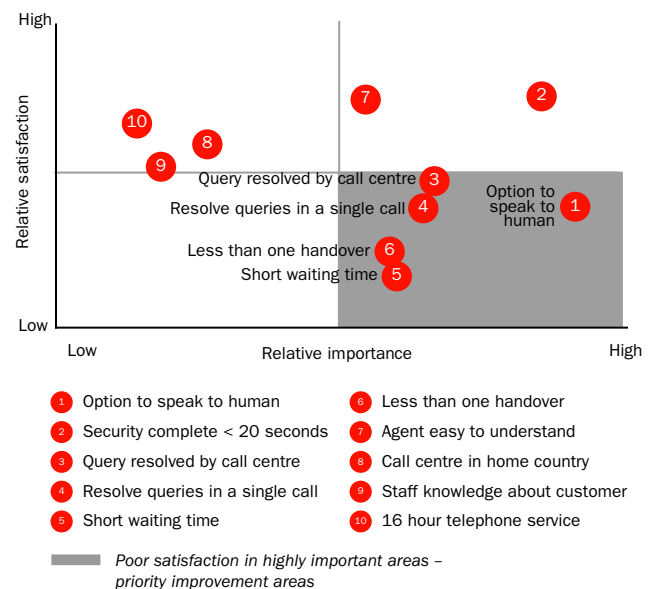
No more hanging on the telephone

Call centres are becoming a less popular purchasing channel for customers, with just seven percent saying they would open a savings or current account over the phone, and only 10 percent opting to apply for a mortgage from a call centre. Buying by phone is more popular for credit and general insurance products, but overall, call centres are losing out to online channels, primarily because it takes too long for callers to get through to the right person.

Goals: The key to improving call centre performance lies in making the experience a simpler and less irritating one for the customer, by minimising the number of hand-offs, implementing a clear and logical interactive voice response (IVR) menu which directs customers with complex queries to specialists as soon as possible, and allows those with the simplest queries, such as account balances, to self-serve. Staff should be trained to deal with all general queries and at least one specialist

Exhibit 5

Call Centre: Vital Attributes—Relative Importance v Satisfaction



Source: Booz Allen Hamilton Revenue Enhancement Study 2007

product, and there should be dedicated specialists with training in several product areas. In addition, advisers should have access to customer records with details of prior calls and a system implemented whereby, if a hand-off is necessary, customers are not required to repeat their information. Inbound calls should be treated

as an opportunity to strengthen customer insight and to offer customers relevant products, based either on their particular query or on their circumstances.

Performance: Banks in China and Hong Kong set the standards for call centres, offering instant connections, 24-hour access, mutli-lingual specialists and segmented call centres for affluent customers. On average, call centres' efficiency of service and accessibility are relatively good, but sales focus is a very weak point, with average performance lagging way behind the best banks.

Banking in cyberspace: differentiation is key

Customers—especially wealthy customers—are increasingly demanding the opportunity to purchase products and transact online, and trend is likely to accelerate as the broadband connections reach more and more homes worldwide.

Goals: Security is absolutely paramount in the online channel: banks need to develop systems which combine complexity-multiple passwords and virtual keyboards—with simplicity: log-on processes should not be over-complicated. Secure sites are an ideal sales channel, because they offer a unique opportunity

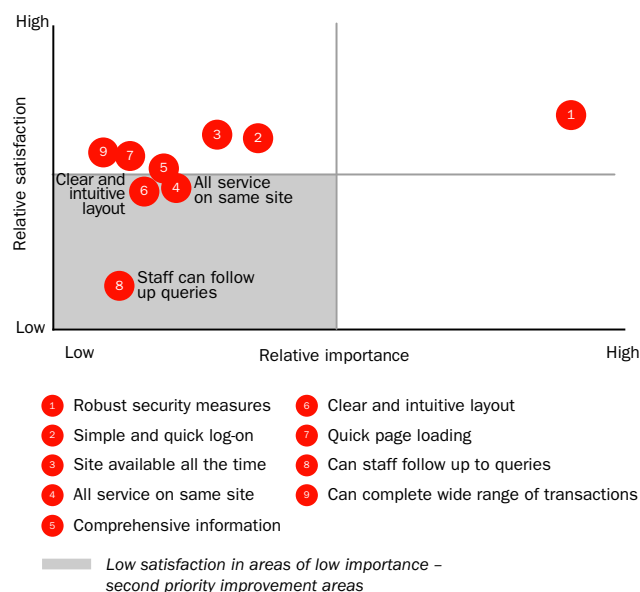
to tailor product alerts or offers to the individual. Because not everyone is comfortable with technology, banks should be able to provide live technical support, as well as answers to product queries. And, given the importance of the internet to time-poor customers—banks must develop websites targeted solely at the mass affluent if they are to fully exploit this segment.

