New retail banking multi-channel models

The following is a short summary of each presentation made during the 39th Congress of European Financial Marketing Association (EFMA) held on October 13-14, 2011 in Paris focussing on multi-channel distribution. These summaries were put together by Mr. Phil Allcock from EMFA.

Efma is the leading association of banks, insurance companies and financial institutions throughout the world. On a non-for-profit basis, Efma promotes innovation and best practices in retail finance by fostering debate and discussion among peers supported by a robust array of information services and numerous opportunities for direct encounters. Efma was formed in 1971 and gathers today more than 2,950 different brands in financial services worldwide, including 80% of the largest European banking groups.

1. A unique, fully integrated and global retail banking organisation by Yves Martrenchar, Chief Operating Officer, Retail Banking and Philippe Laulanie, Head of Distribution Retail Banking, BNP Paribas, France

For our business model, the idea is to grow our existing business and to increase the number of customers and the business volumes with those customers. Ultimately, more contacts make more satisfied customers, who buy more products, have more savings and generate more revenues.

We have to invest over time to develop a quality service. We need to adapt our business model to the needs of each country whilst having the same main guidelines throughout. For companies, we have a focus on cross-selling and for individuals, some people think we should give priority to acquiring customers. However, without proactive contact management, a high percentage of customers become inactive after a few months of being with the bank. So good contact management is also important.
To implement this business model, we set up an integrated organisation with seven operational entities. Our products include personal finance and equipment solutions, leasing and long term car leasing. The business units are the core of our retail banking activities. In addition to the seven core functions, we have eight transverse missions. We have a team of 150 people of 16 nationalities designing sales models and evaluating best practices. One of our goals for this integrated organisation is to have one bank for corporates in Europe. This has 150 business centres, 1,700 relationship managers and a homogenous offering, with a framework based on cross-selling.

We are activating a multi-channel programme within retail banking. We want to be able to deploy a customer-focused sales model with different channels. It took six years to develop it in France, and it was then replicated in other countries. Our multi-channel programme has been designed to meet the expectations of customers who wanted action on both sales and services. They needed homogeneity, speed and accessibility: the ability to contact the bank through whatever channel they prefer.

The customer is at the centre. He should have a single point of entry and be able to move seamlessly between the channels. We wanted to use technology to build a retail ‘house’, where the walls that support it are the CRM system and the rooms are the channels. The core of the channels is the workstation. This creates a virtual circle: a win/win model in which the customer has access to all channels in an integrated way.

Retail banking requires a long-term strategy. We built a workstation, with the CRM based in our customer relationship unit. Then we tested the customer contact centre. In 2002, new workstations were deployed in the branch network. In 2003, we integrated it all with the Internet. Then the model was deployed in private banking and small business lines as well. We completed it with a customer service programme and back office services, accelerated the system and implemented it in other countries. This model drives real change management in the organisation. We have created communities in BNP Paribas: each can adapt its model using collaborative tools. Another
aspect is innovation: we were the first to have apps on the iPad. Security is also essential: never open a new service without an excellent level of security. Finally, our multi-channel model is based on complementary channels that provide a uniform, high quality service.

2. **Diverse landscape for multi-channel strategies in different markets** by Javier de Antonio Horcajo, Head of Mass Market, Santander, Spain

Banking is a consumer marketing business. Customers have access to more information than ever before, which gives them a lot of power. However, the crisis is having a big impact and customers are losing trust in banks. The key change is everything going on in the web: social media, blogs, chats, forums - we don't control them. We don't always even know what people say. It affects how people see banks.

We have to remember to put the consumer at the centre of what we do. Customers are not behaving the same as they used to: we have to deal with this. But it is good news. We have access to more customer data than ever before. It gives us a unique opportunity to extract more value from the customer base. We therefore need to integrate channels with the CRM systems and manage them effectively.

At Santander, our strategy is to have a fully integrated, multi-channel model that is communicated to the customer. We want to be their preferred bank. Many channel initiatives don't have the customer at the centre: they can be very narrow-minded. These days, there are thousands of developments. You can't exploit all of them to create value. Some banks just try to migrate customers to cheaper channels. Experience affects overall customer satisfaction and the likelihood of repeat purchases. Sometimes it is better to have reduced functionality and to make sure that the customer experience is great.

We need to think of a multi-channel strategy as part of our value proposition to the customer. Anything we do should contribute to overall customer satisfaction and engagement – as well as to
the bottom line. To do this, we need to know our customers really well. I want to share initiatives in Spain, Brazil, Chile and Mexico:

- **Spain.** The extensive branch networks are still the key channel for customer management but there is good take-up of alternative delivery channels. Everything is integrated with the CRM system, which delivers real-time information about customers to agents. The CRM can calculate the propensity of customers to buy specific products. We also track new customers, push sales opportunities and set up meetings with them at least once a month. We’ve also launched the newest iPad app.

- **Brazil.** This has some very large branches, with up to 30 ATMs. They’ve changed from using ATMs as a cheap way of doing transactions to using them to sell basic products. They have a fully developed relational model using ATMs. You need the right infrastructure and must link the CRM to the ATM network. The pay-off is huge. You can also buy personal loans, credit cards, deposits and mutual funds from ATMs.

- **Chile.** The bank has developed a complete set of sophisticated business rules. The website has a strong commercial focus and customers (according to their target group) are exposed to commercial promotions whenever they connect to the web. They have achieved the highest levels of sales online across the group.

- **Mexico.** The call centre is a critical channel. In Mexico, people often call because they’ve had a problem with another channel, so the way you handle the call is critical. Mexico has a differentiated approach, with different waiting times according to segment etc. It is also committed to finding the right balance between specialisation and global skills and it has an excellent commercial focus. All agents have clear incentives to sell and to find new opportunities.

3. **Fighting hard to achieve post-crisis growth and profitability** by Aris Bogdaneris, Member of the Board of
Seven years ago, when I joined Raiffeisen, I went to a three-day multi-channel workshop in Munich. It took a day to define what multi-channel means. I realised that it was just one of many potential value drivers. I want to talk about value creation. I believe in multi-channel but I also believe in the power of branches and call centres - there is a lot that could still be unlocked.

The most powerful driver of value in recent years has been distribution. Others include capturing primary customers; having balance across the segments and products; and good risk management. Branches are still the places where sales are closed in Central and Eastern Europe, so we continue to build them and optimise the network. If you open a branch and get 13,000 customers within a year, it shows the potential. It’s all about timing. Since 2004, we have added 2,000 branches. If you build them in the right locations and organise them correctly, customers will come.

**Branches.** Your bank is as good as your branch network. You need to focus on good CRM, sales, productivity and service. You also need to analyse branch performance and the performance of individual sales people (and eliminate poor performers). If you can move your performance by a few points, it creates great value. In a branch, value is created by differentiating the front end. For us, premium banking has been the most important development. Some 4% of customers drive almost 50% of our deposit volume. The effort it takes to train people to offer consistent holistic financial advice is enormous. If you sit with a customer once a year, the person gradually starts to trust you. Customers want attention, good advice and solutions to their financial needs. If they get it, volumes will increase and revenues will shoot up. With premium customers, getting the customer into the branch has a huge impact.

**Call centres.** We receive 18 million inbound calls per quarter. We need to provide service. We also have a target of 5% of
inbound calls converted into a sales opportunity. It's about training people and how you get CRM into the call centre so that there is more information that you can use for selling.

**Service.** We have lost more customers through poor service than multi-channels. How do we define service? It is hard to do it as it isn’t very tangible - it requires a lot of training etc. If you're not doing the basics right, it's not worth pursuing multi-channel: you have to get the core right first.

**New channels.** The new generation of consumers are Internet-savvy and aren’t interested in visiting branches. We therefore decided to start a pure Internet bank: Zuno. We believe there’s a huge space for an online bank that is simple and friendly.

**Multi-channel.** We see multi-channel as different combinations of branch, call centre and online / mobile. The priorities will differ in different areas. The key is to convert service to the point of sale. You also need to understand and focus on what matters to the customer. Don't force them to go a particular way. They will choose the channels they want. Avoid fads: focus on the most precious channels and then drip in the multi-channel experience. Focus your execution on the basic issues.

4. **New strategies and innovation in the MPS group**
   **distribution model** by Ruggero Benedetto, Deputy of the Vice-General Director of Commercial Banking, Monte dei Paschi di Siena, Italy

Can the most ancient bank in the world become more customer centric, multi-channel and have a strong position in social media without losing its deep roots with the branch as one of the main anchors? Customer centricity means developing different multi-channel strategies for different segments, based on customer behaviour. We often care about the last part of the customer journey: selling propositions. Banking on innovation will help us to take care of the entire customer journey.

