

Efma Journal



Financially fragile customers



Interview
CaixaBank's CEO
Juan María Nin on
his career to date



Sales force effectiveness
Equipping staff to
better meet today's
customer needs

Plus: A focus on CEE – Roundtable on the customer journey – The latest innovations – and more...



Distribution & Marketing Innovation in Retail Financial Services

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Innovations

Efma and Accenture have collected the most recent and relevant materials on innovation within retail financial services. You are able to search for the content using the 6 proposed categories, specific key words, or by filtering via a list of institutions or by country.

Awards

The **Efma – Accenture Distribution and Marketing Innovation Awards** represent a global retail banking innovation awards, aiming to identify and reward the most innovative projects/initiatives in the Distribution and Marketing arena at a global level.

The vote will be opened to Efma members who will be able to vote for the nominees in each of the below categories.

- Digital and Mobile Excellence
- Physical Distribution
- Customer Analytics and Big Data
- Multichannel and Customer Management
- Sales Effectiveness
- Responsible Business

To vote: www.efma.com/innovations

Awards world tour

An observatory of worldwide Awards initiatives

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Distribution & Marketing Innovation in Retail Financial Services

Home Innovations Awards Awards World Tour About us

The Efma – Accenture Distribution and Marketing program is a joint initiative from Efma and Accenture, which aims to identify and award the most innovative projects in the retail financial services arena at a global level. This Innovation portal is conceived to allow banks to access a cutting-edge collection of innovative ideas and to participate in the Global Award.

Efma and Accenture believe that the key to success is to develop innovation-committed DNA through an open-source mindset, to guarantee an ongoing sharing of successful experiences with the aim of feeding new ideas generation and sustaining a superior competitive advantage.

A fundamental component of the program is represented by the Innovation Awards scheduled for October, 2013. All the banks can submit their most recent and relevant innovations through this portal and immediately enter. Once you have filled in a form, you will be asked to review your contact details. Please do so carefully so that we can contact you in case your innovation is short-listed for an Award.

We thank you warmly for your kind contribution.

NOVO – Bank Audi

NOVO addresses the limitations of the current banking solutions by eliminating time and place constraints previously experienced at any bank. Instead, NOVO increases the flexibility of banking transactions and offers round the clock banking services. [More](#)

Related news

Orange Money to distribute its services at Total service stations
Africa - Jul 2013
Orange Money has signed a partnership with Total to distribute its services at Total service stations in Africa and the Middle-East. This will give Orange Money access to ... [more](#)

Credit card spending has surged in India
India - Jul 2013
En Inde, les dépenses mensuelles moyennes effectuées par cartes de crédit ont augmenté de 42 % en deux ans. Quant aux dépenses totales ... [more](#)

Convention

Paris, 16 October 2013
Registration for the Awards Ceremony is free of charge but restricted to financial institutions only.
Daily duly registered participants will be admitted.
If you cannot physically attend the Awards Ceremony, you can register to watch it via live webcast.
Please mention it in the 'comment area' when you register online or by ticking the box if you register using the registration form available on the last page of our brochure.
For any questions, feel free to [contact us](#).
[Register online](#)

The Innovation Awards

Once a year during the Efma Convention, the best innovations in each of the 6 categories, are awarded by the **Efma-Accenture Distribution & Marketing Innovation Awards**. [Awards](#)

Submit your innovation

Submit your innovation and enter the competition! You just need submit your entry online or fill in a form, providing us with information about your recent innovative initiative, which must be no older than 18 months. Only banks and other financial institutions can take part.
Submission deadline : 25 August 2013
[Submit your innovation](#)

Vote for the best innovations

All Efma members visiting this site will be able to vote for innovations from a short list within the 6 categories, this will account for 30% of the final decision. Efma Board members and banking executives from all over the world will be responsible for the other 50%.
Please don't forget to vote. Voting opens on **September 1st**.
[Awards](#)

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Efma

Digital and Mobile Excellence
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Efma Journal No. 243
March/April 2014

Meeting every need

Today's banks are focused more than ever on meeting customers' needs. At a rudimentary level this means providing a service for everyone who needs it, wherever they are. Unfortunately, however, the problem of financial exclusion is still a big challenge and many financially fragile customers lack access to even the most basic financial services products.

In our cover story on page 17 we take a closer look at the unbanked population and find out about the key challenges in meeting their needs. We also find out how a number of organisations are taking the steps necessary to make a real difference.

Sales force effectiveness is also a prerequisite for meeting customer needs, and in our special feature on page 55 we discover how many banks are moving away from the more traditional approach. Barclays, for example, claims it has stopped selling in its branches altogether, as Barnaby Davis explains on page 60.

Also in this issue we have a very special interview with CaixaBank's CEO Juan María Nin on page 36, a roundtable on the customer journey on page 50 and a special feature on the CEE region on page 42. Plus there's the usual news, banker's view articles, the innovation of the month awards, case studies and more.

I hope you enjoy this issue.



Philippe Wallez
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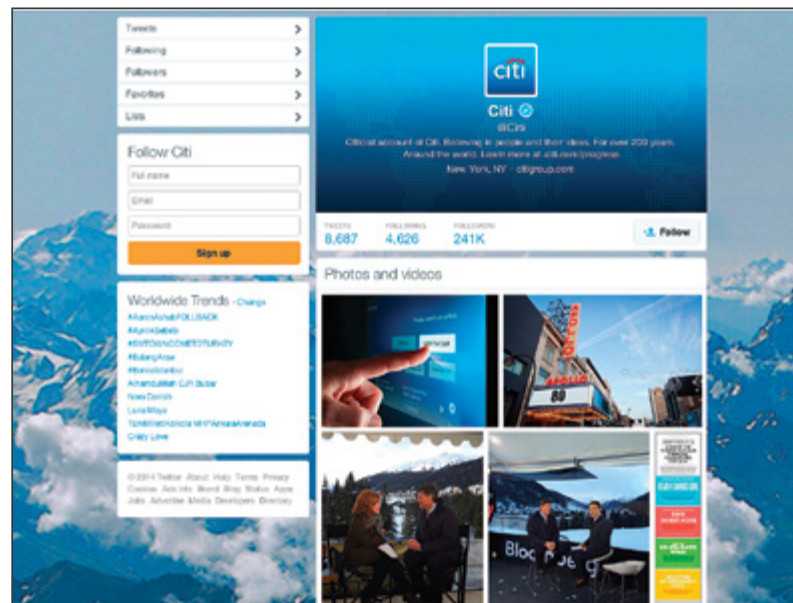
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Research reveals social media winners



Bank of America has over 245,207 followers, on Twitter. Citibank is the only other bank to have in excess of 200,000 followers

Recently released research from The Financial Brand has shed light on which banks have the biggest presence and interaction on social media sites.

Compared to other industries, the banking sector has struggled to capitalise on the benefits of social media, however, a number of banks stand apart from the crowd.

Bank of America leads the way when it comes to the number of followers on Twitter, according to the statistics. At the end of 2013 the bank had 245,207 followers, and Citibank, which comes second, is the only other bank to have in excess of 200,000 followers.

Goldman Sachs is third on the list, while India's Kotak Mahindra has the highest number of followers for a non-US bank with 87,549. Nigeria's GT Bank is fifth with 86,229 followers, and Credit Suisse is the highest followed European bank with a total of 37,976 followers.

US and Indian banks dominate when it comes to Facebook, with Chase recording almost four million 'likes' on the social media site. Capital One has close to three million, while India's ICICI Bank, Axis and HDFC

place third, fourth and fifth respectively, all with in excess of 1.9 million 'likes'.

One topic covered by The Financial Brand's research was the growth these respective channels had witnessed in a specific period before the end of the year. For example, in the 90 days before the results were finalised, Goldman Sachs boosted its Twitter following by a remarkable 68.1%, reaching a total of 113,026. Kotak Mahindra also saw substantial growth in the same period, increasing its following by 57.1%.

This example of quick growth in a short period of time is indicative of an increased focus within the banking community to strengthen social media positions and adapt to the changes that social media can bring.

While all this provides interesting insight, it is worth noting that these figures are closely linked to the population size of a given country. This may be the reason why American and Indian banks are so highly ranked, yet very innovative banks in social media such as Spanish, Turkish or Polish ones are not mentioned. A more accurate ranking would need to take into account many more KPIs and qualitative factors.

QUOTED

"If approached with a clear-cut plan, commitment, and creativity, social media can be a great tool for banks. You'll get out of social media only what you put into it."

Julia Verbrugge, marketing coordinator at Andera

"Social media has irrevocably changed the way businesses interact with their clients, their employees and their stakeholders. The rise of social media signals a new dawn for banks. An evolution that offers significant opportunities and challenges."

K. Ramakrishnan, chief executive, Indian Banks' Association

"By integrating social platforms into the core and achieving scale, companies can fulfill the potential of social technologies. The result will be improvements in the 'informal' aspects of the organisation – the person-to-person connections through which work actually gets done. The improvements in collaboration, communication, and connection will contribute to helping the organisation meet its goals."

Jacques Bughin, director, Brussels office, McKinsey & Company

Emirates NBD lets customers 'shake and save'

Emirates NBD is launching an innovative savings product to help customers in the United Arab Emirates save as much as 2,000 Dirham (AED) simply by shaking their mobile device.

'Shake n' Save' encourages users to save small amounts of money and makes it easier to do so through their mobile device.

"Emirates NBD is continuously on the lookout for ways to offer customers an enhanced banking experience through launching value added services in the digital banking space," said Suvo Sarkar, general manager of Retail Banking at Emirates NBD. "Shake n' Save is a significant initiative in Emirates NBD's on-going strategy to encourage customer migration to digital banking through greater use of mobile and online banking channels. It is also the first example of a combination of popular technology trends, gamification and financial services, positioning Emirates NBD at the forefront of banking innovation."



Customers can download the Emirates NBD Mobile Banking app and set up a Shake n' Save account. They can then pre-set a range between AED 50 and AED 2,000 as their own regular saving span. When they then shake the device, the app will generate a random figure within the desired range, which can be immediately transferred from a standard debit account to the Shake n' Save account. Customers have access to unlimited 'shakes' per day and can shake to get a new amount as desired.

BPCE to roll out mobile POS terminal

Banque Populaire Caisse d'Épargne (BPCE) is to roll out Dilizi, its mobile point of sale (POS) solution, in April 2014.

The solution is a set of mobile collection services consisting of a credit card reader that connects to a smartphone or a tablet and an application.

Dilizi is currently being trialled by Caisse d'Épargne Rhône-Alpes and Banque Populaire Rives de Paris. With this solution, BPCE is targeting small merchants and professionals

that need a mobile rather than a traditional POS solution.