Performance: At the very best banks, performance in the online channel is near perfect in all areas. However, global performance is much less impressive, with most banks achieving average scores, except in segmented offering, where scores are weak. Chinese and Korean banks are leading the field in online banking, offering innovations such as the ability to personalise secure sites, security codes from separate devices and dedicated websites for the mass affluent.

Greater mobility required

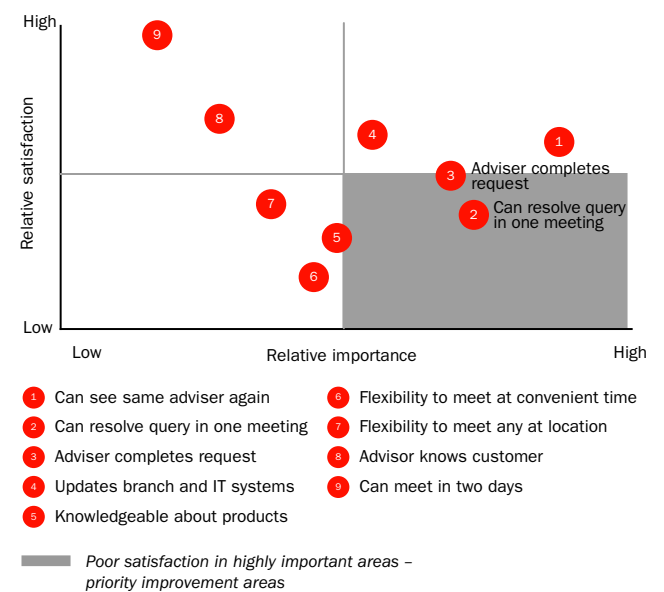
Mobile sales forces are a very popular way of purchasing products—in particular more complex products, such as pensions and investments—but they are not widely available in many countries. Brazil, Hong Kong, the UK and Australia are among the few markets where mobile sales forces are extensively and successfully deployed.

Exhibit 6
Online: Vital Attributes – Relative Importance v Satisfaction



Source: Booz Allen Hamilton Revenue Enhancement Study 2007

Exhibit 7
Mobile Sales Force: Vital Attributes-Relative Importance v Satisfaction



Source: Booz Allen Hamilton Revenue Enhancement Study 2007

Goals: Mobile sales forces should be an integral part of a bank's mass affluent service. As such, the development of sophisticated appointment systems is crucial as the target market is demanding and time poor. Both specialist and generalist sales advisers should be available; there should be flexibility on the timing and location of meetings; and customers should be reminded of their appointments by text message. Follow-up is crucial; banks should send out meeting summaries by letter or email, and where possible, customers should be able to see the same adviser on more than one occasion.

Performance: Very few banks offer mobile sales forces, and overall performance among those that do is relatively poor. The service tends to be limited to the mass affluent only, and only where customers are seeking to purchase complex products such as investments or mortgages. There are, however, a handful of banks which do achieve excellence in their field, offering flexible meeting times and locations, well-informed advisers, and in some cases sending out account managers along with specialist advisers in order to cement relationships and improve customer insight.

Integration, where it matters

Bank customers around the world now expect a fully-integrated multi-channel offering, but few banks are offering consistent, seamless integration.

Goals: Integration is about more than just a consistent look and feel: functionality is all-important. Banks must develop systems which allow customers to change channel during transactions; for example, they might start a mortgage application online and complete it in a branch or over the telephone. All products should be available across all channels, but pricing should vary, a travel insurance policy bought online should be cheaper than one purchased in the branch. All channels should have segmented offerings for the mass affluent. Banks should be taking advantage of new technologies, such as Skype, and exploiting opportunities in cyberspace, for example by establishing a presence on Second Life.

Performance: A limited number of banks are offering all major channels with additional extras such as Skype and SMS, mobile phone banking and special channels for the deaf. However, overall performance is weak, with even the best in class banks failing to achieve excellence. Overall, UK banks lead the field, often offering full integration across all channels.

Methodology

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

The study took a two-fold approach:

1. MORI Ipsos, the independent consumer research company, was tasked with undertaking 2,000 interviews with banking customers in Europe, North America, Asia, Latin America and the Middle East. The key retail banks in 17 countries (an average of 5-10 per country) were assessed on consumer preferences for each distribution channel and overall satisfaction levels.

Based on the findings of this research, Booz Allen defined five individual channel indices to measure banks' performance. 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.

2. In addition, Booz Allen carried out an extensive mystery shopping exercise, focusing on the consumer experience. This included a one-hour shopping and servicing questionnaire in a number of branches for each bank, plus internet surfing, telephone calls to call centres and shopping with mobile sales forces.

What Booz Allen Brings

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.co.uk. 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.

Contact Information:

LONDON

Alan Gemes

Vice President
+44 (0)20 7393 3290
gemes_alan@bah.com

Caroline Moss

Principal
+44 (0)20 7393 3514
moss_caroline@bah.com

Fabienne Konik

Senior Associate
+44 (0)20 7393 3777
konik_fabienne@bah.com

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