We are a multi-channel bank. We have people with a heart for innovation: 2,000 employees are educated to be innovators. In
the last 12 to 14 months, we have been working on redesigning all of the bank’s processes. We’ve been running a pilot in 100 branches. We recently created a unit dedicated to innovation.

The use of channels is changing due to changes in customer behaviour. Currently, 60% of our low value transactions are through direct channels. Between 25 to 35% of unbanked people in Italy have a very good risk profile. They are unbanked because their behaviour doesn't fit the commercial profile of the bank.

In 2010, 7% of our customers were pure onliners; another 70% only used the branch. We imagine that in the next five years, 10% will be pure onliners, and half will use direct channels. Branch-only customers use the branch and ATMs for everything. Multi-channel customers do all their low value transactions on the Internet or mobile and use the branch for simple products and advice. Online customers buy simple products online (e.g. credit cards, personal loans, mortgages). They tend to be younger, but cross-selling opportunities are better. Customer profitability is lower, as they buy fewer high-value products. We have one strategy for each customer segment:

- **Branch only.** The main point is cross-selling. In the next five years, we believe we will save 600 FTEs in the branch. We are trying to change the culture and to move all transactions to direct channels.

- **Multi-channel.** We want to ensure that these customers can find the right offer, so we developed cross-channel products. We are moving multi-channel customers more onto the web. We want to reduce the cashiers and transform the layout of the branch for premium quality service. The branch is still important but it is a lean branch.

- **Onliners.** Many want to become ‘zero branch’ but want a full offer. We can commercialise everything in the direct channel area. For a mortgage, we have to be there when the customer wants to buy a house (for instance).
Current trends

- **Mobile**: This could be the primary contact channel by 2015. People are mobile, so we need to be. We're working on a new platform, including peer-to-peer money transfers by touching phones together.

- **Social networks**: This is a bigger issue than even the crisis. We need to be where the customer is. People are time-poor and trust their networks more than our brand.

Finally, banks have to cooperate with each other. There are huge opportunities out there, but we are too small to go it alone on the innovation path.

5. **Our multi-channel distribution approach** by Olivier Chédeville, Directeur de la Stratégie de Distribution Multicanal, Société Générale, France

Our strategy is based on customer satisfaction. We want to be the reference bank for relationships. For us, multi-channel is based on relationship management. Every customer has a relationship manager who he can reach via a direct line or email. Our customers are evolving: they use Internet and digital services: we don't have to convince them to use them. But we have to deliver a minimum level of service which is benchmarked by the best merchants. We must be at the best level.

Before 2000, relationships were based in the branch. Then something happened: the Internet. A lot of banks had a dream: to take customers and get them to choose channels outside the branch. High net worth individuals would come to the branch and we could spend time with them and make money! Most of us failed. The customer chooses the way to deal with the bank: we can't force them to use a channel.

Our customers tell us that we all have the same products. When we want to change the price, it’s difficult. Distribution is the place where the customer can feel what he is paying for. So if you are excellent in distribution and service, you could have
long-term profitability and it also provides excellent protection against competitors.

**Social media.** If a bank has a bad advisor, this can now be a big topic on the Internet. The better your service, the better your standing in the social media.

**Multi-channel.** We based our strategy on three laws: 1). The customer will ask the same question until he gets a good answer (not "We'll call you back soon"). 2). The customer will always use the easiest channel for managing the relationship with the bank. 3). Talking to a bank isn’t seen as fun, so do your best to provide a moment of pleasure when the customer comes to you.

Over 70% of our contacts use digital channels. However, for 80% of our customers, the relationship manager is the most important part of the relationship. But half of our customers don’t even know what the relationship manager looks like! This is the basic problem of multi-channel. The customer sees the bank as two different things:

a) **The brand.** If he needs help, he will call the call centre. He knows there is a relationship manager but doesn't know him: he's for mortgages, investments etc.

b) **The relationship manager.** This is someone who knows the customer.

Most of the time, the customer won’t need the relationship manager. But there will be times in his life when he needs to talk to someone and to use all of the channels more deeply. We must be ready for these moments. The branch is important. The call centre and digital channels are easy for customers and cost-efficient for the bank. So, promote and manage channels to create the right customer experience at the right cost. Let nature take its course. But we also have to change the culture of the bank. Mobile is likely to be the next step in multi-channel. We have to build multi-channel into the mobile device so that customers can have access to all channels. Multi-channel is a winning model. Now we need to change. But we need to help
people to jump from their small fishbowl into the big multi-channel pool.

6. **Multi-channel management with both a service and sales perspective** by Didem Dincer Baser, Head of Retail Banking, Garanti Bank, Turkey

I want to share some of the issues we are facing in terms of multi-channel management in Turkey. Turkey is an emerging market. In the last decade, we focused on the expansion of the branch network and invested heavily in alternative delivery channels. The branch network now has a 96% national coverage. There is a 90% penetration of mobile for the younger population; almost 50% Internet penetration; and 30 million registrations on Facebook. We were the first bank to have Internet banking in the country and the first to launch mobile banking. We also have 3,000 ATMs with important innovations, including cardless transactions. Call centres are still very important and are a servicing channel and also a sales-focused channel.

In the first era, the early 1990s, the branch was the only channel. The second era saw the arrival of alternative delivery channels. In the third era (the late 2000s), these became important sales machines. This needs strong multi-channel orchestration. We need to manage sales and the contribution from each channel in an optimised way. Branches are still at the core of the multi-channel relationship. They are trusted advisory points for moments of truth. But for more transactions and less critical products, alternative delivery channels play a key role in the service proposition.

Customers were locked into purchasing decisions and channels in the early days. Now they fall into certain groups. For highly complex products or servicing, some customers are purely face-to-face (whether elderly or not). The second group are trying to migrate but still need to go to the branch, although transactions can go to other channels. The third group are those who use alternative delivery channels very heavily. The fourth segment includes pure remote, self-service customers.
To understand customer channel behaviour, we take a product perspective and map them. This enables us to see (for example) how to support branches for mortgages, personal loans, investments and advisory. Is there something else we can support via alternative delivery channels? We can position every channel in the value chain.

- **Mortgages.** We have a website and a hotline. Leads created here represent 10% of our mortgages. After a certain point, they are transferred to branches.

- **Personal loans.** We run loan campaigns and assign some customers to branches and some to a hotline and later to the branch. Our success has increased as a result.

- **Investments.** New deposits: for the last three or four years, the numbers have been up to 30 times what they were before. So we're trying to find alternative delivery channels where value can be created (for example, iPad applications).

For money transfers, the use of the branch has decreased. We use ATMs a lot - customers can make credit card payments without a card. We have also done a lot of work on money transfers using ATMs without the receiving partner having to be a bank customer. We are using mobile as a key channel for certain schemes. The ATM is a key channel for low value transactions and instant sales.

We need to prioritise products in a customer-centric way so that the bank is using its resources in an optimal way to bring in profits. You need to know from which product and which channel growth will come - so you know how to use your resources.

7. **Understanding customer service in a multi-channel future** by Mark Evans, Head of Customer Management, HSBC Bank, UK

I want you to think about the problem or challenge of multi-channel differently. It’s a very complex issue. Having worked in other industries, I realise how very complex the financial
services industry is. Customers work out their own way to navigate the bank, so you need to work out how to get out of the way and let the customer do it in their way. You need to understand how and why the customer wants to do it.

“Help me to help you” – there is a strong mutual benefit in helping customers to help themselves. Looking at customer satisfaction, the best in class for customer satisfaction through telephony in the UK in June 2011 was worst than the worst in class for branch. The best in class for branch satisfaction was worse than the worst in class for the Internet. This shows where the customer wants to be. I would be provocative and say that having a telephony channel is perhaps a sign of failure.

We’ve carried out a detailed segmentation study to see what customers want to do. The number of people who buy a loan online is half of those who would like to (they don’t know they can; don’t know how to; or are worried it won’t work). We still get customers coming into the branch when the activity (e.g. ordering a statement or new card etc.) would be easier online. This is entrenched customer behaviour.

In UK retail banking, there are still many things that customers can’t do online to a suitable level of satisfaction. The customer has to guess at what they can do online, so they default automatically to the branch. If you make it easier for them to go online, you can gain a competitive advantage. However, we don’t make it easy for customers. For instance, there was an example of a very valuable customer whose partner had died. She ended up having seven conversations with different parts of the bank over the death certificate. We need to look at the friction points and get our processes right.