Dilizi features a customisable product catalogue, an accessible cash management history too and a dashboard showing consolidated graphical data.

The solution will be piloted until the end of March and will be available online from April and in all Caisse d'Épargne and Banque Populaire agencies and networks.

BPCE aims to sign up 5,000 customers by 2016.

TD Bank launches prepaid cards for teenagers

TD Bank in the US has launched TD Go, a reloadable prepaid card for teenagers.

The new card can be used wherever Visa debit cards are accepted. Adults can open and fund the card for their teenagers online using a debit or credit card, or via direct debit.

Parents can then monitor the spending on the card online, and can receive text and email alerts letting them know current balances and recent transactions.

The TD Go card enables teenagers to spend only a pre-set amount, and if stolen or lost, the card can be quickly cancelled and replaced, negating the comparable risk of carrying cash.



"The development of smart spending habits is a journey and many parents want to offer teens a gradual path to increasing fiscal freedom," said Tami Farrow, senior vice president and head of Retail Deposit Payments at TD Bank. "With the launch of the TD Go Card, TD Bank is offering parents a convenient and safe environment to get money to their teens and an easy way to monitor spending."

Branchless banking growth in Pakistan

Figures from the State Bank of Pakistan (SBP) have shown a significant increase in branchless banking in the country.

The figures indicate a significant growth of 29% in branchless banking transactions in the quarter July-September last year.

The third quarter of 2013 saw 52 million branchless banking transactions, amounting to a total transaction value of 224 billion Rupees. This equates to a 16% growth in numbers, as well as an overall quarter growth of 29%.

In the same period, 355,574 new accounts were opened and the cumulative branchless banking accounts grew to 2.97 million in Pakistan.

Other findings from SBP indicate that over-the-counter transactions still far outweigh mobile payments, which saw a reduction in the third quarter of 2013.

La Banque Postale launches web series



La Banque Postale in France has launched a web series designed to emulate and deal with the real-life situations that arise in the bank branch.

The series – which is called 'Comme le disent les gens' or 'As people say' – will be available online through a dedicated YouTube channel and will be distributed through social media channels.

The bank worked alongside writers and directors to create the series, which aims to highlight various banking situations using a mix of realism and humour.

The series can also be used for educational purposes for both customers and staff. 12 episodes will be available throughout 2014.

Bank of Ireland opens a branch to attract young people



The new design features semi-private restaurant-style booths

Bank of Ireland has opened a new concept branch on the campus of Dublin City University (DCU) to target 'millennials' as part of a drive to acquire and retain the business of the next generation of people entering working life.

Bank of Ireland has opted for an original design with semi-private, restaurant-style booths where customers can speak to staff. The new branch is designed to host four members of personnel: a manager, a person in charge of transactions, a receptionist and an advisor.

Customers will have access to a digital wall with five zones, allowing them to interact with the full range of Bank of Ireland services. The new branch is equipped with touch screen technology as a way of replacing

traditional brochures. A large bulletin board also provides students with information and updates from both the university and the bank. Because of this, the branch is practically paper-free.

Speaking at the new branch's opening, Richie Boucher, group chief executive, Bank of Ireland, said: "We continue to open branches where we have business opportunities to engage with existing and potential customers. This significant new presence in this prestigious university will deliver strong business growth opportunities. We have a very strong team in place and this new modern branch is ideally located at the heart of the campus where it will serve staff, students, campus companies and visitors."



beyondthearc @beyondthearc
Social Media Power 100 Rankings For Banks & Credit Unions. Not sure we entirely agree, but good work @financialbrand

Mark Vanderbeeken @vanderbeeken
Banks in the Pacific apply user-centred design to go branchless and reach the unbanked

Mobile Money @mobilemoneyhub
Panellists, including the CSO of Indosat, to examine Indonesia's branchless banking and mobile financial services #MMADPAsia2014

Zach Seward @zseward
Smart! WeChat is introducing people to mobile payments with digital red envelopes for Chinese New Year

WorldPay @worldpay
Emerging economies are seeing fast growth of alternative #payments, meaning payment complexities will increase

Bradley Leimer @leimer
50% of financial institutions will adopt or replace their mobile banking solution by 2017.

KPMG @KPMG
Social media in #banking is disruptive and innovative. But how long until it becomes mainstream?

Five UK banks sign up to the Zapp mobile payment solution

Five large UK banks are to add Vocalink's Zapp mobile payment solution to their banking apps.

HSBC, First Direct, Nationwide, Santander and Metro Bank will all introduce the solution to their products, enabling users to make online and in-store purchases without having to enter their bank card information.

Steve Pateman, executive director and head of UK Banking at Santander said: "Listening to, and responding to customers and their needs is at the heart of what we do at Santander. Our customers want the choice to be able to pay on the go using mobile technology, and the Zapp proposition is second to none with its capabilities. Santander is as delighted to be involved with this initiative as we

think customers will be when they start using it. Zapp helps us meet the growing demand from our customers to use their mobiles to pay for goods and services swiftly and securely. With the vast majority of UK merchants on board, we expect to see rapid take up of payments powered by Zapp."

The addition of Zapp from the five banks represents a potential 18 million new users of the solution.

"Zapp is a major payment innovation for Britain that will bring significant value to



consumers, merchants and financial institutions," said Zapp's chairman David Yates. "Vocalink is yet again proving that we are at the cutting edge of payment innovation, delivering significant value for the UK economy."

El Corte Inglés adopts contactless payment terminals



Spanish department store El Corte Inglés has received a certification from Visa Europe to implement contactless payments throughout its commercial network.

Only when a transaction exceeds 20 euros will a customer have to enter their pin code, speeding up sales times and reducing customer waiting times.

El Corte Inglés has already installed more than 5,200 new terminals for contactless payments, representing 25% of all terminals. By the end of 2014 it is expected that this percentage will have risen to 60%.

The Spanish retail market has seen a significant increase in contactless payment technology, and in November 2013 2.1 million contactless transactions were accounted for by Visa, a 397%

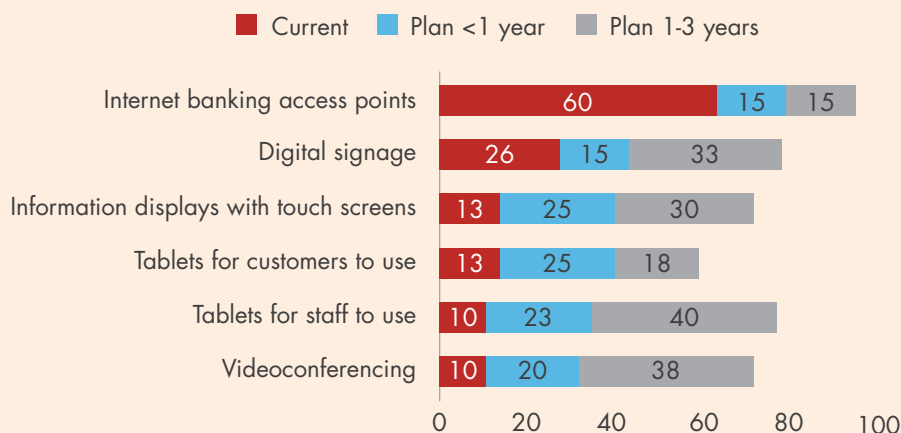
increase compared to the same period in 2012.

Visa's contactless cards figure has also now surpassed the five million mark, and it has been estimated that there will be ten million contactless cards in Spain by the end of 2014.

"Visa Europe has been backed for years by the NFC technology," said Christopher Luis Garcia, CEO of Visa Europe to Spain and Portugal. "Today, not only Visa, but telephone operators and most of the mobile manufacturers are also investing heavily in this technology. It is very important that large groups of distribution sector as El Corte Inglés also committed to innovation in payment technology, so that your customers can benefit from the convenience, speed and security that will give them contactless payments."

Deployment of new technologies in branches

% of banks



Source: Efma's 2013 physical channels survey

Efma's 2013 physical channels survey found that most banks have already deployed internet banking access points in at least some branches.

Other technologies such as tablets for staff and videoconferencing are still not very common, but many banks are planning to deploy these in the coming years.

IN BRIEF

Bangladesh Krishi Bank (BKB) has teamed up with Dutch-Bangla Bank to offer mobile banking services at all the 1,026 of BKB's branches. Services will include account-opening, cash deposit and cash withdrawal to unbanked consumers across Bangladesh.

CaixaBank has launched a new initiative aimed at encouraging customers to make donations to charity. Small contributions can be made every time a customer makes an ATM withdrawal, payment, or tops up a pre-paid card.

Khan Bank has opened the first mobile bank in the Asian nation of Mongolia. The mobile branch will aim to bring banking services to densely populated areas, open markets and public events.

Romanian online payment processing company Netopia mobilPay has reported significant growth across 2013 in online card transactions in the country, and is expecting the market to grow by a further 20% in 2014 to approximately 8.5 million transactions.

A US survey by Parks Associates has suggested that 43% of smartphone users will use electronic wallets by 2017. This represents an increase of 20% compared to 2013.

Rabobank to launch mobile wallet



Dutch bank Rabobank is to market its mobile wallet from spring 2014 following a successful trial.

A pilot scheme was launched for its contactless near-field communications (NFC) mobile payment solution in the Dutch city of Leiden.

The pilot saw 1,000 consumers and 180 businesses participate, resulting in a weekly average of 2,000 NFC payments totaling to around €20,000. More than 90% of transactions were for payments less than the €25. Any transaction higher than €25 requires PIN entry to complete payment.

Rabobank's mobile wallet has been developed in partnership with ING and ABN Amro, but the latter two banks have not yet announced their commercial launch plans.

NewMembers

Organisations that have joined Efma over the last two months

Alior Bank

Alior Bank's services are used by 1.74 million customers. The bank has received numerous awards in Poland and abroad for the highest quality of its products and services, and for the effectiveness of its business model.

www.aliorbank.pl

Credit Europe Bank

More than 3.5 million customers around the world entrust their financial affairs to Credit Europe Bank. Headquartered in the Netherlands, it operates around 200 branches, 960 ATMs and more than 19,000 point of sale terminals.

www.crediteuropebank.com

PNB

The Philippine National Bank (PNB) remains as one of the largest banks in the country with a wide array of competitive banking products to answer for the diverse needs of its huge clientele including more than two million depositors.

www.pnb.com.ph

Yapı Kredi

Yapı Kredi has consistently been recognised as the Best Bank in Turkey by various prestigious institutions including The Banker and World Finance. The bank has total assets of TL153 billion and ranks 5th in total cash loans with 9.5% market share and 6th in total deposits with 9.0% market share.

www.yapikredi.com

Standard Bank

Standard Bank has a 150-year history in South Africa and started building a franchise in the rest of Africa in the early 1990s. We currently operate in 18 countries on the African continent, including South Africa, as well as in other selected emerging markets.

www.standardbank.co.za

AssociateMembers

Hearsay Social

Hearsay Social's role is to bridge the gap between Silicon Valley with the needs of the enterprise. The solution empowers global sales forces to use social media to attract prospects, retain customers, and grow business.

www.hearsaysocial.com

Pegasystems

Build for Change business process management technology delivers business agility and empowers leading organisations to rapidly close execution gaps and seize new opportunities.

www.pega.com

North American banks to increase IT spending



A study from consulting firm Celent has indicated that North American banks are set to increase their IT spending in 2014.

