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# Customer Management Innovation

Debunking retail banking myths



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# Let's start with an old story

The Fosbury Flop



# Let's start with an old story

The Fosbury Flop



“To succeed, Fosbury had to unlearn everything his coaches had taught him about speed, angle of approach and technique...

...the innovators had to somehow forget best practices and create next practices”

**Vijay Govindarajan**

# How to change

The three-box strategy framework



?!



TYPICAL BANK  
MARKETING MANAGER



COMPETITION  
for the  
PRESENT

COMPETITION  
for the  
FUTURE

# How to change

The three-box strategy from the eyes of a Bank Marketing Manager



# ...but first of all why to change

Current Customer Management models are only partially engaging customers



## CUSTOMER PERCEPTIONS



### ENTHUSIASM

(% of "very satisfied" customers dropped from 54% in 2010 to 35% in 2012)



### PERCEPTION OF PERSONALIZATION<sup>1</sup>

(% of customers perceiving a not enough customized service grew from 31% in 2010 to 53% in 2012)



### BUYING INTENTION<sup>2</sup>

(% of customers willing to buy new products dropped from 14% in 2010 to 5% in 2012)

1. Survey question: "When I contact/ go to the Bank, I often feel like I'm treated like an ordinary customer".  
2. Survey question: "How likely are you to take into consideration other products/ services among those offered by your Bank?".  
Source: Accenture Customer Experience Survey 2013, based on a panel of Banks representing 40% of Italian Banking Industry.

# ...but first of all why to change

Current Customer Management models seem not be able to grow customer relationship in a profitable way



## BANKING RESULTS



### CUSTOMER PROFITABILITY

(Revenues per customer dropped by 2% in the past 2 years<sup>1</sup>)



### CROSS-SELLING INDEX

(Stagnant cross-selling levels in the past 2 years<sup>2</sup>)

1. Source: Accenture analysis on Individuals segment excluding Private, based on a panel of banks representing 40% of Italian Banking Industry. Data refer CAGR 2010-2012.

2. Source: Accenture analysis based on "ABI Customer retention Privat" and a selected panel of Italian banks.

# How to change

Selectively forget the myths of retail banking





# MYTH | Banking is boring

1st

## THE WORDS WE TYPICALLY HEAR FROM BANKERS...



## ...AND SOME EVIDENCES BEHIND THESE BELIEFS

Word of Mouth: How much would you recommend your current provider to others?



Commitment: How much do you feel emotionally engaged with your current provider?



Source: Accenture Customer Experience Survey 2013.  
Note: indexed values with maximum equal to 100.

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## The hero that debunked the Myth

METRO BANK  
Love your Bank at last



### The challenge

- ➔ Be the **only bank in 150 years** to enter a UK banking market dominated by giant incumbents
- ➔ Win through **Customer Experience** and **Advocacy** levers in a market characterized by an average negative NPS<sup>1</sup> of -6 (detractors overcome promoters)

1. Note: NPS (Net Promoter Score) calculated based on the question "how likely is that you would recommend the company", as difference between % of customers acting as company promoters (answering 9 or 10 on a scale of 10) and % of customers acting as company detractors (answering 0-6).

### The secret weapon

- ➔ **Frontline excellence**
  - "AMAZE" behaviours relationship code
  - "Hire for attitude train for skills"
  - NPS-driven incentives
- ➔ **Local perspective**
  - Local, retail-inspired staff
  - Education commitment
- ➔ **Service excellence**
  - "Fans, not customers"
  - "Always open", 7 days, 8-20

### The conquest

- ➔ **87 out of 100 customers** (NPS 87) are promoters of the bank vs. industry average of -6
- ➔ **Revenues per customers higher than** a giant like **Barclays** (£170 vs. £140)
- ➔ **Break even expected in 2014** (after 4 years from establishment) due to objective of opening 1 store per month (2013 in case of a slightly more conservative opening program)

# MYTH | Relationship is face to face

2nd

THE WORDS WE TYPICALLY HEAR FROM BANKERS...



## ...AND SOME EVIDENCES BEHIND THESE BELIEFS

Limited profitability of non-branch customers

Avg. assets per customer

Avg. revenues per traditional bank customer

63 € ...direct only banks

47 € ...branch adverse customers<sup>1</sup>

&

100 € ...traditional banks

100 € ...multichannel customers<sup>2</sup>

BUT

Branch adverse customers<sup>1</sup>

represent **25%** of the  
**ITALIAN BANKING  
POPULATION**

&

~**35%** of branch  
adverse customers<sup>1</sup> are  
**HIGH VALUE**

1. Customers that perform less than 10% of banking operations in branches.  
2. Customers that make a substantial usage (10%+) of both Branches and Direct channels.