What does it mean for UK branches? Financial services are facing a crisis - the network is becoming less economic but if you take it out, you dilute the customer relationship. It’s not an easy challenge. We are seeing a bipolarity in the retail environment – on one hand, there are vast shopping centres and on the other, the proliferation of online purchases. So for companies with an interest in face-to face relationships, perhaps
there’s an opportunity to remould the network and infrastructure so that it is more fit for purpose and cheaper. So what do we need to do with the banking structure? All of our branches are transaction hubs. If that moves to the online space, they will have a different role: they will be there for high-value, complex wealth management discussions and for when things go wrong.

The key thing is to shift customer behaviour. Do you use the carrot or the stick? Do you charge the customer for using certain channels? So far, we have cause and effect the wrong way round: the most profitable customers are going online. However, they are the most complex customers and need more expensive channels and a multi-channel approach. If we can get out of the way, we can get customers to self-realise more and more. We have therefore done a lot of work to see whether the customer is choosing, trying or using a product. If you truly know what the customer wants, you're compelled to put in the structure to support them. If you don't get the digital offering right, forget it. You need to get out of the way or “help me to help you”.

8. **Driving a pan-European multi-channel strategy** by Alessandro Decio, Head of the Family & SME Division, Senior Executive Vice President, UniCredit Group, Italy

We have been trying to design the multi-channel strategy of the group, with an overall central orchestration but a strong regional and country flavour according to different needs. What is the context in which we are operating? GDP is flattening: it isn’t a very rosy picture. It leads to the erosion of the revenue base and a pressure on cost reduction across all geographies and markets.

In terms of behavioural changes, there has been a significant increase in touch points between clients and the bank: we have one billion. We have 100,000 users of our mobile app, typically using it twice a day. Meanwhile, we need to think of a different way of having face-to-face interactions, with a shift towards higher value activities. There is a trend towards an increase in sales by direct channels – we expect them to increase from 2% to 15% by 2015. Clients are moving to a multi-channel relationship, with the possibility of generating extra revenues.
We have identified the need for a differentiated approach. Significant parameters include a multi-channel readiness and branch density. In Italy, a strong density is driving the approach - but this is focused more on increasing efficiency and improving the cost to serve, whereas in Germany and Austria it is focused more on providing differentiated, value-add services.

In Italy, there is a lot of innovation in terms of distribution, cashless branches, improvements in call centres and the strong potential for mobile banking. In Germany, extended opening hours give a real differentiation in terms of value. Turkey has continued to invest in branches. In Russia, there is a focus on exploiting very significant Internet usage. Multi-channel also means innovation and more innovative products and services.

Meanwhile, mobile banking provides opportunities for troubleshooting; exploiting sales opportunities on the spot; and remote interaction for personal financial advice. These are three examples of how we can create a different customer perception. The multi-channel strategy has a clear and direct impact on P and L. We have very clear needs in terms of what has to be changed to make such a programme effective. Firstly, products have to be designed specifically for the direct channel. We have to think in terms of an end-to-end integrated process, with alignment between sales and the organisation on the various objectives. We need to be very focused in terms of simplicity and the possibility of having ‘one click’ sales. CRM is fundamental.

Building the multi-channel focuses mainly on the Internet and mobile and also on CRM, call centre, self-service and remote interactions. There will be a significant shift towards digital marketing. This will all lead to significant improvements in benefits. We expect multi-channel to multiply eight-fold over the next five years, through cost reduction, cross-selling and client acquisition. We are also expecting active sales through direct channels to increase six-fold by 2015. The number of full cash branches will fall dramatically, bringing efficiency gains. It won't be easy. We will need new skills and the biggest risk is a
fragmented organisation. However, the physical model is accelerating rapidly towards multi-channel and digital.

9. **Different roles of the mobile phone in the best multi-channel strategy** by Ignacio Ortega, Director of Internet and Mobile Channels, BBVA, Spain

The technological revolution is helping multi-channel distribution and is also helping the development of mobile banking, with mobile services that can be used wherever and whenever you want. There are two factors behind this: the large number of phones allowing Internet access; and the flat rate offered by mobile operators. In a few years, mobile is likely to be the main form of Internet access. One of the biggest challenges to a company trying to offer a mobile service is the lack of standardisation. The main devices used vary greatly from region to region.

In Spain, there is a good penetration of mobile Internet, with 26% (20 million people) using it each month. Mobile banking is not a killer application, however. It is mostly used for news, weather, sports etc. However, there are good prospects for the future, as m-banking and m-commerce are growing. Currently, only 9% of users use mobile banking every day compared with 50% of people using it for e-mail or social media. This is because 58% of the total mobile user population prefers to bank online using a PC. We don't know why. We launched bbva.mobi two years ago: the first solution used the browser and not a native application. Now we have another solution and are migrating people to this. If you ask people, they prefer the native application because the user experience is better rather than on the browser. In the Spanish market, not many banks are offering native applications: most are using the browser.

We have developed six solutions in Spain. Two are based on the browser (one basic and one icon); one is for the iPhone; and one each for the iPad, Android and BlackBerry. The first solution that we launched was very simple. You don't need a new smartphone model - you can use models that people are using in the market. The browser can be used to see total balances,
account details, transfers, stock market, pension plan, alerts etc. The second version is the same but uses icons. The only difference is that it has a personal finance management system.

For the iPhone, the most relevant factor is to have an ATM and branch locator. It is possible to call the call centre. You can also send money to another phone and withdraw it at an ATM: it’s very easy. You can check your total balance; transfer money to credit cards or other phones; send payments by phone; look for information about the stock market; and even buy shares.

On the iPad, mobile banking is also a better experience for the client. Mobile banking is more than a channel - we are offering more security with SMS alerts; one time password; and signature. Mobile is a way to communicate an offer to the customer, to make a contract and to improve the brand.

There are two key challenges that we are facing: managing the changes in the multi-channel strategy and adapting to the new devices. Managing the changes involves managing the relationship with clients when they migrate to new channels. All of the contacts with the client are controlled by the agent or the relationship manager. Adapting to new devices involves taking advantage of the new language in the Internet (HTML5). At the moment, we are focusing on adapting to the different devices that are available. We have also developed a specific application for private banking (wealth management).

10. **Less bank, more life: how to deliver simple and straightforward banking via online channels** by András Hámori, Chief Executive Officer, Zuno Bank, Austria

Zuno has arrived because we believe the world is changing. Despite the importance of branches, the world is moving more online – so why should banking differ? We need to simplify products and processes. It's cheaper to connect to the Internet. In addition, online banking penetration in Central and Eastern Europe is growing by 25 to 40% year on year. It's not the strongest that survive but the one that is most responsive to change: which is what we are trying to be. Last December, we
launched Zuno. It isn’t for everyone - only 30% of customers are ready to do online banking. For the rest, the branch is still the key. Within the 30%, 20% are ready to have their primary banking relationship with an online bank but 50% aren’t yet interested. So direct banking is still a niche market: 15% of the total banking population is our market but this is growing each year.

Here are some characteristics of customers that are ready for online banking:

- They are technologically-savvy – they spend time surfing the Internet, so we need to move a large part of our media mix online.
- They are more affluent. They are self-directed in decision-making: our role isn’t to advise but empower them.
- They often have a young and urban lifestyle - and decision-making is based on the views of friends and peers.

Customers think that there isn't enough transparency and there are too many fine print conditions. They want simplicity and a few, attractively priced products. They would like 24x7 service on all channels, with no jargon. Banking isn’t really important to our customers, so the less time the can spend with their bank, the better. Zuno’s response is a simple, online, value for money bank.

Our marketing is aggressive but we aren’t anti-bank. We use headlines that attract attention. We are a multi-colour brand: all of our communications use pixels and combine different colours. We have an operating model built around economy of scale. We want to achieve a niche status in each country and achieve economies of scale by geographical expansion. We have a very centralised IT architecture and a standardised product architecture. It is a low-cost, self-service model with one core banking solution: one database, one CRM system, one regulatory reporting solution.
It has advantages and disadvantages. We can't adjust so easily to local markets, but it enables us to expand to two new EU countries each year. We save significant costs by using the Internet as a distribution channel. Ultimately, our cost base per customer is a third of that of our mother company. So, we can offer a value for money proposition. Our product focus is fairly niche, whereas Raiffeisen has a much wider product set. We have simple products: we focus on the 80% that matter to the customer.

Where is Zuno today? We have over €500 million of deposits. We have an NPS score of +42; 58% of our customers would recommend us to friends and family. We have an international team working on new countries etc. Finally, we have a very strong culture that is performance-driven and customer service-orientated.