'*IT Spending in Banking: A North American Perspective*' suggests banks in the region will increase spending from US\$56.9 billion in 2013 to US\$59.5 billion in 2014 and to US\$62.2 billion in 2015.

The report also indicates that banks will give priority to mobile phones and tablets, as well as to renewing cash management tools.

There is strong growth in retail banking spending, with banks prioritising the monetisation of digital channels, enhancements to the user experience, and omnichannel sales and service endeavours.

Wholesale banking spending is also expected to grow, particularly within midsize banks.

"The good news is that new investment spending is skyrocketing and that maintenance allocations are on the decline," says Jacob Jegher, a research director within Celent's Banking Group and the report's author. "It's still quite challenging to get projects funded, however. Projects are encouraged but highly scrutinised, and they come with the requirement of a fast return on investment."

Barclays stands by its branch network

Reports that Barclays may close as many as 400 of its UK branches have been denied by the bank.

A report from the BBC suggested that chief executive Antony Jenkins claimed as many as a quarter of the bank's high street branches would close over the next year.

But the bank clarified in a statement that it had 'no plans to announce significant reductions to our UK branch network'.

"Increasing use of technology is changing the way in which customers choose to do their banking and creates opportunities for Barclays to offer services in new ways, complementing the branch network," the statement reads.

The news will come as a relief to many Barclays staff, as many jobs were placed in jeopardy following the announcement that £1.7 billion needed to be cut from annual expenses by next year.



"We have consistently been clear that, over time, there will be fewer traditional branches as we move to provide banking services to customers where and when they find it most convenient," the statement continues. "However, the branch network will remain an important part of our banking service and we will never leave a community without the ability to transact. Whilst it is inevitable that there will be speculation about how these changes will impact on the branch network, this will be driven by the needs of our customers and, therefore, there is not a target for a number of branches to be closed, nor a timeframe for such action."

Australian banks viewed poorly by women

In Australia, a survey conducted by communication agency Hello I'm Venus has revealed that nearly half of female bank customers feel dissatisfied when banking.

47% feel their bank does not take them seriously enough and one in ten stated that banks do not understand what women expect from a banking relationship.

Apart from Commonwealth Bank, which according to the survey is very popular with women, the country's main banks have a poor reputation.

Women between the ages of 25 and 50 took part in the online survey online, and only 40% indicated they felt that banks understood the needs of women.

There was also a notable disparity between the 'big' banks and smaller banks in Australia, with smaller banks recording better results in the survey in the main than traditionally bigger banks.

In 69% of cases in Australia, it is women who manage the household budget and who choose their bank.

Upcoming Events

Efma is hosting the following events in the coming months

Distribution Summit

18-20 March 2014

Amsterdam

www.efma.com/distribution

SME Banking

3-4 April 2014

Milan

www.efma.com/SME

Customer Journey

13-14 May 2014

Barcelona

www.efma.com/customer

Credit and Savings Summit

3-4 June 2014

Barcelona

www.efma.com/creditsummit

Transformational leaders

Mick Simonelli

Mick Simonelli argues that transformational leaders are necessary for driving innovation in large financial organisations.

The business world is changing at an unprecedented rate and innovation is a driving force behind its ongoing transformation. Social business, technology, globalisation and information are just some of the latest developments that are revolutionising traditional business models and companies are quickly realising that if they are to succeed in the long term they must adapt quickly or risk falling behind. Large, established financial services companies in particular are in a strong position to develop and capitalise on the latest in innovation. But if they are to do this well, they need transformational leaders at their helm that are willing to embrace change and challenge traditional ways of thinking.

Transformational leadership was first introduced by Pulitzer Prize winning author James Burns. In his 1978 book *Leadership*, Burns distinguished between two types of leadership: transactional and

transformational. He defined a transactional leader as someone who is focused on the role of supervision, organisation and group performance. He described a transformational leader, on the other hand, as someone who is more focused on boosting team motivation, morale and performance: "Transformational leadership occurs when one or more persons engage with others in such a way that leaders and followers raise one another to higher levels of motivation and morality," he said.

At the time Burns' book was published, many large organisations tended to have transactional leaders running their businesses; they led from behind in an autocratic and authoritative manner. But today's fast-moving world is better suited to a different type of leader – a transformational leader that is nimble, involved and committed to recognising and inspiring the individuals within their organisation.

Long before Burns, Austrian American economist Joseph

Schumpeter shared a similar view on leadership styles. He identified innovation as the critical dimension of economic change and argued that innovation and technological change must come from entrepreneurs or, as he termed them, 'wild spirits'. Schumpeter coined the terms 'entrepreneur-spirit' and 'creative destruction' to assert that individual entrepreneurial types are the agents that drive innovation. In particular, he said that if they are employed within large companies they are more capable of making a big difference because these companies have the required resources and capital to invest in new ideas.

Transformational leaders intellectually stimulate their organisations and challenge the status quo. But, most importantly, transformational leaders encourage their team members to challenge the status quo too. They create an environment in which it is

“Today’s fast-moving world is better suited to a different type of leader”



acceptable for individuals to openly share new ideas and question traditional ways of doing business. This, in turn, fosters organisation-wide innovation.

So if transformational leaders can be recruited and identified in the ranks it stands to reason that large financial services companies stand a greater chance of being able to take advantage of emerging business models, technological advances and so on. To make this happen, large companies must aim to foster and develop transformational leaders from within. They must also go beyond identifying knowledge, skills and abilities and look for the specific traits that make a transformational leader when hiring externally.

It’s worth noting, however, that transformational leadership and transactional skills should not be mutually exclusive. Companies must, of course, focus on staying in business, and this requires current operations to run in an organised and efficient manner. In a consumer lending firm, for example, innovation may help to grow the business, but if its leaders aren’t focused on the complexities of regulation then they will quickly find themselves facing fines and even insolvency. In fact, without embracing some aspects of transactional leadership, it’s likely that large organisations will not

have the stability required to plunge capital into new ventures. Getting the right mix of attributes in a leadership team is crucial.

Rapid change is now part and parcel of today’s business environment and, if anything, is only going to continue accelerating. This will create new and varied markets and even more widespread innovation which will, in turn, present both threats and opportunities to large financial institutions. Companies under threat will be the ones that fail to adapt. If they are risk averse or unable to transform quickly enough, they will lose market share to their more flexible and agile competitors. Those that embrace change, however, have huge opportunities ahead of them.

Many established financial services companies already have the intellectual and business capital to take advantage of the changing environment and transform their existing lines of business into even more lucrative ventures. In this era of hyper-innovation, they must identify and embrace their transformational leaders to take them forward – it’s a matter of survival. ■

Mick Simonelli is former chief innovation officer at USAA. Today he works as a public speaker and consultant.

An attractive market



Barbaros Uygun

With recent economic growth rates that exceed many European countries, Turkey is often recognised as a success story in a region in turmoil. **ING Bank's Barbaros Uygun** explains the advantages of doing business in the country.

A bridge between Europe and Asia, Turkey is just a two to three hour flight from major European destinations and is an attractive location for doing business. It entered a customs union with the EU in 1996 and has been a EU candidate since 2005. This helped the expansion of trade relations with Europe, which accounts for over 40% of Turkey's foreign trade. Turkey also offers an accessible, skilled and low-cost workforce, providing the fourth largest labour force among European countries.

Overall, Turkey is one of the biggest markets in the European and Mediterranean area. The population is young: the average age is just over 30; over a decade younger than the average in the EU. Per capita GDP is on an increasing trend after the financial crises, and exceeded US\$10,000 again at the end of 2010, reaching US\$10,504 at the end of 2012. Turkey ranked 16 in the world according to PPP based GDP, with a 1.3% share of the world's total.

Demanding customers

Turkey's cities are getting more crowded every day. Istanbul, the largest city in Turkey, has reached a population of 14 million. When we look at the daily lives of Turkish people, one of the most striking things is how busy they are.

Customer surveys show that Turks at every age have busy lives and spend their time running around from one task to another. What compounds the problem further is that there is insufficient public transportation, meaning that many people spend a considerable amount of time in traffic. This makes most customers impatient, and so they really appreciate speedy, problem-free service.

Customer loyalty is low in Turkey and customers easily switch from one product or service to another if they come across problems or additional fees. In the banking industry, the most received complaints were about basic fees and commissions. Customers are more willing to pay for complicated and sophisticated services, but not

for simple and basic transactions or services. Having above 53 million credit cards and more than TL30 billion in transaction volume, customer satisfaction is crucial for all banks in the system.

An online nation

In a rapidly changing landscape, it is hard to find a place that is isolated from the rest of the world. In that sense, Turkey follows the trends that can be seen in the developed world. The number of houses with an internet connection in Turkey is increasing every year, although it varies throughout the region. On average, half of all homes have an internet connection. According to a survey by IPSOS, a major customer research company in Turkey, almost 60% of internet users in the country go online every day and 73% of internet users visit Facebook regularly. Young Turks like to have new technologies and adapt quickly to changes. Mobile phone ownership is also pretty high, with smartphone penetration of close to half of the newly sold phones.



The number of customers using internet and mobile banking are increasing every day, and the number of transactions taking place via these channels shows a parallel trend. Almost all banks offer mobile banking applications to customers and invest continuously in mobile banking.

Promoting the need to save

Anyone who had revisited a city in the past decade would notice the increased number of shopping malls present. Online shopping also shows an increasing trend. Building an appetite for spending, this has set the scene for an increased uptake in personal finance loans.

Conversely, the appetite for saving money is low compared to other European countries. However, both

banks and the Turkish government are taking steps to encourage people to save for their future. Savings products are a new category in bank deposits in Turkey, having been first introduced by ING Bank in 2011. These are now driving low ticket savings in the sector. It is the young population that has the highest tendency to save,

so this gives a good signal for the country's future. And since saving is actually a habit, this tendency of the young generation will drive positive long-term impacts. ■

Barbaros Uygunis is executive vice president of retail banking at ING Bank Turkey.