## The hero that debunked the Myth

BBVA  
Contigo



### The challenge

- ➔ Combine **profitability growth and intimacy** with the **10% BBVA SPAIN** branch adverse customers
- ➔ Find a way to **combine remote relationship**, remote sales and **sponsorship from local branches**

1. With assets >€500k or monthly income >€6k.

2. With assets >€60k or monthly income >€3k.

### The secret weapon

- ➔ Contigo is an **opt-in service**, that offers a **personal remote RM** with **service levels differentiated** according to the value of each customer (from 150 customer per RM)
- ➔ Contigo RMs are ex **Branch RMs** relocated to **regional offices** to guarantee language proximity
- ➔ **90%** of operations **available remotely**
- ➔ **Double counting** to on-board branches

### The conquest

- ➔ In less than a year **5.5% of the customer base** joined Contigo's model, without dedicated advertising on mainstream media
- ➔ **3%** of Contigo customers are "**high value**"<sup>1</sup> and **8%** are "**value**"<sup>2</sup>

# MYTH | Small calls for simple

3rd

THE WORDS WE TYPICALLY HEAR FROM BANKERS...

Non perdiamo tempo con soluzioni troppo complicate, non ne vale la pena sui clienti piccoli...

Davvero lei crede che possiamo vendere l'estero ai nostri artigiani?

Le gestioni patrimoniali non sono un prodotto adatto ai clienti Affluent, non ne hanno bisogno ed è difficile proporle...

## ...AND SOME EVIDENCES BEHIND THESE BELIEFS

### Portfolio Management penetration<sup>1</sup>

4%  
of Affluent customers

28%  
of Private customers

BUT

4 out of 10 Affluent customers require **PERSONALIZED** investment advisory

### Trade Finance penetration<sup>2</sup>

3%  
of Small Businesses<sup>3</sup>

60%  
Medium Enterprises

BUT

6 out of 10 **EXPORTERS** are **SMALL BUSINESSES**

1. Source: Accenture analysis on Assogestioni, Banks' Annual Report, ABI and Accenture Customer Experience Survey 2013.

2. Source: Accenture analysis on Banks clients benchmark and ISTAT, 2012.

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3. 1-9 employees.

**The hero that debunked the Myth**  
BANK OF AMERICA  
Merrill Edge Select Portfolio



**The challenge**

- ➔ Provide **high value Asset Management** services and solutions to **Affluent/Upper Mass** customers (one third of the market)
- ➔ Overcome the trade-off between **personalization** and **cost-to-serve**

**The secret weapon**

- ➔ 10 diversified portfolios with min. \$20k investment and 1% fee
- ➔ Access to **Merrill Edge** financial solution **advisors**
- ➔ **Scalability** of Asset Management solutions and operations
- ➔ Production **simplification** and **standardization** of legal and technical features

**The conquest**

- ➔ **76%** Affluent customers interested in the offer
- ➔ **+14%** AUM increase in the first year after launch

## The hero that debunked the Myth

HSBC  
International Business



### The challenge

- Support **geo-expansion of Small Businesses** (< £2.5mln Turnover) through dedicated solutions and skilled advisory
- **Scale internationalization capabilities** to a wider customer base

### The secret weapon

- **£25k quick overdraft** to go abroad
- **Business without Borders** knowledge and networking portal
- **Customization** of a basic product like overdraft for internationalization purposes
- "Virtual" **international advisory team**


### The conquest

- **£5bn overdraft** vs. £4bn target
- **> 10k active members** in Business without Borders community


# MYTH | Assets define what customers need

4th


## THE WORDS WE TYPICALLY HEAR FROM BANKERS...



Se conosci il patrimonio di un cliente sai subito quali sono i prodotti che può volere...



...è inutile introdurre segmentazioni complicate tanto i bisogni dei nostri clienti sono chiari...



A tutti i nostri clienti Mass Market dobbiamo proporre un conto, bancomat, carta, utenze e al massimo un PAC...