11. **Multi-channel sales: “lower cost of premium due to better customer experience?”** by Gianluca Finistauri, Head of Global Family and SME Customer Relationship Management and Multi-channel Banking, UniCredit Group, Italy, and Radboud Vlaar, Partner, McKinsey & Company, Netherlands

Everyone is excited about the customer experience, but where is the money? It depends on the banks. In the past, multi-channel wasn’t pleasant for banks. New entrants appeared and price comparison sites put pressure on the markets, so on the revenue side, multi-channel created more challenges than opportunities. Research on web adoption showed that the initial costs are much lower, but 12 months later, the cost to serve had risen from $3.62 to $4.27. This is because every new channel triggers new questions. Also, banks haven't been able to reduce the costs. Mobile is just adding another channel. So, multi-channel is eating into revenues.

Non-banks show that innovation can create opportunities. However, recent figures show that 2,782 mobile apps were made by non-banks compared with 72 by banks. There are three big sources of opportunities from multi-channel: less leakage, new
sources of revenues and new clients. There are many things you can do to generate extra income.

Less leakage. This involves becoming the ‘Apple’ of banking, with a superior customer experience. Onboarding can take from five minutes to one day to deliver. For banks today, the length of time is shocking. If you ask customers what they want, a lot would prefer to do more online or remotely. If you look at their purchases, where do they start and where do you lose clients? Typically, 7% are lost from start to end. There are many reasons but a lot can be done to eliminate leakage. There is a massive opportunity to make money out of multi-channel.

New sources of revenue. Value can be created from digital services. The continuous stream of customers through digital channels is compressing margins. We find that customers that are using multiple channels and are using the branch produce higher volumes and higher revenues. Those that use predominantly direct channels tend to produce lower revenues. One example involves payments, which are quite fragmented in Italy. Payments are made in various ways, including the Post office. We give customers the possibility (for a premium) to pay through ATMs and online. Due to high volumes, you can make money out of it. Another example is providing alerts by different methods. The more the customer uses alerts, the more they are paying.

Other new sources of revenue include some possibilities around mobile banking, which is still a Greenfield activity. I don't see any bank with something really new. But mobile creates a convergence between the physical and the digital world. I believe we have room to create new services that can be charged.

New clients. If you use social media and other digital sources, you know where clients are and you can win 3 to 5% of the market share. New clients through digital channels will increase quite a lot. Customers online don’t expect to pay so much. On the other side, there are no quick wins: there is a very complex set of actions. We aren’t pricing for the access to the channel.
We aren’t pricing for accessing the bank. We can price for the services provided: so not for apps, but for services.

12. **Retail banking: back to basics** by Des Crowley, Chief Executive – Retail (Ireland & UK), Bank of Ireland, Ireland

Ireland is more or less through the crisis, whereas in the UK it's not clear whether the crisis is over or beginning. We have moved from a situation in 2010 where the government owned 25% of the bank’s equity to 15% now. A key part of our job is to shrink this bank from a balance sheet size of about €150 bn to one of less than €100 bn by creating a viable investment case for the investors. You need to counter fear with energy in your core franchise. Our structure has worked very well. It's about marshalling our resources. Although Ireland has turned the corner, we face significant challenges and the global slowdown will impact our export-driven growth. Unemployment is very high and it looks likely to be a slow and painful recovery. Consumer spending and consumer business confidence is still at a low ebb. We're fighting towards a break-even situation.

We want to reach a sustainable funding level. We run the bank on a commercial footing and have less interference in terms of commercial objectives than if we were mainly owned by government. We have grown our customer base and have a deposit base of about £15 billion. How do you create energy every day? It's no use getting capital unless you have a strong customer base. So we set an ‘energy strategy’ for our people. We’ve focused on four key energy drivers: the customer relationship; the energy capability of staff; an investment in distribution; and cost management. The two key overriding concerns are continuous improvement in customer service and managing distressed or challenged customers. We’ve been driving two things:

- **Proactive customer contact.** We have developed a customer contact programme with financial needs reviews with businesses and customers, based on a segmentation approach. We have
focused on using channels to the optimum extent. Our personal customer base has been segmented into premium, priority and core.

- **Net Promoter Score.** We identify a few customers who are detractors and arrange for someone to contact them to see why their experience wasn’t good. At an institutional level, our NPS has gone from about 0 to about 5% positive. Within the branch network, we’ve driven it up from 33 to 42%. We need to keep people focused on our core activities and on what the customers need.

**Distribution:** We have no plan to close branches, although we expect their cost base to reduce. We’re future-proofing them. We want to provide advice and help with more complex issues. Our biggest challenge in distribution is our Post Office network. We introduced a simple programme that structures the sales week. We are also developing our online sales capability. Another key issue is qualifying advisors. Clear advice is vital, so we’ve focused on a three-phase programme called ‘Confidence and Belief.’

**Cost:** We’ve reduced our cost base by 20% since 2007. We want to reduce it by another 20%. We need to sell assets and deleverage. More reductions will be achieved by workouts and lean techniques.

In summary, never waste a good crisis. Take it as a positive thing and rebuild a sustainable bank. We'll continue to invest and differentiate ourselves through stronger relationship management, a proactive contact strategy and operational excellence. It's back to basics: our energy strategy in the midst of this crisis.

13. **The role of innovation in managing a truly integrated multi-channel approach** by Marco Siracusano, Head of Retail Marketing, Banca dei Territori Division, Intesa Sanpaolo, Italy

Digital technology has been transforming consumer behaviour and changing the way in which corporations do business. It is broad in scope and complex, is evolving rapidly and requires
strategic choices. Consumers have become more demanding and less loyal and have the ability to compare offerings. Digital is much more real life for an increasing number of retail customers, both mass market and affluent. Part of the change in customer behaviour can be seen from the growth in smartphones, which is eight times higher than for PCs. The social media have also seen a rapid growth in Italy. Some 55% of online consumer time is spent on Facebook.

Our goal is to be the largest Italian bank. We're a bank of the real economy – we’re not an investment or trading bank. We are very close to our territories. We would like to have the right trade-off between the business plan and the business goals but with sustainable growth. The real challenge is that the banking world is very different. We have to cope with the real customer experience. To do this, we are trying a different approach to innovation. Innovation is a complex world. We are trying to put it in place not only in terms of ICT but also as part of a new service model.

So, we're trying to start from a real customer experience. In Italy, we’re looking at different contradictions within the customer environment. Italians like traditional branches but are also among Europe's biggest users of social networks. The real challenge is how to capitalise on our existing assets in terms of networks, customers and brand. Our response required a rapid endorsement from top management for a very different approach: a real multi-channel strategy in a traditional bank.

We have also changed our approach to the youth segment. Our core target is people under 35. We have developed a new offer, Superflash, based on a few key concepts. Superflash is always on, always connected, always moving, always available. We created a new website divided into four key areas: banking products created for young people's needs; an area dedicated to leisure time; an area focusing on social issues; and one on projects and futures. Superflash will be accessible by smartphone and iPad and will become a youth brand. There are six youth-orientated product areas.
Our under-35s have undergone training so that they can talk to their counterparts in their language. We will soon open 11 new Superflash branches. We are trying to have a multi-channel approach, mixed with innovation - in terms of traditional branches using younger employees; in terms of the website; and a multi-channel approach dedicated to young people. We want to form real connections with young people.

We are using the social network in an open way, which is very risky for a traditional bank. We are using Facebook and Twitter to connect with the customer base and are also preparing the future for mobile payments. Meanwhile, we are setting up branches for young people with two main goals: 11 labs to experiment and to connect with young people; and providing the same experience on the website as in the physical world. We have to develop multi-channel, whilst not forgetting to serve customers via the physical network with a different approach in terms of advice, consultancy and flexibility. Through innovation, we want to go in depth into the customer experience.

14. Financial Diary: project initiation and background by Anke Slagter, Business Manager Marketing Retail Banking, ABN AMRO Bank, Netherlands

This is a new project for creating loyalty: the Financial Diary. How can we still be relevant to our customers? Research among our customers has shown that they are increasingly sales-directed, with more and more online behaviour. Due to the crisis, they want to be in more control of their financial position. That’s why we started two major projects: the development of two new channels for the future: an online banking channel and a mobile channel. These have now been launched, as has our budget tool.

Apart from creating a new way of loyalty, we identified some strategic benefits to the bank. The budget tool was fully integrated into our Internet banking. We wanted to increase customer satisfaction and loyalty. Another benefit was an increase in cross-selling. The third pillar was to become a category leader in Internet banking. The diary could create a competitive advantage for us. It provides a single, digital
overview of your income and expenditure. It gives the customer an overview of his financial position; a breakdown of expenditure; and budget setting. Expenditure can be divided into 16 categories. It can then be broken down further into sub-categories. At the most detailed level, you can split transactions and divide them into different categories. Budget setting is available on a monthly, quarterly or annual basis for different aspects. You can also compare yourself with other customers.

