



Retail & Corporate Banking

BANKS MUST LOOK AT 10 KEY AREAS TO RETHINK THEIR BUSINESS MODELS

Due to the evolving landscape, banks are currently facing more challenges than ever before. With sub-10% ROEs and external factors such as low interest rates, banks are constantly having to rethink their business models in order to survive in this persistently subdued economy.

One of the biggest problems facing the UK retail banking market is the inability to stand out in an increasingly commoditised and competitive marketplace. It is therefore vital that banks keep up with environmental changes and trends in order to maintain a competitive edge. Most banks will need to focus on launching major repositioning strategies and in order to do this, senior management must look towards the future and not allow themselves to be dragged down by legacy issues.

With the recent events in the banking industry over the past 6 years, many people have lost trust in the banking industry. New regulation has been implemented in the industry in order to enhance efficiency and avoid repetition of these events in the future. Banks need to undergo fundamental changes in their culture and behaviour in order to win back the trust and loyalty of their customers and remain consistent with industry changes. Customers are now more likely to switch banks regularly or have multiple bank accounts with multiple banks. Globally, nearly 10% of customers say they are likely to switch banks in the next six months, while more than 40% are not sure if they will stay with their bank in the next six months. The quality of overall service is the primary factor that drives customers to leave their bank. Understanding behavioural changes, banks must be attuned to their customers' needs and



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ensure they are providing the best service across all channels in order to gain customer loyalty from existing and new customers.

Banks must ensure that they continuously respond to the changes in the environment, whether they are technological, cultural, behavioural, legal, and so on. They need to accept these changes and adapt in response to them or face the possibility that they will not be able to survive.

The major retail banking operating models are changing, a brief overview of the different facets of banks operating models are outlined under a number of core areas:

- Multichannel approach - Retail banks have relied on branches as their key banking channel. Although they still do remain one of the main banking channels that command the highest share of sales volume, there has been an increase in banks taking a multichannel approach. They need to focus on building capabilities to deliver the right products, through the right channels, at the right time and to deliver a consistent multi-channel experience to customers.
- Mobile - Banks must first focus on improving their existing channels, especially mobile. Mobile banking has been continuously increasing in popularity over recent years. It is convenient for customers and reduces overall operational costs for banks. It is therefore a great area for banks to invest in and improve on. Customers are evaluating the quality of mobile services in their decision to choose a bank or leave it. Developing advanced mobility capabilities is emerging as a strategic imperative for banks today.
- Social Media - There are now also newer direct channels such as social media that have recently emerged and banks need to take full opportunity of this. Banks have been quite late in embracing these platforms as they have had an aversion to the operational, compliance and reputational risks previously associated with them. Banks are now investing more and more in Web 2.0 tools such as blogs, wikis, and social networks to communicate with customers, to better understand their behaviours and expectations, to create awareness and expand their reach.
- Big data - Big data refers to datasets whose size is beyond the ability of typical database software tools to capture, store, manage, and analyse. Banks have started working with big data gained from their customers. By implementing analytical tools banks can convert this data into actionable insights which will enable them to deliver enhanced customer value and increase market share.



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- **Reorganisation** - Banks have previously illustrated an unhealthy focus on profit at the expense of the customer's needs. One aspect institutions must bear in mind as they restructure their sales and service models is, whether the proposed reorganisations correspond with developing needs of customers. Ensuring interaction with customers is enhanced will be a step towards becoming a more efficient service provider.
- **Regulation** - The current landscape of the financial sector has attracted widespread scrutiny. Post- financial crisis, the financial sector has weakened its reputation following a series of revelations regarding poor standards and professional failings, specifically challenges around miss-selling, LIBOR and anti-money laundering. Regulators have made clear their desire to see banks in a position where they are able to identify potential issues and implement an intervention programme by undertaking a root cause analysis which repairs the problem. Transformation of the banking industry is not just a regulatory-driven issue, press commentary and social sentiment highlight a downward turn in the public's assessment of the sector.
- **Operations Landscape** - Due to constant mergers and acquisitions the structure of many banking institutions has evolved dramatically over time. Operating models have inevitably developed alongside these structural changes for many reasons, such as unsuitability to the bank's structure or old-fashioned models. As discussions continue, it is expected that more and more institutions will incorporate restructuring strategies to better reflect new technologies and customer needs.
- **Productivity** - Training staff and ensuring their knowledge and advice is up-to-date is a key factor when driving efficiency. A clear educational structure which focuses on the training of frontline staff across all branches, sales force and telephone banking will oversee service expectations. Increasing opportunities will also emerge for banks to learn from other sectors and advance their productiveness throughout the institution.
- **Back Office** - The sharing of back-office infrastructure will rise as banks aim to fully utilise products and equipment whilst keeping costs low. An additional operational function which has become a tactical tool within productivity is the management of seamless multi -channel integration. Developing a structure to address and effectively manage channel networking will promote an efficient service globally.
- **Behaviour** - In order to successfully implement new operating models, it is vital that they are matched by a behavioural shift within the institution. There needs to be a universal goal of



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ensuring that the bank's new strategy is reflected through the behaviour and conduct of its staff. One area which often needs addressing is that of communication and conflict. It is important that senior management highlight the necessity to report issues and where any differing cultures have been fostered by different sectors of the bank, there needs to be a united approach.

Our response.

In the UK Be is building a Retail Banking team with transformation professionals who have the knowledge, skills and experience to lead, advise and support large scale, complex transformational change. Within Retail Banking there are significant pressures to deliver benefits within tight time and cost constraints whilst minimising risk. Our team draws upon skills, techniques and expertise acquired through experience to provide our clients with valuable advice and support.

Our team provides solutions which address the range of challenges facing organisations as they adapt to changing regulation, customer requirements, channel and digital journeys, technological developments and enhanced operations, as well as changes brought about by restructuring, mergers and acquisitions, performance improvement and stakeholder pressure to increase profitability. The ability to shape, deliver and assure transformation is crucial in minimising the risk of delivering the change whilst maximising the benefits.

Our approach focuses on achieving key strategic imperatives and benefits to deliver a sustainable and successful transformation programme rather than the traditional project approach focusing only on time, cost and quality.

We are actively assessing the market from a recruitment viewpoint and cherry picking consultants at multiple level and grades to develop a truly unique team in the UK market. Consultants are from big four and industry backgrounds, alongside a more junior consulting team, allowing us to build multi hierarchical teams to win and deliver larger transformation engagements.

Traction across the UK market is strong with sold work the Co-operative Financial Services, Barclays and Barclaycard, and upcoming sales in Nationwide, American Express and Bankia and an increased footprint with multi location teams from Italy and UK actively working together in an end to end client solution.