“Young Turks like to have new technologies and adapt quickly to changes”

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More people than ever are struggling with their finances as a result of the recent economic uncertainties. This has become a major issue – not only in emerging and remote markets, but also in mature markets where some groups are still marginalised.

For retail financial services institutions, fighting financial exclusion and poverty is a social responsibility. In this cover story we find out more about the financially excluded population, the main challenges in meeting their needs and how banks can start to make a difference.

What we really need is change



Over five million people in the UK are currently missing out on the benefits of transactional banking. **The Change Account** founder **Steve Round** explains the importance of offering credible, reliable banking alternatives that customers can trust.

Years of mergers and acquisitions have done little to boost competition in the financial services industry.

While many large players have benefited financially from the ability to increase their market share through consolidation, it has largely been at the expense of the consumer which has suffered from worsening product terms and poor service. Complacency has set in and it has become clear that the financial industry needs shaking up to ensure that customers get a better deal.

Much has been written and published about the need for new banks – challenger banks – to deliver real competition in the financial services industry. This ‘need’ is based on the assumption that these new entrants will offer services that will be better, cheaper, more innovative and enable more people to access financial services. I am not totally convinced by this argument, but am sure that customers should have access to credible alternatives

that offer transparent and relevant services they can trust.

We have already seen a massive change in the UK financial services sector following the effects of 2008 and the subsequent recession. Payday lending has grown by 300%, which now equates to over four million transactions per annum, and many more individuals are finding themselves excluded from mainstream banking, either by choice or by force. In fact, it has been estimated that over five million people in the UK are currently missing out on the benefits of transactional banking and the subsequent cost savings that it can generate. The introduction of Universal Credit, a new single payment for people who are looking for work or on a low income in the UK, will also have a major impact on many thousands of families.

As someone who has been involved in financial services for over 25 years, I wanted to look at how I could create a transactional account that was

transparent, relevant and innovative and could be used by everyone.

Many people quite rightly want to help individuals that are financially excluded and then concentrate on developing a product to help them. But I wanted to find a way of giving people access to a product that was already available – something that would be of interest to everybody and accessible to all. That product is The Change Account.

Today, the general public’s trust in the banking system is at an all-time low and, as such, building consumer trust was a key driver in the ownership structure of The Change Account. We needed to be honest in our approach and also offer all of the functionality expected of a twenty-first century product.

The majority shareholders of The Change Account are six socially motivated organisations that are committed to delivering The Change Account using the best technology to offer financial services that actually

meet people's needs and provide the support and advice they need to help people change their financial behaviour to help themselves. One of the partners, for example, is a leading financial services player in the card market, which will enable us to offer our customers access to innovative financial products in a cost-effective manner.

The Change Account vision is that everyone should have access to the financial services they need. We are committed to realising this vision by focusing on providing a fair and transparent transactional account that meets the needs of all, whatever their income, employment status or credit rating. This involves having fair and transparent fees and charges, the facility to carry out direct debit transactions, the ability to budget effectively and access to a rewards programme that offers cash rewards with high street retailers.

But offering people the right product is only part of the solution. We also need to make sure people get the appropriate advice and support they need to make the most of their finances.

The Change Account will operate as an internet and mobile banking service as the costs of setting up a branch network are enormous. We are, however, working with both the founding partners and other distribution companies to provide access to over 500 outlets in the UK to help individuals who need face-to-face support. We expect these distribution partners to deal with over two million individuals annually.

The account will offer all the functions you would expect from a traditional banking account, but it will also offer additional services to allow users to budget effectively. This includes the ability to set up secure wallets, which enable customers to put money aside for priority payments such as rent, mortgage and bills. Direct debits will be attached to these wallets so

“It has become clear that the financial industry needs shaking up to ensure that customers get a better deal”

that customers can be sure that these payments are being made. And if a customer needs to withdraw money from one of their secure accounts, they can access it within 24 hours.

Providing a service like this is not cheap, so customers will have to pay a fee to have a current account. The shareholders do, however, intend to keep costs as low as possible. To offset these costs, customers will also be able to benefit from a rewards programme, which will involve earning cashback ranging from 3% to over 10% at many participating high street retailers and supermarkets. It is hoped that this will not only cover the costs of the account, but it will also help to put a significant amount of money back into customers' pockets.

By offering customers a first-class transactional account with many innovative features and benefits that will help them better manage their finances, The Change Account hopes to achieve significant growth over the next three years. In that time, I expect many other alternative banks to enter the market to promote financial inclusion and rebuild consumer trust. Offering innovative, cost-effective and reliable services that cater to customers' specific needs, these will be the new challengers in the financial services industry. ■

Steve Round is founder of The Change Account, chair of The Big Issue Foundation and director of Ecology Building Society.

Bank-less banking



France's first bank-less current account, the 'Nickel Account', is about to make its debut. **Hugues Le Bret** tells us what it's all about.

Named after the familiar term in French for 'perfect' or 'spick and span', the Nickel Account is the first French bank-less account and will be available in French newsagents in the coming months.

Opening a Nickel Account is easy. Customers just walk into their local newsagents, who will sell them a 'Nickel box' which gives them everything they need inside, including a MasterCard and a user's guide. There are no conditions on income or assets required. The only criteria needed to activate a Nickel Account are that the customer must be age 18 or over and reside in France.

Using the service

After purchasing the box, customers simply go up to an interactive terminal and scan their personal ID card. Data is extracted and displayed on the screen to create a new customer file. The customer completes any requested information (such as telephone, e-mail, address, etc.) and electronically signs the general conditions of sale found on the same terminal. The customer file is all ready to go and 100% paperless.

After this first easy step, the customer goes back to the counter and the newsagent physically checks the customer's ID, activates the payment card and links it to the customer file. This automatically generates a printed ticket on the electronic payment terminal, giving the customer their account ID and their internet login and password. The MasterCard PIN is sent to the customer via text message. An initial deposit may be made to the account as soon as it is opened. Five minutes after purchasing the Nickel Account box, everything is up and running in real time.

Later, the customer can make deposits either via electronic transfer or by way of cash deposits at the newsagents. They can use this account to domicile their salary, make electronic payments or set up automatic withdrawals to pay bills. They can use the MasterCard anywhere in the MasterCard network, up to the limit of the amount deposited in the account. All customers are kept informed of their account balance in real time via text messages. They will also be warned in advance if the balance

will be insufficient to cover automatic payments to creditors.

Keeping it simple

The only restriction to the account is that customers can't spend more than they've got. There are no overdrafts and no cheques. But the principle behind this leads customers to feel they are accountable only to themselves and that they are in control of everything they do.

The Nickel box costs €20 and includes an annual subscription fee for services. There is a charge for withdrawing cash (€1 when using an ATM and 50 cents at the newsagents). But customers will never have to pay overdraft charges, fees for payment incidents or bank intervention and no penalties either. The French withdraw cash on average 18 times a year, according to the Banque de France, so the total annual cost will remain limited and highly competitive.

The Nickel Account won't try to sell customers a savings account or a loan. This is another reason why accounts are so easy to set up. Getting a bank account at the local newsagents represents a true

first experience in the lives of those looking for an easy-to-manage solution to simply get paid and make payments. There's no discrimination for people opening their very first account, who can't access bank branches, or for people with limited freedom, including those banned from holding a bank account by the Banque de France. It is a system that could also interest people who are looking for a simple, secure service through which to make payments via the internet, for those who want peace of mind when travelling and for those who want to be kept informed in real time of what's going on in their account and alerted before being debited. Others looking for the right price to match the right services should also be interested.

A large network

The distribution network in France potentially includes the 27,000 newsagents (in Metropolitan France) and additional 1,500 points of sale in the French Antilles (Suncard). Newsagents will be individually licensed as agents by the French regulating authorities (ACPR) and will verify customers' identification. This license will give them the authority to activate the account and offer customers the possibility of making cash withdrawals and deposits at the point of sale. The newsagent will not have access to customer account data. The average figures show that 650 people walk into one of these potential sales outlets every day. The French trade association of tobacconists has signed an exclusivity agreement with FPE valid until the end of 2020 and has acquired a 5% stake in the capital of this payment institution.

Staying secure

Customers' funds are secured in real time in a segregation account at Crédit Mutuel Arkéa. The fight against money laundering is



The Nickel Account is the first bank-less account in France

made stronger thanks to initial authentication of customers' ID cards electronically prior to account opening. Tobacconists will be in charge of a second, physical verification of the ID before activating the account and would lose their license immediately in the event of a single case of fraud.

Cash deposits are limited to €250 per deposit and €750 per month or thirty-day rolling period, which is an additional way to prevent money laundering. For electronic transfers, the compliance and behavioural warning systems used for Nickel accounts are identical to those used by banks. Any suspicious or abnormal account transactions

are reported to France's Financial Intelligence Unit – Tracfin – by the FPE Compliance Division. As at any bank, when such suspicions arise, the account will be closed.

After a customer experience test phase, the offer will be rolled out to the general public in the coming months. Roughly one hundred newsagents will be equipped when the service goes live. Business will accelerate at the pace of fifty new points of sale each month. ■

Hugues Le Bret is chairman of the Supervisory Board at Financière des Paiements Electroniques, the payment institution which has launched the Nickel Project Account.

Identifying customers in difficulty



Divorce, unemployment, illness... life is full of changes that can put French household budgets under pressure. **Stephane Soulaïne** tells us how **Cetelem** is predicting which customers may find themselves in financial difficulty and creating a support network to help.

The causes of financial vulnerability in France are many. For 55% of our customers the cause is related to a change of personal or employment situation with a negative budgetary impact. For 27% it's because of unforeseen expenses, such as those relating to a bereavement or car repairs, etc. For 10% it's because of health problems. Just 8% of causes are related to poor budget management.

To help its customers overcome unforeseen life events, Cetelem – a

consumer loan company which is part of BNP Paribas – has developed a system to detect vulnerability and respond with personalised support. On the frontline, ten dedicated advisors in Marseille are helping customers in difficulty (CID).

The importance of early detection

Those customers which could potentially find themselves in financial difficulty are identified at a very early stage. This is achieved in two different ways. The first uses an algorithm

which identifies the likelihood of a customer missing a repayment within the next three to six months.

The signs of vulnerability are based on a change in behaviour patterns. In response to this change, Cetelem will send a letter simply reminding the customer that Cetelem is there to help them and that it is possible to review their situation throughout the loan repayment period. The client is invited to contact Cetelem on a special phone number that comes straight through to the Cetelem CID team.

The second way of detecting vulnerable customers is via the interactive voice server (IVS). Available to all Cetelem customers, this phone number routes calls from those potentially facing financial problems directly to the CID team via a recognition of the customer profile.