We launched the Financial Diary at the start of this year, starting with a pre-launch with our staff. We already have over 140,000 users. We did an extensive marketing campaign to introduce the Financial Diary to the Dutch market. Part of the campaign involved Dutch celebrities. During the campaign, we gained 2,000 new users every day. People now feel more in control of their financial position.

The Financial Diary is used four times per month on average. This is twice as much as normal Internet banking usage. Some people use it every day. Women use it more than men. The initial target users were people in the settling phase: those buying their first house or having children. People who use the diary buy more products and stay longer as customers. Mostly, they are our primary customers and are well educated. Our role is to create a platform for personal financial management. We are adding new functionalities (for example, savings goals). We will integrate it with mobile banking and the iPad. A side effect of the diary is that it financially educates people.

The Financial Diary is currently more historic: it looks back at past events. We want to work on it and shift it from being retrospective to prospective. We will provide a weather report for customers on the status of their personal finances. We will also recommend ways of saving money and energy.

The latest level is the financial planning tool, so that people can plan for the future; save money for their children to go to university etc. So far, the interest in the Financial Diary has exceeded our expectations. It provides a solid basis for further leadership within this category. Marketing was responsible for
the project, along with a very dedicated team that also included people from IT and product management, who added value to the project team. It was important that the whole organisation believed in creating a budget tool and wanted to become a customer-oriented bank.

15. **Getting “Frank”: how to use design thinking to create a new Gen Y brand** by David McQuillen, Group Customer Experience, OCBC Bank, Singapore

We have launched a new concept: a bank called Frank. Our existing bank is 100 years old. We have a lot of older clients but we don't have many Gen Y customers who care about us. They think we are just like every other bank. We want customers to love us. So we devised a project for a new Gen Y bank. If you want to be different, you have to do something different. A lot of banks talk about differentiation. The strategy is to meet customer needs better than anyone else. The project started to focus on Gen Y.

Another group in our bank is the Customer Experience group (this is fairly unique: we have a Market Research group who really understand the customers; a group called Experience Design – these are designers, information architects, usability specialists etc; and a Culture and Innovation group which takes the skills of the first two groups and moves these out across the whole bank). Most banks follow a process. They assume what the client wants and modify their ideas when they get feedback. This is the ‘old school’ approach. Design thinking is about understanding the customer better than anyone else. It involves testing ideas before going to market.

We decided not to work with an agency. They don't have empathy for how customers feel. We took our project team around the world and looked at other banks: there wasn't much to inspire us. However, we were inspired by what retailers are doing. Then we spent time with Gen Y - shopping with them, eating with them, socialising with them. We got to know how they feel about money, friends and the future. One insight came from a debit card that one youngster had. Each time he used it,
he would write what he spent on a post-it note. We asked why. He said: "I don't have much money and have to track what I spend: I need total control".

We took these treasures into our design studio and the project team started to organise the insights. It came down to three words: simple, stylish (a word rarely used by banks!) and meaningful. In design thinking, stage two is prototyping and testing. We built a two-stage model of the branch in cardboard and tested ideas with Gen Y customers. We presented the value propositions as pictures. A big part of our concept was a collection of cards with lots of different images cut out of magazines. We brought in musicians, artists and actors, who participated in the design process. We developed the idea of merchandising our cards. This led to the first prototype of a card wall. We added print-outs and coloured cards. We continued to role play and change our ideas. A lot of things we thought were good weren't and we incorporated other ideas we'd never considered. We couldn't be too stylish with our brand, so we created Frank: a way of communicating that is honest and straightforward.

One of the Frank stores is in a university in Singapore: most people think it's a CD shop. We like to add humour and personality to Frank. Our card wall has about 130 card designs. When you open a Frank account, you can choose a design and change it as often as you want – we are trying to make the cards a stylish fashion item.

One customer asked why they needed two separate accounts. So, we created one account with two sides: savings and spending. At ATMs, you only have access to spending part, so you can't go over the limit. They call us the coolest Gen Y bank - a great accolade. ‘How’ is more important than ‘what’ – this is design thinking.

16. Revolutionising banking in the UK by Anthony Thomson, Chairman and Co-founder, Metro Bank, UK

Unlike other banks in the UK, we like dogs! We are the first new High Street bank in the UK for over 100 years. Although
we are thought of as retail, we are 50% retail and 50% commercial. We think of ourselves as a retailer rather than a bank - just retailing financial services, so we are open seven days a week. Why can you only bank from nine until five in the UK? We offer all channels for banking. The customer should choose a channel to use - we shouldn't dictate it based on the cost of the channel. We believe in customer choice.

As a new bank, we are in the account opening business: we have to attract customers. If a new customer walks in, we can open an account for them within 15 minutes: they get a printed credit card and debit card and a cheque-book if they want it. We have attracted about 36,000 customers so far. We started with one branch and have added another eight, with three more coming next year.

Why start a new bank? Banks in the UK have convinced the public that rate is the most important thing. Nonsense! You want something that is of value to you: it's all about price, fairness, consistency and transparency. We think people will exchange a slightly lower rate for a better customer experience. We talk about creating fans rather than customers. The Office of Fair Trading in the UK says that only 7% of people choose a bank by rate: the rest is a combination of service and experience.

Great retailers want three things:

a) A better experience: very few people are driven exclusively by rate. Service is far more important.

b) A differentiated model. Why we are doing something – is it because it helps us as a bank or it gives a better customer experience? It should be the latter.

c) Most UK banks incentivise employees with sales targets. We reward people based on customer satisfaction scores. This creates a bond between staff and customers.

When we recruited employees, we were looking for people who smiled. If you don't smile on your first job interview, when will
you? Teaching people to have banking skills isn't difficult, so we recruited for attitude. The hardest thing is to help people to understand what empowerment means for them.

The final aspect is the execution. Commerce Bank in America was loved by both its customers and its shareholders. In the UK, we couldn't find a bank that was loved by either! So why is it different? There isn’t one thing: just many done a little bit better.

If you really understand someone, you have to put yourself in their shoes. We want to avoid turning into a stereotypical bank. Banks in the UK charge you for counting coins. We’ve developed a machine that counts them for you. There’s no return on them – it’s just part of creating a better customer experience. The markets will reward you for giving a great customer experience and you also make money. I believe profit is a by-product of doing something well for customers. Some banks have forgotten the customer and are only there to make money. If you concentrate on every colleague and every customer in every store, I believe you can create fans, not customers.

17. **Traditional banking delivered in an innovative new way**
   *by Wojciech Sobieraj, Chief Executive Officer, Alior Bank, Poland*

We started as a Greenfield bank. Poland is a growing market but is devastated by competition and the market is fragmented, so why start a new bank, especially during a crisis? We started in 2007: we built the IT, and the first hundred branches. Meanwhile, the world was collapsing. We opened our first branch two months after the crash of Lehman Bros! Those two months were hectic. But we decided it was the best time as the crisis had levelled the playing field. We couldn't borrow as we didn't have a rating. They had ratings but who cares about ratings?

We were the first answer to changing expectations. Previously, clients were concerned about the broad offer – now they care more about the simplicity and transparency of the offer. Previously, the location of the branch was the most important factor – now it is accessibility, through any channel. Reputation
was the name of the game, now banks have a bad reputation. The only thing that stays the same is the quality of service. This is the differentiating factor. We need to use technologies that enable us to deliver this higher quality service. So we formed 111 client focus groups.

At the beginning, it was difficult to build an image of the bank that was modern, funky and stylish, because we wanted a deposit base. We wanted to show the client that we are stable. So we had self-imposed rules: for instance, we always have more deposits than loans. Behind this, there is one of the most modern IT systems in Europe. So, our model allows us to give a better service to all clients. For instance, overnight, money market accounts were only available to people with a certain amount of money. We offered this product to everyone.

As well as service, we have focused on innovation. We had special offers at the beginning which accrued interest daily. It took our opposition some years to follow this. We offered free ATM withdrawals worldwide. Everyone in Poland followed but again it took some years. We believe in transparency. We are fooling ourselves if we think people can be tricked on rates. In Wall Street they used to say: "The best client is an educated client". To be the most educated client, you need someone in front of you who is equally educated. You don't want someone who isn't interested and doesn't care. Most hotel people are much better than the clerks in banks.

In terms of the branch being the point of contact for affluent clients, the world is changing. We have branches, but why would you ever visit a branch? There are a few similarities between our business and Blockbuster stores: more clients are going to the Internet and mobile. So why do we need branches? Service is the focal point of our strategy. Our goal is to have people in the branches who are equal to people in the Marriott Hotel reception system.

All of our branches are connected via the Internet and we see what's going on and measure time to service etc. Some 80% of our clients are coming to our branches because of promotions
and recommendations. We promised our shareholders that we would have a million clients by 2012. We broke even last year. Next year, we expect to have a €100 million profit. All of the branches will be profitable within the 15 months. Looking forward, the only problem we have is how to get bigger but still keep the quality of service high.