## ...AND SOME EVIDENCES BEHIND THESE BELIEFS

~95%

of **BANKS** serve customers with a segmentation based on **current assets**

**BUT**

**1 out of 10** customers typically lies in the **wrong segment**



**8 out of 10 banks** have identified a **second-level** segmentation model

**BUT**

Only **10%** tailor a **specific service model** around these sub-segments



## The hero that debunked the Myth

### SWEDBANK Self Segmentation



### The challenge

- Develop **customer segments not covered** by the bank's current service models, ensuring a targeted customer experience confirming the bank's leadership in Affluent and Private banking
- Allow customers seeking for **higher service levels** and **willing to pay** an additional fee to autonomously choose and define the services they are expecting

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### The secret weapon

- **3 different service levels** whose **choice is left to customers** rather than assigned by the bank
- The different services have **specific pricing, products** and **customer approach**:
  - "Key": includes **operations on all channels** and **limited contact with RMs**
  - "Key plus": "Key" services + **non-fin. services**
  - "Key premium": "Key plus" services + **advisory service for invest./ tax-legal issues**

### The conquest

- **+ 500k** self-segmented customers in less than 2 years
- **+ 8%** average increase in profitability on "Key" customers (after 1 year)
- **+ 1.5** average additional products sold per "Key" customer (after 1 year)

# MYTH | No one pays for advisory

5th

## THE WORDS WE TYPICALLY HEAR FROM BANKERS...



## ...AND SOME EVIDENCES BEHIND THESE BELIEFS

Household penetration of asset management products<sup>1</sup>

48% → 20%

2000                      2012

Average yearly revenues per Affluent customer<sup>2</sup>

€1.1k-1.4k → €0.6k-0.9k

2007                      Today

**BUT**

**VALIDATORS 50%**<sup>2</sup>

The majority of customers are people who need advice while keeping control on their investment decisions

**SELF DIRECT 20%**<sup>3</sup>



**DELEGATORS 30%**<sup>4</sup>

1. Source: Accenture analysis on Assogestioni data.  
2. Source: Accenture analysis on project experiences.

3. Self-direct investors.  
4. Delegate decisions on their investments.

**The hero that debunked the Myth**  
HARGREAVES LANSDOWN  
Vantage Service



**The challenge**

- Become a leading player in the UK Affluent market offering **advanced advisory services** currently available to HNWI's
- Ensure customers **perception** of the **value** generated from advisory services

**The secret weapon**

- **Vantage Service** as **pay-per-use advisory service** for investors with portfolios smaller than £100k
- Key **ingredients of advisory model:**
  - High independence of investment recommendations (Open Architecture)
  - Asset Manag. Unit as an Advisory Centre rather than a mere product factory
  - Quality of sales force ("true" financial advisors)

**The conquest**

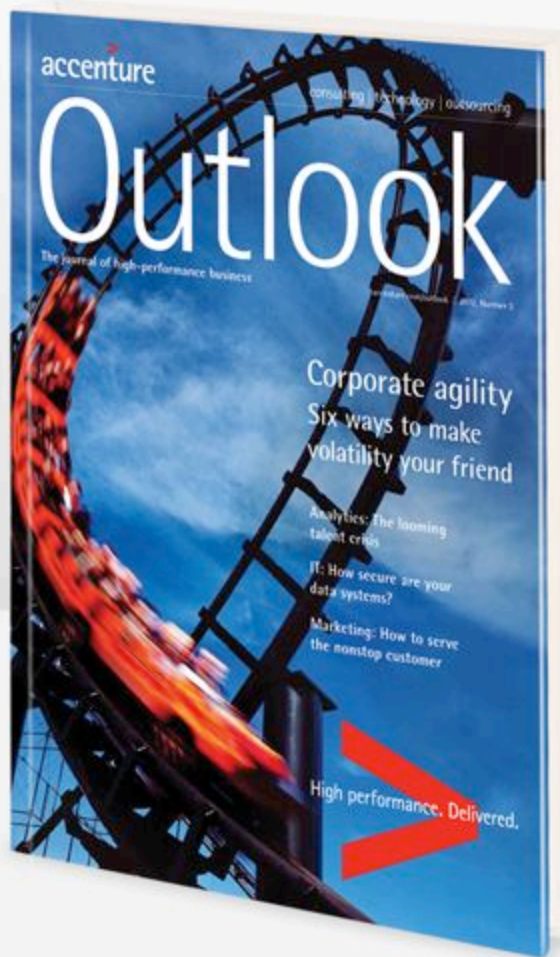
- Last 24 months...
- Increase in customers: **+ 29%** (425k at the end of 2012)
  - Total AUC: **+ 50%** (£26.3bn), +2X market growth
  - AUC per customer: **+ 17%** (£62,000)

# To finish...

Just a few words about how to "create the future"



# How do you prepare for the next big thing?



## ORGANIZATIONAL AGILITY

“people don’t think about change, they just do it”

- State the change vision constantly and everywhere for buy-in

amazon.com

- Create a “change volunteers” coalition to empower broad-based action



- Publicize and celebrate anything that is contributing to achieve the change vision, also leveraging on short term wins



GRAZIE



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