Better listening means better advice

Regardless of how customers are directed to the dedicated CID team in Marseille, all of them are welcomed

“At a time of financial crisis in France, unforeseen expenditure can become increasingly difficult to cope with”



Cetelem has been established to help customers in need via the provision of cost-effective consumer loans

in a very specific way. The first rule is to personalise the relationship. This builds trust; something that is necessary as many customers in France find it hard to speak about their financial difficulties.

During the call, the Cetelem advisors guide the conversation to gain a clearer understanding of the reasons behind the difficulties encountered by the customer. They try to establish whether it is a temporary situation or whether the customer has begun to put in place his or her own solutions to overcome it. Good listening skills and empathy help to build a complete picture of the situation. The only way to identify the best solutions is to analyse each problem on an individual and personal basis.

Practical actions to overcome difficulties

Personalised solutions, such as monthly payment deferrals or budget management changes, can then be suggested, as well as more fundamental solutions such

as loan restructuring or – when the customer's issues involve lenders other than Cetelem – a referral to Cresus, a social sector specialist which provides budgeting support. These specialists in budgeting education can act as intermediaries to deal with all the credit providers.

A very detailed analysis of the situation is conducted, but help can only be given if the customers request it. One key part of the Cetelem CID team's job is to prepare the customer properly and to explain why they need the information about their budget and personal situation.

Generally speaking, customers welcome this approach and are ready to accept a helping hand. This mutual understanding also comes from the relationships the Cetelem CID teams build with them. It's all about listening, empathising and being able to find precisely the right solution for individuals.

The innovative Cetelem CID process was tested over a period of a year. It was then officially put

in place in July 2013. 8,510 cases of financial difficulty were analysed by the Marseille-based CID team between July 2012 and April 2013. 72% of the customers involved agreed to a Cetelem solution suggested by their advisor and 7% received support from Cresus.

Why now?

At a time of financial crisis in France, unforeseen expenditure can become increasingly difficult to cope with. At the same time, social organisations continue to point the finger at loopholes in overindebtedness prevention policy. Alongside them, some lending institutions are introducing schemes to support vulnerable customers. The CID process set up by Cetelem is an important way to help customers before their difficulties become insurmountable. ■

Stephane Soulaire is marketing director at BNP Paribas Personal Finance in France.

Supporting young people



Social entrepreneur **Jeroo Billimoria** set up **Child and Youth Finance International** in 2011 in order to improve financial capability and access to financial services for young people across the world. Here she tells us more about the project and her mission to reshape the future of banking.

Since its launch in July 2011, Child and Youth Finance International has led a global effort to enhance the financial capabilities of young people. The movement has already spread to over 100 countries and has reached more than 18 million children, with aims to reach 100 million children by 2015. Its partners and supporters include financial authorities and some of the world's leading financial institutions, international NGOs, multilateral and bilateral institutions, foundations and renowned academics.

Improving access to financial services for young people is an issue close to my heart. Having set up ChildLine Foundation in India and the global helplines network Childhelpline International, I found that the root cause of many of the problems children were facing was money-related. I wanted to try to solve this from a preventative angle,

helping to foster change across the retail financial services industry.

Educating children

One of the biggest challenges I've faced is getting education around financial services onto the school curriculum. The benefits of doing this are considerable: introducing financial education while young people are still in a process of forming personal financial behaviours may present the greatest opportunity for lasting positive outcomes.

What's clear, however, is that traditional financial education – which is heavily reliant on mathematics – doesn't work. Instead we need to see a move towards Economic Citizenship Education (ECE). This term, which was proposed by the United Nations Committee on the Rights of the Child (UNCRC), encapsulates the spirit of the curriculum which teaches financial, social and livelihoods education

leading to an increase in the levels of young peoples' confidence and economic citizenship.

The educational goals of the Child and Youth Finance Movement align with the six goals of UNESCO's Education for All Campaign, and particularly those concerning early childhood education, youth skills development and improving the quality of education around the world. According to UNESCO, the true test of an educational system is whether it "fulfils its core purpose of equipping young people with the skills they need to develop a secure livelihood and to participate in social, economic, and political life". Indeed, the Child and Youth Finance Network believes that quality ECE is key to achieving such outcomes.

By working with schools, government ministers, UNICEF and teacher training organisations we are managing to spread the word. We also organise Global Money Week – a worldwide campaign that aims to

bring together children, youth, parents, organisations and entire communities – to start action to reshape finance.

Global Money Week

Between March 10th – 17th, worldwide activities will be held to engage children in learning how money works, including saving, creating livelihoods, gaining employment and entrepreneurship. During previous Global Money Weeks, children and youth have enjoyed activities like visits to banks, ringing the bell at stock exchanges, art contests, concerts, webinars, hangouts, games and apps.

For 2014, we aim to ensure that Global Money Week celebrations take place in more than 100 countries and involve more than two million young people. In the inaugural 2012 Global Money Week, 21 countries participated reaching 33,000 children. In 2013, the number of countries taking part rose to 80 countries, involved 403 organisations, and reached over one million children. For many of the participating countries, Global Money Week provides a platform for multi-sectorial national stakeholders to collaborate, many for the first time, on developing financial education, developing inclusion initiatives and policies, and engaging children and youth in their countries.

Getting banks on board

Global Money Week is just the start. We can't help change the future of financial education without the continued support of retail financial services organisations.

What we'd like to see is more child- and youth-friendly bank accounts. Currently, very few banks offer these and so we're making a huge investment in this space. As part of our strategic partnership with MasterCard we've created a new guide for the development of Child and Youth Friendly Banking Products, which we will present at Global Money Week.



Jeroo Billimoria has been recognised for her dedication to helping children in need

We hope this will be of use to many financial services organisations, including Efma members. We are looking forward to working closely with leading financial services organisations to find sustainable ways in which children and youth can become key stakeholders. We have already begun this kind of collaboration with MasterCard, with whom we are exploring the development and design of child and youth friendly financial services products.

MasterCard is already making great strides in promoting inclusion for young people. In South Africa, MasterCard's SASSA Debit programme is a good example of how electronic payments are able to significantly strengthen the lives of young people – particularly those in greatest need – with approximately six million of the more than 20 million recipients in South Africa being recipients of child social

welfare. MasterCard also recently announced the launch of its Center for Inclusive Growth, which supports research and initiatives relating to financial literacy, inclusion and economic growth.

Looking ahead, I'm certain that our efforts will continue to generate momentum, and that we'll see participation from more governments, schools, (I)NGOs, and banks across the world. When our initial goal of reaching 100 million children across more than 125 countries is achieved we will enter a new phase; one which focuses on deepening the movement. The focus will shift to collaborations with stakeholders and partners and, ultimately, working to ensure that all young people become full economic citizens. ■

Jeroo Billimoria is founder and managing director of Child and Youth Finance International.

Providing fair finance



Created to tackle financial exclusion in the UK, **Fair Finance** offers debt advice and affordable loans to those who need it most. **Faisal Rahman** tells us more about this and Steve Pateman explains why Santander has got involved.

In the UK it is estimated that around nine million people struggle to access finance from mainstream sources. This includes 1.5 million people without a bank account, one million people who borrow regularly from a payday lender, three million who borrow from high cost doorstep lenders and a further three million people who borrow from various other high cost sub-prime lenders. For these people, the finance to borrow for a washing machine, replace a broken cooker, costs of a school uniform, unexpected bill or even to start a business can cost between 100% to 5000% APR. Some people make bad choices but the reality is that most have limited options if they need credit.

People moving in and out of employment, in self employment or with little or no financial assets tend to be marked poorly by credit rating systems. Most doorstep and payday lenders also rarely contribute data

to credit bureaus. The net result is that people on low or variable incomes, on benefits, living in rented property or social housing – essentially those that generally live in the cash economy – struggle to access mainstream financial products. In an emergency their only financial option is expense.

This has worsened since 2009 due to rising unemployment and declining incomes, making it hard for many who previously accessed mainstream credit to continue to do so.

Addressing the situation

Fair Finance is a social business tackling financial exclusion. It was launched in 2005 to show how different lending methods such as microfinance can be applied to help bring affordable financial services to the poorest in the UK, sustainably.

Fair Finance offers three products: free debt advice, for those who have run up significant personal debt and now face the threat of

court action; business loans to individuals who are trying to move off state benefits and into full-time employment, either by starting a small business or by becoming self-employed; and a personal loan product which is mainly used for white goods and furnishing.

Around 65% of borrowers are out of work and in receipt of benefits, the remainder self-employed or working part-time; around 75% are women, many single-mothers; and around 60% are from one of the many minority ethnic communities found in London.

Fair Finance works through a branch network and interviews every client face-to-face for up to an hour in order to understand their financial circumstances and to go through the details of their credit history. This allows the advisor to figure out if the applicant needs a loan or support to manage their existing commitments. Understanding the

complexity of the client's situation is key to Fair Finance's success. Strong relationships are built with the borrower – relationships based on financial and character assessments, but ultimately on trust.

Achieving success

The model is expensive compared to mainstream finance, but over one hundred times cheaper than alternatives. Personal loans are 59% for new clients and 39% for existing clients with loan sizes averaging £500 for around ten months; while business loans are around 23% and average £4,000 for around two years. All loans are unsecured.

The very human approach has helped Fair Finance keep bad debts extremely low (around 6%), build strong customer relationships so that its advice is listened to and trusted, and improve customers' financial status.

Backing from across the industry

In 2010 Fair Finance worked with a group of social investors and key banking partners including Santander, BNP Paribas and Société Générale to raise over £4 million to be used to grow the business. In 2013, a further £2 million was raised by UniCredit and a number of other investors to expand the business lending service to excluded entrepreneurs. The model was ground-breaking in the UK. It was the first time an alliance of banks had come together to tackle the problem of financial exclusion in this way.

Fair Finance expanded to cover London and has helped over 10,000 financially marginalised Londoners with targeted debt advice, finance to create a business or escape the clutches of moneylenders and loan sharks over three years. Over £15 million has been put back into the hands of the poor by refinancing them out of expensive debt and over 200 have created lasting enterprises.

A pledge to help



Santander's Steve Pateman explains why Fair Finance is worth significant investment.

Our partnership with Fair Finance stems from the relationship we forged with Faisal Rahman. I was impressed, not just by his strong business planning and financial management skills, but also by the company's commitment to its customers and the communities it operates in – it matches nicely with Santander's philosophy. Fair Finance builds in-depth relationships with its customers to better their situation, not just offering products, but longer term advice to ensure that customers can continue to manage their finances with responsibility and not find themselves forced to go down un-regulated routes.

At Santander we pride ourselves on the strength and stability of our customer portfolio, but alongside these strengths and scale we are able to acknowledge that other

businesses are better able to understand, respond and support certain customer segments by using their expertise and experience gained from gearing their whole business model towards this particular customer group. By Santander showing support for Fair Finance we can indirectly reach people who need assistance.