18. **The story of the development of a new bank called “Easy Bank” by Renzo Viegas, Principal Officer, RHB Bank Berhad, Malaysia**

In Malaysia, a lot of activity is targeted on the mass market. I will talk about a low-cost channel which combines brick and mortar with a lot of digital activity. There are very simple products and processes to back up the proposition. Easy Bank is a brand that appeals to the mass market and youth. It makes use of innovative technology to enhance the customer experience and is an engine for customer acquisition.

The mass market is 70% of the population. They are underserved. It’s a challenge to try and serve them through branches, as these are expensive. The mass market is looking for simplicity, convenience and value. Today, products are very complex. Customers are looking for simple products – basic loans, instalment loans, some deposits, recurring savings plans and protection insurance. They want simple procedures and good access. Most banks in Malaysia open from nine until four. How could we open seven days a week, from nine until nine? We developed a proposition for a low-cost model with rapid expansion and paperless processes.

We focused on rapid fulfillment, with affordable products and customers being able to get their money or a personal loan within ten minutes. In terms of distribution, we are like a retail outlet, with access to online banking, mobile banking, ATMs etc. Once you become a customer, you have access to all of our group’s other channels. To get a loan, you bring your national ID card, which has a chip with your fingerprint and details of your personal profile. This is a government initiative but no-one has previously used this effectively in a commercial application.
Once you verify yourself, the technology checks with the credit bureau, which scores you. So income and verification are done on the spot and you get the loan in less than ten minutes.

The other key aspect is people and organisation. Our people are aged between 20 and 30 and have a zest for living. We encourage managers to be entrepreneurial. In Easy Bank, there are no tellers. There are ATMs and CDMs (cash deposit machines). Really, it could be totally automated but it is nice to have the process being assisted, especially with new customers. We have six products: two insurances, two loans, a savings scheme and a credit card. They are easy to understand and use. You can use any channel. If customers walk into the branch, there is an opportunity to cross-sell.

We provide insurance products with no medical. The product proposition is all fulfilled in ten minutes. We have stand-alone outlets; Easy outlets in every Tesco store; kiosks in about 50 post offices; and in metros. Customers can also use other banks. We started in 2009 and have already launched 118 outlets, mostly in high-class areas. We have an enjoyable and entrepreneurial culture: people compete with each other. They are incentivised not only to sell but also for retention. We must encourage good selling, not forced selling. The whole operation runs at about a third of the cost of a large branch and pays back in about 21 months. Some 91% of customers say they would recommend us to their friends and families. This is very encouraging.

We are now moving into projects like the bank at work: we go to a corporate or SME and sell a cash management proposition and employee payroll accounts. The normal process of switching to another bank takes too long. But if we go into the workplace with a ten minute process, we hope to get encouraging results.

19. Developing a new retail bank in a new geographical market: key learnings by Andrea Prazakova, Group Head - Retail & SME Banking, ABC Holdings, South Africa

In our five main markets (excluding South Africa), there is a lack of infrastructure. There is no information on credit history:
some places don’t even have any IDs. There is also a lack of technical skills. With our corporate history, we have to change people's mindsets. There is low brand awareness and capital and liquidity. We planned to raise capital but the crisis hit and we had to finance the whole expansion of our retail bank from our corporate book. We compare our segmentation with the flight industry. We have three different classes, equivalent to economy, business and first. How you service the customer will vary from segment to segment.

We operate on four basic principals. The customer is in the middle. He is surrounded by the second layer: his needs. The third layer is the channels: how we deliver our services. The most important layer is the CRM. It is a way of living and a way of managing the bank: it involves passion and culture, otherwise it won't work properly.

In areas where we can’t get premises or want to test the market, we have temporary branches in large containers. If successful, we can put up a physical branch. The cost of this ‘branch in a box’ is US$150,000. We also have a bank on wheels: a car with two tellers and an ATM in areas where there are no branches and difficult accessibility. The cost is around US$70,000. Other distribution channels include a mobile team, partners, the Internet and ATMs. We also plan to develop person-to-person payments, which are a ‘must have’ channel for Africa.

**Challenges and drivers**

Our branches are transaction-driven. The main challenges are multiple queues; a low cross-sell ratio; poor data quality; the slow delivery of services and products; and the acquisition of customers by retailers and telecoms companies. We therefore changed the branch design to a one-stop shop. We introduced relationship management, measured service quality and introduced data documentation and workflow systems. We work with partners because we are so small. Another change is our CRM system, which doesn't just manage data and campaigns: it is a way of living. We also have a queue management system. We gain a single view of the customer, with all of the data
together. However, you always need to check the loop. Sometimes there is a disconnection between the stated aims and what actually happens.

In one example, Zimbabwe, we have established eight branches and gained 20,000 customers and eight branches in one year. The branches are open seven days per week. We have mobile teams and partner with the tax office and universities. For the tobacco growers, we are piloting a scheme where every grower gets a pre-paid card. The price agreed is loaded onto the card. The grower can then access it via ATMs. Before this, they had to queue for days. Our customers love our colourful branches and feel we treat them well and create a good atmosphere. We are now testing a distribution module for affluent customers with the bank in a box.

In 2012, the goal is to have everything working properly. We love what we are doing - if you’re surrounded by people who support you, there is no limit to what you can do. We have the right people who are really passionate about what they are doing.

20. **Co-operation or competition with telcos** by Alexey Marey, 
*Head of Retail Business, Member of the Executive Board, Alfa Bank Russia, Russian Federation*

I want to concentrate on the area of how we deal with mobile operators who are thinking of expanding their business - perhaps into banking. In Russia, 95% of card transactions are cash withdrawals at ATMs. Russia is a very cash-focused country. Broadband penetration is 40%, and 46% of the population are Internet users. Alfa Bank is the 2011 leader in mobile penetration: with 164% in Russia and 200% in Moscow. The smartphone penetration is 10%. One government bank has 20,000 branches. We don't have a fixed contract for five or ten years: we compete as banks with retailers. But how do you compete if you have a bank with 50 million customers?

One important factor is to know what the customers want from a bank. Time is of value, especially for Gen Y. They want accessibility, simplicity, transparency and user-friendly
interfaces. They also want a bank that relates more to the younger generation. The social media have had a big impact. In Russia, five years ago if you didn't serve the customer well, only a few people heard about it. Now, with messages on social networks, it could ruin the whole impression of your bank. So, the level of service is of paramount importance.

Smartphones are the invention that turned a key for us. At the moment, they are expensive in Russia but the price will go down in the future and they will become more affordable. We have had a service which is basically mobile banking (transferring money, paying bills etc) since 2005. In 2009, we had 40,000 customers, using 900 different handsets. It changed in 2010: we clearly saw an uplift in usage – because what customers want is now available.

We decided to go to a mobile operator and see what we could do with them, as mobile penetration is much higher. So we formed a partnership with Beeline. We created a product called RURU: the payment world. This is a vehicle which enables you to pay all of your bills and daily transactions (e.g. cinema tickets, air flights etc.) on the Internet and mobile. It was launched recently and we already have over 100,000 customers. It’s for small payments but you can initiate them not only through your banking card but through e-money or your mobile app. So it’s for people who have money on their mobile account but don’t have a bank account. We want people to see that not paying with cash is easier. All services are available on RURU now. The innovative factor is that you can choose the payment method, including mobile.

There are 80 million people who are bankable but who don't have access to banking services. How can you deliver these? We put together a project with Beeline that is a virtual card. You are given a six euro deposit card on the phone and get your PIN and CNV code. This means you can transfer money between any beeline holders. You can withdraw money at our ATM network, so the customer views the mobile operator as a virtual wallet. 50 million virtual payment cards were issued in one day. The balance on the virtual card is linked to the mobile bank account.
In conclusion, we had a discussion about whether we want customers to love us. We decided that this would be hard to achieve. Therefore, our mission statement is to let our customers live the lives they want. As a bank, we will help them live that life.

21. The customer relationship in multi-channel banking by Phillip Lee, Integration and Change Director, The Co-operative Financial Services, UK

Banking innovation is normally an oxymoron. Two years ago, we asked groups to solve a problem: a bank that takes people's money and doesn't pay interest. Most had many different ideas. However, a group of middle-aged bank managers said: "Paying interest is what we are about". They didn't have any ideas. That attitude is endemic across big banks in the UK. Getting it right for our people will help us to deliver.