I'm proud of the partnership we have with Fair Finance and, in particular, with what the business has achieved since it received the investment from Santander. Not only has it improved so many customers' fortunes by providing them with credit, but it has expanded its operation to reach people from beyond London.

Steve Pateman is head of UK banking at Santander.

Fair Finance now plans a twin track growth: to increase its existing provision to over 100,000 people through personal and business finance; and to widen its products base to bring savings and insurance to the poorest in London over the next five years. The key to its expansion will be its commitment to its social mission and its partnership with its social investors and banking partners. ■

Faisal Rahman is managing director of Fair Finance.

What can a bank do?



In response to the social challenges of our time, the ERSTE Foundation has invested €5.8 million in its 'second savings bank', **Zweite Sparkasse**. To date, Zweite Sparkasse has been Austria's largest social banking project. **Günter Benischek** explains more.

Zweite Sparkasse is not geared towards profit. Its purpose is to support people who need a helping hand by providing them with banking services and advice which they are unable to obtain elsewhere. In doing so, it aims to help as many customers as possible to get their finances in order and keep them that way. Good banking relationships are vital when a difficult financial situation needs to be resolved. Just like the advisory organisations it cooperates with, Zweite Sparkasse wants to help people help themselves – it is 'a bank for the unbankable'.

The services provided by Zweite Sparkasse are available exclusively to people who are under the supervision of specific charity organisations such as Caritas, the Austrian debt counselling organisation Schuldnerberatung, and others. These social institutions guarantee complementary and holistic support with the intent to rebuild a sense of confidence in money matters.

Furthermore, their task is to verify whether potential customers are actually in a position to actively contribute to their financial welfare. Before an account can be opened with Zweite Sparkasse, a written recommendation from one of these organisations is required.

Meeting specific needs

Zweite Sparkasse's product line-up is tailored specifically to the needs of its specific target group. A distinction is made between basic services and value-added services. Customers recommended by cooperation partners are initially issued a basic current account for a period of three years. Standing orders and credit transfers are free of charge, but a security deposit of €9 must be made every quarter. This measure helps clients to save money for banking services costs in the future. The deposit is paid out whenever a customer switches to a different bank.

Zweite Sparkasse customers can withdraw cash from any Austrian ATM.

These services are made available to help facilitate their reintegration into the day-to-day economic life. In cooperation with the insurer Wiener Städtische, Zweite Sparkasse offers an additional service package comprising free private accident insurance, one free session of legal advice per quarter and the option of taking out a household contents insurance policy.

A commitment to social responsibility

Although Zweite Sparkasse was established as an independent bank, its mode of operation is highly unusual. Not only has the bank adopted a special product policy, but the president and all employees of the institution work on a voluntary basis. The team includes active employees of Erste Bank and savings banks as well as former employees who are retired. They have volunteered to serve the good cause and help people by giving their time to provide advice and support.



Zweite Sparkasse employees work on a voluntary basis to provide help and support

Their main motivation lies in their voluntary commitment to social responsibility. They want to help people in what they have been trained for on their jobs. Today, some 400 employees of Erste Bank and the regional savings banks are involved in Zweite Sparkasse. The enlistment of volunteers has also induced a new awareness at Erste Bank and the savings banks and given rise to a new delicacy in dealings with these customers. The accounts of customers implicated in civil bankruptcy proceedings are no longer closed immediately, but forwarded to a separate department that has the specific know-how needed to handle the situation. This makes for a preventive approach that could help reduce the number of customer requiring the services of Zweite Sparkasse in the future.

The activities of Zweite Sparkasse have been well received, not only by its customers but also by the public at large. The media has repeatedly reported on the 'bank of good hope', and its commitment has earned it numerous national and

international distinctions. In 2013, the initiative was presented the European TRIGOS award in the category 'Best Partnership: Large Corporations'.

The Zweite Sparkasse concept will continue to be implemented even after the statutory right to an account enters into force. With the support of the NGOs providing the recommendations, Zweite Sparkasse caters not only to people who require an account number but also to people who need a second chance and depend on support in order to succeed.

An inspiration to others

The success of Zweite Sparkasse has also inspired other initiatives at Erste Bank Österreich:

The 'Microcredit' project for business start-ups. In addition to making funds available, this programme also provides comprehensive support and advice to borrowers as one of its main services. The specific focus is on budgeting and drawing up business plans as well as performing basic cost calculations for day-to-day

business transactions. This initiative was launched in cooperation with the Federal Ministry of Labour, Social Affairs and Consumer Protection. Some of the individual loans are backed by EIF guarantees (European Investment Fund).

Social Entrepreneurship. Social enterprises are organisations whose performance is measured against financial as well as social standards. Social entrepreneurs exhibit the spirit of enterprise and the desire to be successful typical of a business entrepreneur. However, their main aim is not to make a profit but to serve the common good. Profit takes a back seat with social entrepreneurs, which is why they often have a difficult time raising capital. As Erste Bank, it is our ambition to respond precisely to this need.

A dedicated exposure limit has been devised to give these social objectives pursued through entrepreneurial activity a chance.

The bank for charitable organisations. Based on the cooperation with the Interest Group of Public Benefit Organisations, charitable organisations were offered the opportunity to implement credit transfers free of charge. In so doing, Erste Bank has become the bank for charitable organisations. In making this generous offer regarding account fees, Erste wishes to ensure that the many donations made in Austria are not trimmed down by banking charges. Moreover, a strategic partnership with NGOs affords a platform where common solutions can be found to problem issues (e.g. initiatives for sustainable power generation, involvement in citizen participation models in municipalities, support in the handling of donations, etc.). ■

Günter Benischek is the head of social banking at Erste Bank Oesterreich.

A banker to every Indian



Rajendra Kumar Saraf explains how the **State Bank of India** is delivering on its promise of providing access to financial services for everybody; from the biggest corporates through to the poorest citizens.

The financial landscape in India is unique. Over the last couple of decades there's been an enormous sea change and the country is now taking great strides towards becoming on par with other countries in the developed world.

The liberalisation of the economy, teamed with a huge number of reforms, has laid the foundations for a solid future. Regulators have taken a conservative, yet pragmatic approach and therefore India remained relatively unscathed after the crisis of 2008 and beyond.

Despite this healthy backdrop, financial inclusion is still a challenge in India. The number of branches and ATMs remains low for the size of the population compared to the rest of the developed world and so access is a big issue.

Reaching out

41% of India's population has no access to bank accounts at all. In a country of 1.2 billion you can

understand that this is a huge swathe of the population. Of the 200 million rural households, more than 89 million are farmer households, 70% of which have no access to formal or informal credit. While financial exclusion is higher in rural areas, it's an issue in urban areas too, standing at around 40%. There are also geographical disparities: exclusion is much higher in the north east.

At the State Bank of India (SBI) we recognise that we have a major role to play in driving financial inclusion. We're the largest bank in a large country with 207 years of heritage. From the largest to the smallest, we have everyone as a customer – from the poorest of the poor, right through to 300 of the top 500 corporates. With this in mind, we see it as our natural duty as part of our role as 'a banker to every Indian' to bring everyone into the financial fold.

We're doing this in a number of ways. First, two-thirds of our

15,000 branches are in rural and semi-urban areas and we continue to open about 1,000 new branches every year including areas with smaller populations. This, along with our network of solar-powered ATMs and micro-ATMs, improves accessibility and gives us direct contact with the customer.

We've also created a network of business correspondents – third parties who use mobile technology and kiosks to offer deposits and withdrawals in rural locations. We have 38,000 business correspondents to date and this number is growing by the day.

We're also expanding this concept with the creation of 'ultra-small branches'. By equipping business correspondents with biometric technology and laptops they can regularly visit rural villages, offering customers more complex products on their doorstep.

We have launched a good number of prepaid cards with relaxed know

your customer requirements to meet the basic banking requirements of the financially excluded. The cards also help us to wean people away from a cash only economy.

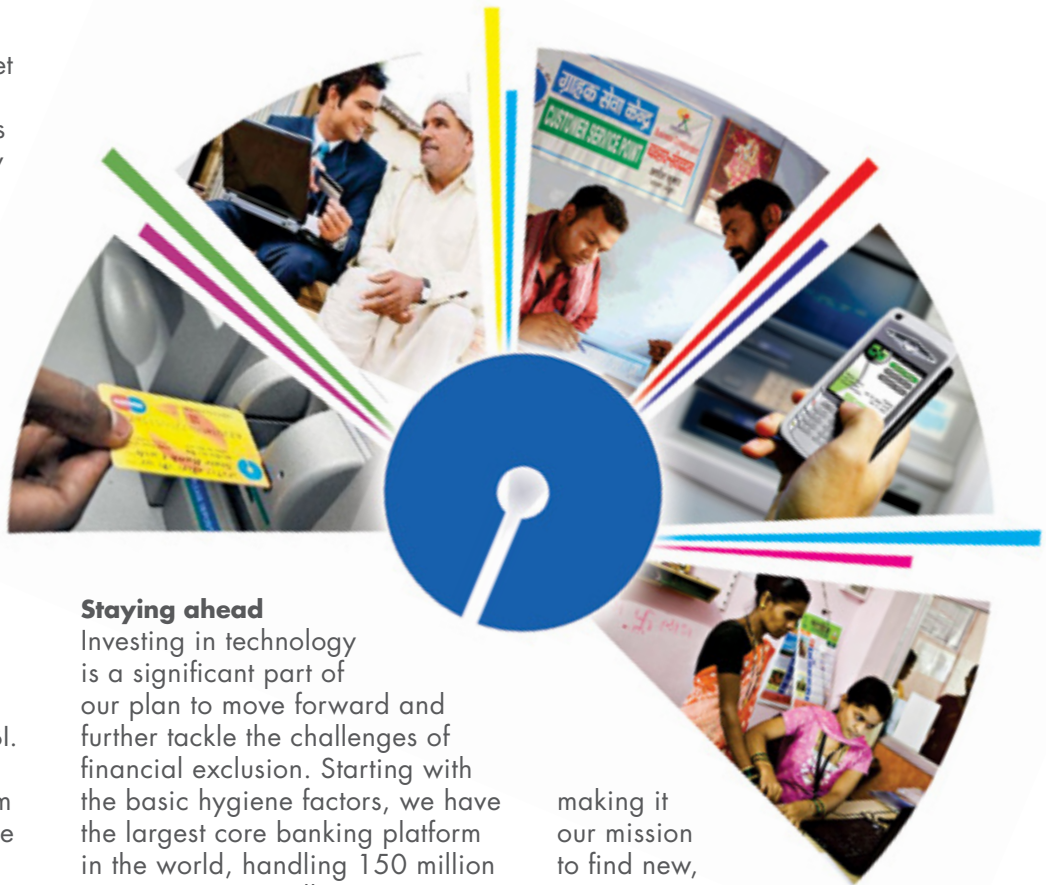
Meeting the needs of migrants

Migrants are another section of the population that are often unbanked. To meet their needs, we have launched a mobile wallet service called MobiCash Easy. This offers facilities such as fund transfer, bill payment, balance enquiry, mini statement, mobile top-ups and DTH recharge to name a few. It is a pre-paid account accessible via mobile phones, enabling consumers to send remittances to any bank account and to transfer funds to other wallets issued by SBI.

Targeted at migrant labourers who send money back home from SBI branches, the youth and those seeking to pay bills, SBI's mobile wallet is easy to use and SBI's customers and non-customers can use this facility. The user needs to top up the wallet by depositing cash at any retail outlet of Mobicash service provider and this facility is completely risk-free.

The identity issue

Without proper ID it is impossible to open a bank account. That's why we're backing the country-wide identification programme Aadhaar, which is operated by the Unique Identification Authority of India (UIDAI). Providing an instantly verifiable national identification number assigned to residents of India, the Aadhaar programme is expected to play a prominent role in India in facilitating payments into bank accounts from 2014. As of January 16th, the UIDAI had issued as many as 560 million Aadhaar numbers to the residents in the country and expected to quickly complete its mandate of covering a population of 600 million people.



Staying ahead

Investing in technology is a significant part of our plan to move forward and further tackle the challenges of financial exclusion. Starting with the basic hygiene factors, we have the largest core banking platform in the world, handling 150 million customers, 360 million accounts and up to 80 million transactions every day.

Building on this, we're investing in analytics technology to help us make sense of the wealth of customer data we have on hand. This technology will also give us early warning signals of any potential problems. Given the current state of the economy this is important in order to better protect our assets. With this at the foundation of our business, we are

making it our mission to find new, innovative ways to make banking available to everyone.

The future is exciting for us. Demand is extremely healthy and we're opening two million new accounts every month. This insatiable demand has helped us to offer our services at the lowest possible cost. ■

Rajendra Kumar Saraf is deputy managing director and chief financial officer at the State Bank of India.

“We see it as our natural duty as part of our role as ‘a banker to every Indian’ to bring everyone into the financial fold”

Promoting inclusion



Jim Murray outlines the challenges facing financially fragile customers and explains how the **European Foundation for Financial Inclusion** is campaigning to help.

Most families in Europe use financial services such as bank accounts, credit, saving schemes and insurance as a part of their regular daily life – they are in the mainstream. However, there are also many millions who suffer from financial exclusion. They do not have access to basic financial services because the services are not available, or not affordable, or perhaps not adapted to their needs. Even when services are available, there may be some who do not have the understanding, the confidence, or the competence to choose what is on offer.

Ownership of bank accounts is a starting point to try to measure the extent of financial exclusion in Europe. According to the 2012 *Retail Financial Services* report by Eurobarometer, about 84% of adults – ranging from close to 100% in Denmark to less than 30% in Bulgaria and Romania – have a bank account of some kind. Around 7% of the population – that's almost 30 million people – would like, but do not have access to, an account.

A diverse population

The financially excluded population is made up of a very diverse group of people. Many have spent most of their life without access to formal financial services; while for others it's more temporary.

The excluded are often those on low incomes, migrants, the homeless, the aged, disabled or those that are housebound. That's not to mention some of the unexpected groups that suffer from exclusion. Many Erasmus students, for example, will open a bank account in the host country, leave it open at the end of their stay to settle outstanding bills and try to close it from their home country – only to find that they have to do so in person. There was one case (in Italy) that was solved only after a petition to the European Parliament.

For those without access to basic financial services, life is more difficult. If they are already poor they may become poorer. They will pay more for goods and services. They are more likely to suffer from financial crises and will find it harder to recover from crises that do arise. They will find it harder to

manage their budgets between bad times and good, especially without access to affordable credit. They are more vulnerable to financial hardship and over-indebtedness. They may be denied access to other services where payment choices are limited.

Meeting the challenges

New payment systems are developing and some have suggested that these may be at least part of the answer to financial exclusion. Unfortunately this isn't the case – at least at present. In 2013 we commissioned a study of the impact of new payment systems on financial exclusion in five countries – France, Italy, Poland, Sweden and the UK. We found that new payment systems were largely irrelevant at this stage for those on the margin, not least of course because access to a bank account is often the prerequisite to using such new methods.

Apart from the increasing expense of paying in cash for those for whom that is the only means available, there were some instances where cash is no longer accepted – for



Less than 30% of people in Romania and Bulgaria have access to a bank account

public toilets in Sweden or in payment for school dinners in many schools in France. These are very specific instances but they appear to be part of a growing trend.

Promoting access for all

The European Foundation for Financial Inclusion (EUFFI) was created to promote policies at EU level to meet the challenges of achieving financial inclusion. As is often the case, the Commission started softly, with a Recommendation in 2011 that all EU residents should have a right to a basic bank account, not only in their own country but in other member states also.

By 2013 that recommendation seemed to have had little effect and so the Commission proposed a binding directive to give a right of

access to a basic payment account – and also to improve transparency of charges and to make switching easier for all bank accounts. The basic account is defined as one that includes all normal payment services – deposit, withdrawal, transfers, standing orders (domiciliation), debit card, access to a wide range of

ATMs – but would not include a right to an overdraft. That proposal is going through the legislative process and it is very likely that it will become law later this year – before the end of the current mandate of the European Parliament. ■

Jim Murray is the president of EUFFI.

“Around 7% of the population – that’s almost 30 million people – do not have access to a bank account”

A pillar for future growth



Although most of the Spanish population has access to basic financial services, access to credit remains a big challenge. **Nuria Danés** explains how **MicroBank** is driving change.

According to recent studies, more than 94% of the Spanish population has a bank account with a formal finance entity. The remaining 6% don't have an account because either they don't want one, or because they use the account belonging to a friend or family member.

However, access to credit is a big issue in the country at the moment, especially for SMEs. Having been the engine of job creation over the past decade, responsible for creating 85% of the new jobs within the EU between 2002-2010, the entrepreneurial sector today faces numerous challenges.

These include lower revenues due to a fall in demand, greater losses due to an increase in late repayment rates and reduction in traditional sources of credit which is needed to fund future growth.

The situation is exacerbated by the changes in the banking sector, one of the major sources of funding for SMEs. These changes are leading to the evolution of banking models

which are partly a result of regulatory requirements which require banks to hold more capital, and partly a result of the restructuring and consolidation of the banking sector which we have seen across the eurozone and in particular in the Spanish market since the onset of the global financial crisis.

What's more, the impact of the restructuring of the banking sector has led to the disappearance of almost all savings banks. Consequently, the microcredit landscape has experienced an evolution resulting in fewer participants who are now championing a different model of sustainable banking.

Putting microcredit at the heart of lending

This model, which is being promoted by MicroBank, no longer acts as merely a play on social inclusion, but places microcredit at the heart of the lending process. MicroBank is a social bank 100% owned by CaixaBank. The decision to create a

dedicated bank was made with the view to developing microcredit as both an economic and social activity but within the parameters of rigour and sustainability which are inherent to a bank.

Between 2007 – 2012, MicroBank granted 169,282 micro-loans totalling over €1.045 billion, all aimed at promoting production, job creation and personal and family development. Despite the tough economic environment, the entrepreneurial spirit in Spain has been maintained. People are willing to launch businesses to seize on a particular business opportunity, but they are also setting up businesses out of necessity due to the lack of employment alternatives. The reliance on external funding for setting up a business has also increased as the average seed capital for starting up a business in Spain has reached €30,000.

Access to microcredit is however not exclusive to entrepreneurs.

There are a number of family needs of a temporary nature which may arise and require access to microcredit. This dual source of demand is reflected in the number of loans granted by MicroBank in 2012. Over 11,000 microloans went to entrepreneurs totalling €116.5 million and nearly 30,000 microloans went to families totalling €119 million.

Diversity of demand for microcredit is shaping the product offering. On a broad level, MicroBank clients are segmented into two categories: entrepreneurs and families. While access to either type of credit is provided on an unsecured basis, further segmentation ensures that different products within each category reflect the circumstances of individual clients.

Microcredit for entrepreneurs consists of loans of up to €25,000 which may be used for setting up or expanding a business. There are three lines of microcredit available to entrepreneurs: social microcredit, financial microcredit and eco-microcredit. Social microcredit is most suitable for the financing of projects which are carried out by self-employed individuals without access to traditional credit. Such loans benefit from additional support such as free advice on how to formulate and develop a business idea.

Financial micro-loans are aimed at microenterprises and self-employed entrepreneurs who require access to credit for their projects (to start, to expand or to maintain sufficient cash flow, for example), provided they have a business plan which allows MicroBank to assess the business' feasibility. Finally, eco-microcredit is a type of business credit aimed at funding sustainable business projects committed to protecting the environment and encouraging the responsible use of natural resources.

Putting it into practice



Although she had no work and her sector was deeply affected by the crisis, Maria Clara Zapata decided to look for a path that would follow on from her working life as an architect. Together with her son Pablo, she created REBORN, a project based on the idea of designing and manufacturing avant-garde furniture from recycled material. Its main feature is that the pieces are unique, with good design and great ecological responsibility.

Zapata and her son received a microcredit amount of €25,000 from MicroBank in order to continue growing and to create new jobs. "We had our own resources, but we needed finance. As it was an ecological project, it didn't fit as a business in other financial entities", Zapata recalls. "MicroBank has totally changed my life. Now I've got hope for the future and the possibility of moving forward."

A sustainable future

The main challenge facing future provision of microcredit rests in the banking sector's ability to promote social value and to create sustainable banking models that are able to generate the resources to finance their own growth. The consolidation of the banking sector in Spain has forced this transition

from schemes which largely relied on outside contributions to schemes which are financially sustainable. This transition is essential to the long-term viability of microcredit not only through the current difficult times, but as a pillar for future growth. ■

Nuria Danés is marketing director at MicroBank.

Innovating for success

Juan María Nin CaixaBank

Juan María Nin has worked extraordinarily hard to become deputy chairman and CEO. Lindsay James finds out about the challenges he has faced, his plans for the future and CaixaBank's commitment to innovation.

Born in Barcelona, Juan María Nin studied law and economics at the Deusto University in Bilbao, Spain, and attended the London School of Economics and Political Sciences to study what was then an invaluable Master of Laws. In 1978 he became a member of the Spanish team that negotiated Spain's accession to the European Community at a crucial time in Spain's political and economic history.