We want to be the main provider for our customers. We are doing well in the UK switching market, with a net 4% gain - but the switching market isn’t big enough. Another challenge is that our fixed cost base is too high. So we have a real need to grow, especially in current accounts, amidst fierce competition for retail deposits. At the core of it is our customer promise. We will be fair; behave responsibly (there are certain businesses we won't deal with); make things easy; and make it personal (we aren’t here to process you). So how do we make multi-channel distribution work?

Infrastructure and process. This is about how people use CRM. We’ve seen businesses win awards for CRM but they haven’t looked at customer needs and how they will be affected. Tellers need to see the value of the information they can collect: a key change in behaviour is needed. The IT also needs to be seamless. Many systems are over 30 years old and the quality of data isn’t good enough.

Customer and culture. It needs to be the right culture for the customer. Sometimes the best thing is not to sell them something. Trust will build. Try to create a community of
interest so that they can share in the benefits of treating the customer well. Look at targeting and incentives mechanisms. We need employees in branches to understand that it’s okay to get customers to use other channels.

**Delivery.** The key enablers are people, processes and technology but ultimately everything comes down to the people. You need the right people in the right roles. Targets are important. We’ve not yet moved everything into customer service but we’re going that way. If you get the wrong target it will drive behaviour. Management behaviour is also important. We are a hierarchical business but we are changing management behaviour through coaching and other methods.

Turning to processes, most of these are designed from the bank’s perspective, not that of the customer. We need expertise in speeding up processes. We’ve built a small team that focuses on this and they’ve just won a process innovation award. Efficiency is about getting fixed costs down and variable costs up. This is a big challenge.

Technology needs to be integrated well. We are implementing a new core banking platform, which is a huge task. The challenge is change management. Clever people can fix technical issues: working together cohesively is very difficult. A lot of the challenge comes from managers who don’t understand the current trends. You’ve got to keep going, driving the strategy clearly, getting consistent communications and showing that you can deliver. Then there is the relentless implementation and follow-up. You need to keep going and force it through. So there are big challenges in retail banking. However, we’re motivated and I’m hugely confident we'll deliver.

22. **Developing an alternative sales force as part of a multi-channel delivery strategy** by Gökhan Güven, Senior Vice President – Alternative Sales Channels, Finansbank, Turkey

Finansbank is very passionate about the card business and we have won awards for our cards. One example of our approach
involves the targeting of a specific sector: doctors and dentists. We developed a scheme that had special benefits for them.

We have a wide range of products and a simple organisational structure. In 2007, there was a huge appetite for credit cards: this was the year that the boom started. We also provided debit cards with an overdraft feature. This was unique – the first debit card in the world with an instalment feature. In 2011, we will exceed 1.5 million cards, 1.1 million of which are credit cards. This gives us double the growth of the monthly market average, which is just below 1%. It is a very competitive market, with 50 million credit cards, but there is still room to grow.

A different perspective of market share comes from the instalment sales volume, which earns us more money. Our employees go face-to-face with the customer. We don't deliver cards at first. The first face that the customer sees is the direct sales person. The initial relationship with most of our customers comes through credit cards. Our customers use their card in a better way than the competition because we take time to explain them. We believe that not selling but ‘telling while selling’ is the key success factor. One measurement, the ENR per credit card, shows that the usage of our cards is better than that of our competitors, especially recently.

The core of our system is people. We have young people who go through a programme called the ‘Young Explorers Training Programme’. They go into the field without sales targets and pressures, so they aren’t aggressive. We try to keep checks and balances. We teach people about banking and ask them not to be pushy. We provide a good example by transferring these people to retail branches, who are eager to get them. This is because they have worked in the field and understand how to handle the customer. They are fast and the branches like working with them. It’s effectively like a school that feeds the retail branch system.

As part of our reward and recognition programme, we choose ‘heroes’ and put their faces on posters. We didn't realise that this would be so powerful. People like this programme: they feel recognised as it goes all over Turkey. Another key success
factor is "15 minutes". We have the technology to emboss credit cards in the branch, so that the customer gets a card within 15 minutes. In the branches with the most traffic, we have three corners for producing the cards quickly while the customer is told the basic features. Over 200,000 cards come from this channel. A further 500,000 cards were acquired this year through telesales. Together with debit cards, this channel sells over 800,000 cards per year. Other channels include our Easy Credit branches, which have just three or four sales people and an ATM.

We are now working with tablets: we’re giving them to several hundred salespeople. I believe that this will bring new opportunities. These are strange days: there are challenges in the banking system but we have seen good examples of how different countries strive to help people to get what they want. I'm hopeful. In the end, if you combine the human aspect with technology, most of our problems will be solved.

23. **How to balance sales and service on ATMs?** by Murat Atalay, Retail Banking Marketing Division Head, Isbank, Turkey

I would like to highlight a way of banking using ATMs. ATMs have huge potential for sales and lead generation. However, there has to be the right balance between sales and service activities. But how? That is the question we had to answer. Isbank has over 4,000 ATMs and over ten million active customers. We have a presence in Western Europe and have acquired a Russian bank this year as well.

We are the first multi-channel bank in Turkey. Our ATMs are used by over six million active customers and they can do over 150 different transactions on them. We are introducing new innovations and have just launched a finger vein identification system that allows you to carry out cardless transactions in a secure manner. Transactions can also be carried out on alternative delivery channels.
The banking population has been growing in Turkey and there is enormous pressure on the banking system. Alternative delivery channels, especially ATMs, play an important role in the banking system. We are trying to migrate customers to ATMs. After a certain amount of ATM usage, customer profitability decreases. On the other hand, the ATM network has 240 million ATM logins per year. In addition to their service functionalities, ATMs therefore present a huge potential for sales as well. They can be used to sell financial products, to generate leads for the branches and call centres, or to collect customer information.

A channel migration strategy to reduce operational costs should be balanced by generating more revenues through ATMs. We wondered how to do this and found that an ATM smart queue management model was the solution. The journey for finding the right answers started with a definition of the problem. This was clear: spreading the sales function to ATMs without compromising service quality. After an analysis of usage frequency, a number of different threshold options were identified. As a result, we developed the rule that if the time between the last three ATM logins exceeded nine minutes, a sale should be offered to the customer. The CRM system checks if there is a suitable offer, which is then shown to the customer. They then have 45 seconds to decide on whether to accept it or not.

So what are the results? First of all, there was a substantial increase in leads when we integrated alternative delivery channels with our campaign management system. Secondly, we can now generate a high number of high quality leads through ATMs. The sales conversion rate for leads from the ATM was 50% higher than branch-only campaigns for the same product. We also made 11,000 sales of direct products, such as mobile phone top ups. There was no increase in customer complaints either internally or externally.

In summary, it’s important to have a balanced approach. Secondly, you should have a flexible system that allows customisation. We can show the offer to any ATM we want. Thirdly, the integration of channels with the CRM system is essential. Processes should customised for each channel.
Business teams often like to make the designs themselves, but in our experience, IT teams must be involved in the design phase. Lastly, once leads are generated, they should be quickly and automatically processed, as the probability of conversion decreases as time passes.

24. **Changing customer needs and managing multi-channel in the current environment** by Üğur Koçoğlu, Vice President Alternative Delivery Channels Division, Akbank, Turkey

Bankable people are now more mobile and more volatile. They are demanding, impatient and adaptable to new technologies. As banks, we need to serve in different but smarter ways. We should make all of the channels available but that isn’t enough - we should link them together and run them on a smart infrastructure. We need to integrate established channels with new channels. Simplicity is difficult to achieve. For instance, on our online banking landing page, the customer doesn’t want to see a lot of numbers. They want to find the data they want, finish the transaction and go. So we located transaction cards on the first page because the customer needs to feel that banking is part of his daily life. Alerts and offers are at the bottom of the page.

Customers want a similar experience on all alternative delivery channels. When we give the customer what they want, we can start to make money from them. That’s why we give real-time offers to them – but we don’t hassle them. We therefore designed our Internet branch and our offer mechanisms so that after a transaction, they can go through to their personalised offers. We also provide a personal financial management system – we call it our budget planner and locate it in our branch.

**Mobile.** Our strategy is based around SMS banking, the mobile browser and native applications. As an example, you can send money in 20 seconds from an iPhone to anywhere, using any operator in Turkey.

**Combining channels.** On our external website, we have a ‘click to call’ option. If the customer wants to ask about loan options
they click to call and it gives the mobile number and says when to call. Our expert agents call them back with details of the loan, take the application and send the customer to the branch to receive the money.

**Social media.** The environment is full of opportunities if you play the game right. If not, you will be out of the game. Akbank has over half a million fans around the world. But we need to engage with them, interact with them and monetise them. For example, we have built a successful application for SMEs. We had 70,000 signings after several months and we generated leads for our SME banking division.

**Complaint management.** If you can't manage customer complaints in time, it means multiplied trouble, especially in the social media environment. On Twitter, we monitor 24x7 for complaints and comments, and instantly answer them. This gives us an opportunity to make sales, as a satisfied customer offers great potential for selling.

**Social CRM.** We combine our online offers from social media users with our social CRM. We had a campaign of online banking usage and we generated a code. If you went to Facebook and entered the code, you received one entry for the lottery. We also collected data on our customers and successfully used this for sales.

In the multi-channel environment, listen to your customers and think about how they want to interact, contact and transact with you. Then reshape your processes, organisation, infrastructure investment and business model.

**SUMMARY OF DISCUSSIONS**

*Here is an overview of some of the wide and varied topics that were discussed during the conference:*

This is a time of great change and uncertainty for financial institutions. At the same time, customers are using more and more channels and the task of managing them is becoming more
complex. We all have to sell more products at less cost. This has traditionally been done through the branch, but now it needs to be done through other channels as well.

The multi-channel business case

Many banks have found that they can't serve all of their customers with branches and relationship managers. Some are dealing with so many customers that they would be missing opportunities if they didn't explore alternative delivery channels. It is best to exploit all channels - especially with the mass market database.

Banks are also using alternative delivery channels to drive profit to channels. For example, one bank has been setting up calls to customers who have a large potential but who are becoming inactive. This has proved to be the best way of reactivating them. The bank is also finding that the only effective way to acquire new customers is through direct channels.

Although no-one will argue with the strategic direction and logic of a multi-channel approach, one challenge is that 50% of multi-channel projects fail to realise their value. This is often because they are too big or too long. It can be more effective to break them down into manageable pieces so that the bank can make a better business case and can see the payback within perhaps three to five years.

From the customer’s perspective, the multi-channel approach is perhaps more a matter of a journey. It might start from a touch point like mobile but then in a moment of truth, the customer usually needs to see a person. The challenge is not about branches or mobile but an integrated multi-channel process and journey.

Banks that have a three, five or seven year vision are most effective in their approach: this shows that they have a need to understand how things will be delivered. Financial institutions have to be multi-channel in things that matter rather than trying to putting everything across every channel – for instance, the
customer probably doesn't need to know about their next mortgage payment via the mobile channel.

With multi-channel, there has to be a link between the online channel and the physical channel. For example, a lot of acquisitions come from online or mobile and are fulfilled in the branch. With the web and social media, there should also be a lead generator to help people to go to the physical network.

**Channel profitability**

In some countries, multi-channel is the most profitable approach and online is less profitable. This might be because multi-channel clients tend to be mature and have a longer relationship with the bank. In ten years’ time, it is likely that the most profitable approaches will be both online and multi-channel. Multi-channel is a longer-term strategic investment. However, there are clear overall benefits in terms of profitability and revenues.

The more a bank looks after a customer and the higher the customer satisfaction, the more the customer will respond. There is clear analytical evidence that there is a correlation between customer service and profitability and also between effective multi-channel investments and an increase in customer satisfaction. A real multi-channel approach means not having silo sales channels but looking at the synergies across channels. Smoother services increase customer satisfaction but ultimately, a real end-to-end approach is required.

**Alternative delivery channels**

Alternative delivery channels are key for mass-market customers. One participant said that he hated the term ‘alternative channels’. For banks where most of the sales are occurring online, which are the alternative channels?

**Customer contact**

The more contacts a bank has, the more sales they will also have. But does it matter where and how it makes contact? Often, the
best trained advisors are in the branch and it is therefore easiest to extract the most value there. Customer contact is essential: the use of the call centre is therefore also very important. Contact management should be completely integrated throughout all channels.

The contact strategy is very important: there is a difference between quantity and quality. One bank conducted a campaign without targeting and had a 1% success rate. The same campaign with careful targeting gave a success rate of 25%. Banks also need to assess customer needs. These can vary significantly: different people in different markets want different things and banks need to know what it is that they want.

A higher level of interaction with customers makes them more profitable - which is why banks need to have a presence on every channel.

**Relationship managers**

The relationship manager is important as long as a customer needs him. When a bank can provide the maximum array of functionality through digital channels, the customer only rarely needs to go to the branch. The role of the branch is to educate the customer to help themselves. Relationship managers are important for certain customers but not so important for traditional reviews.

**Social media**

What will be the role of social media in the future: as a communications channel or a means of acquisition? They started as a method of communication but then customers become informed about their bank’s campaigns. One bank is testing the water to see if social networks could be used as a cross-selling channel. Another is using this channel for some advertising but is still sceptical about how important it will be for customer acquisition.
Yet another bank has its own Twitter account, where it deals with after-sales support and complaints. It is finding that an increasing number of customers want to talk to the bank about business.

A delegate remarked that social networks can be used as a strategic marketing channel. His bank’s graduate student campaign is conducted entirely through Facebook. This has increased ‘new to bank’ acquisitions but the right hook is needed for the right audience.

Social media can also be used to engage customers and to provide leads. One problem is that customers can often get a better (and faster) response through social networks than through other channels! If a bank doesn't act rapidly, it will lose. It needs to monitor comments, diagnose them and respond within minutes. If it doesn't, it could be too late to make things right.

**Innovations**

The next innovations in the multi-channel area are likely to centre around the customer experience, or perhaps mobile banking. Other innovations are likely to include applications on ATMs, including finger vein technology, which is already being introduced in Turkey.

**Branches**

The function and format of the branch will change in the future. One aspect will be the way in which the advisor interacts with the customer – this is likely to use a more multi-channel strategy but there will still be a need for the branch. In the longer term, some banks are likely to move towards smaller branches, although the number of branches could remain the same.

A delegate remarked that there isn’t a future for branches of the past. However, there is a future for the retail environment that happens to sell financial services.
ATMs

A range of different products can be sold through ATMs. For instance, one bank sells a direct sales product as well as automatic repayments and insurance products. People who want loans can get the application form from the ATM and the process is then completed at the branch.

Mobile as a channel

Is mobile a channel: can banks create a portfolio for it? This is quite difficult: it's essentially a complementary channel - mobile is in the middle of the process with the client. However, banks can gain a competitive advantage in this area. It can help a customer to decide which bank they would prefer to use.

Some of the challenges that could arise from having mobile as a channel include the question of whether employees would be needed who specialise in mobile issues; and whether the branch relationship manager could become a mobile relationship manager. Ultimately, it is more difficult teach someone about traditional banking than about new channels.

Gen Y

For Gen Y, one bank believes that the real service model is the web plus the traditional network. A crucial aspect is the involvement of young colleagues in decisions. This can help to build a strong community that gives the bank a lot of advice and helpful criticism. Another useful strategy can be to start by targeting young families. If a bank can get the salary account from someone’s first job, this can be very helpful, as customers often don't move bank.

People

Employees matter, but there doesn’t really seem to be a bank that really differentiates itself through its people. This is perhaps partly because managers don't motivate, monitor and encourage their staff. People are an asset of the service. Customers are
often there because of the people who serve them. For example, if the meeter or greeter is pleasant, customers are happy to return.

In some branches, banks might have four tellers but three empty queues. This is because the customers like one particular teller. The challenge is to multiply this level of engagement throughout the branch. These sorts of issues should be discussed at executive level: senior managers need to be more aware of what is happening in the bank.

Mutuals often get it right, because many of them tend to think of the customer first. The CRM system will also play a key role in the future: it provides the basis for connecting all of the channels and will enable banks to concentrate on the customer and their needs.

**Incentives**

A delegate commented that his bank doesn’t give incentives on business based on sales. Instead, they are based on the growth of deposits and customer satisfaction scores. Deposits act as a measure of customer usage. In addition to the base salary, employees get a bonus if they achieve the right scores. Another bank bases half of the quarterly bonus on service, measured in various ways (including mystery shopping).

Another participant commented that his bank has an incentives programmes that rewards both teams and individuals. The top ten people and the team leaders (and the area leader) are rewarded.

**Partnerships**

In the future, partnerships are likely to play an increasingly important role in banking strategy. Potential partners include telecoms companies (who shouldn't be regarded as competitors) and retailers. For instance, one bank is doing a lot of work on pilot projects that will be used to assess which kind of kiosk or branch format would work in food stores.
Technology

For some banks, one of the key roles of technology in the future will be in the development of an effective CRM system. Banks need to make better use of the information available to them.

Future developments

Within the multi-channel space, one of the most pressing issues will be to find ways in which channels can be used to improve the relationship with the customer – e.g. through direct channels and the development of better sales and service. With new viral models of communication, the customer knows things about the bank and can make comments about it in real time – so a good relationship is vital.

Another development will be that the cloud will become more of an enabler for medium-sized institutions, as it makes them look like a large organisation. There might also be a closer combination of social networking and digital marketing.