In 1980 he moved into the financial sector, joining Banco Hispano Americano. It was there, in 1992, that he had his first taste of a merger between two major financial institutions, in a move that would create Banco Central. Nin was then appointed general manager with specific responsibilities in Catalonia. Two years later, he became the general manager for retail banking as well as a member of the bank's managing committee. He then experienced his second major merger; when Banco Central Hispano merged with Banco Santander. Four years later he returned to Barcelona as CEO of Banco Sabadell, where several acquisitions were made. In 2007 he joined la Caixa as CEO – a role that he now combines with the posts of deputy chairman and CEO of CaixaBank.

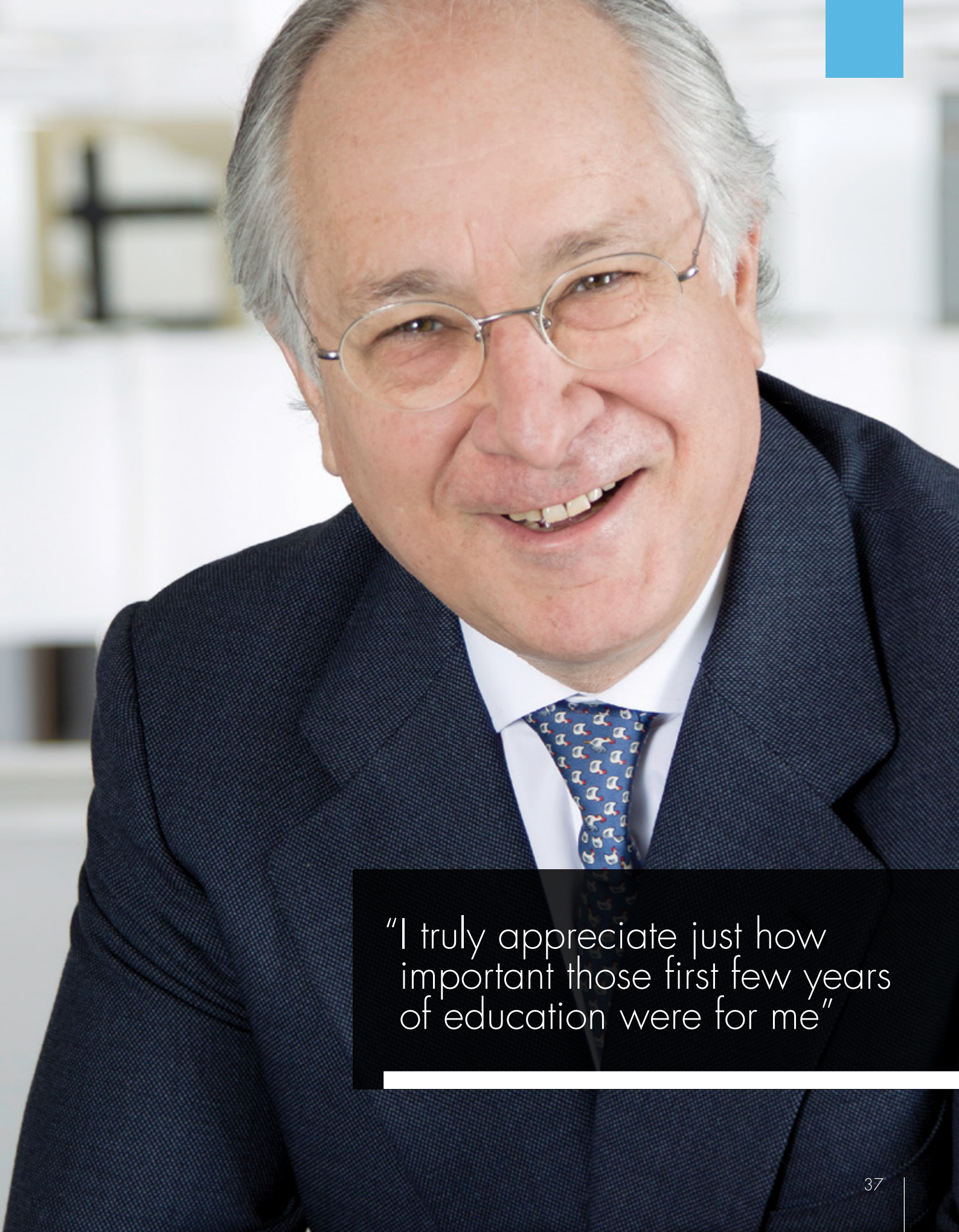
With such an expansive career history, there's no doubt that Nin has experienced

considerable change across the industry. We asked him about this, about CaixaBank's latest innovations and about his plans for the coming years.

You've had an enviable career. How did you start out, and how easy was it to progress?

When you start university you have so many dreams and plans, but can never be sure what the future will hold. As I look back at my career now, from my position at CaixaBank – a bank that has established itself as the leading operator in Spain by market share – I truly appreciate just how important those first few years of education were for me. It's the stage in life in which you shape your knowledge, which must be kept current. This in turn shapes your mindset, character, relations and approach to work.

Since 2007, la Caixa has implemented two strategic plans. As part of them, we successfully restructured la Caixa Group, segregating the banking and insurance business from the industrial stakes. CaixaBank began operations on 1st July 2011 as a listed company. In that period, la Caixa has also developed its international strategy through organic growth via representative offices and international branches, and non-organic growth, buying



"I truly appreciate just how important those first few years of education were for me"

“For us, innovation is one of the key levers to transform CaixaBank”

minority stakes in banks from growth markets and establishing partnerships.

Moreover, since 2007, la Caixa has completed nine acquisitions, including the purchase of Morgan Stanley's private banking operations in Spain and the acquisitions of Caixa Girona, Bankpyme, Banca Cívica (made up of CAN, CajaSol, Caja Burgos, Caja Canarias and Caja Guadalajara) and Banco de Valencia.

As a result of all this, I now sit on the boards of a number of institutions and companies, such as Erste Bank Group, BPI, GF Inbursa, Repsol, Gas Natural and VidaCaixa Group.

What are the biggest challenges about working in retail financial services today?

The financial services industry faces a threefold challenge: overcoming the last throes of the financial crisis, which in many countries became a full-fledged economic crisis; adapting to what constitutes a true global regulatory tsunami; and restoring sustainable profitability levels in a context of very low interest rates.

The first challenge demands a solid balance sheet and prudent risk management. In this regard,

CaixaBank has made a strong clean-up effort and achieved a comfortable level of solvency (core capital). At the same time, new regulations require an active management of capital and adapting our funding strategies while maintaining high liquidity levels. Our goal is to remain ahead of the curve, to comply with all future requirements as soon as feasible and well ahead of the established timetables. To raise profitability levels, we are very active in the consolidation of the Spanish financial sector, where, as I've mentioned, we have completed nine acquisitions since 2007 and are taking advantage of large cost and revenue synergies. This strategy, combined with a continuous focus on innovation to deliver the highest quality of service, has reinforced our position as the leading retail franchise in Spain.

CaixaBank has been heralded 'the most innovative bank' by Efma and Accenture. What does innovation mean to you? How important is innovation in today's operating environment?

For us, innovation is one of the key levers to transform CaixaBank to successfully grow and compete in







the challenging environment we live in. Innovation is inherent in our business model and an integral part of our culture.

Through it we aspire to deliver better products and services to our customer base and capture the new opportunities technology provides to improve processes and gain efficiency. It is the best means of driving efficient growth.

Tell me about the innovations that you are most proud of at CaixaBank.

CaixaBank has been at the forefront of innovation for many years. We have always been focused on deploying new technologies and driving innovation to transform the experience of our clients at the branch level and to drive the adoption of the new channels, products and services. We are

currently the market leader in online banking and in mobile banking, with the most financial service users in Spain (three million customers).

Regarding recent initiatives introduced, I would like to highlight the contactless ATM system rolled-out in 2012 and the efforts we've made to integrate online and branch channels, allowing customers to communicate and exchange documents through our online banking platform. There's also our

extensive offering of mobile apps and our new service for invoice management (Recibox) in our online banking platform.

We have also set up a new strategy and innovation team focused on developing a perspective on how digital can transform financial institutions, creating an external network of collaborators and partners to identify and test emerging technologies in selected areas of interest and fostering

“There is something that we can be confident will not change: customers need to trust their bank.”



collaboration with employees and clients to identify new products, services and areas of improvement to continue delivering excellent customer service to our client base. Our strategy is to think always what the customer wants, not what we would like.

What is it about CaixaBank that stands it apart from its competitors?

The combination of service excellence, innovation and anticipation, together with commercial and financial strength and the ability to generate income have proven to be clear differentiating factors and essential for securing leadership in the financial industry going forward.

This is consistent with the way we understand social responsibility: as a long-term business vision, sustainable

and responsible. For us, it is the guarantee for the future and the best way to be close to our customers and safeguard our core values (leadership, trust and social commitment).

We strive each and every day to improve and enhance the service quality that we provide.

How do you see the future of retail financial services? How will la Caixa ensure that it is always one step ahead?

Predicting the future in an ever-changing climate is always difficult, but experience shows that the most successful retail financial institutions are those that place customers at the centre of their strategy. There is something that we can be confident will not change: customers need to trust their bank. Building up that trust requires many ingredients, among them: transparency; honesty;

and an outstanding value added proposition. We believe that being close to our customers is the best way to learn about their needs, present and future, and adapt our offerings accordingly.

Innovation, the fundamental capacity to adapt to and anticipate change, has been critical to maintain the confidence of our customers and to grow our customer base. We have maintained our efforts at innovation through good times and not so good times. We understand that innovation means providing better service for our customers. Technology, understood as technical progress, sooner or later becomes available to all players in the financial market. The difference is how each institution employs new technology as part of their overall strategies for the ultimate benefit of the customer. ■

An attractive business challenge



Despite the current difficult macroeconomic environment, the SEE region is a very attractive banking market, says **Hypo Alpe-Adria-Bank's Neven Raic**

The Western SEE countries, or the so-called Western Balkans, are particularly attractive for business. This region consists of the following countries: Slovenia and Croatia, which are already members of the European Union; Serbia and Montenegro as EU candidate countries; and Bosnia and Herzegovina. These five economies are strongly connected and represent a homogeneous market with similar languages and customer needs.

Significant potential

The mid-term GDP growth outlook for the SEE countries is significantly above the Eurozone average. Furthermore, the SEE countries show significant catch-up potential in terms of their overall GDP and the level of banking penetration compared to Western European countries in geographical proximity, such as Austria.

The SEE banking market is dominated by Western European players (mainly Italian, Austrian

and French wholesale banks) whose expansion into SEE up to 2007 has been viewed as a natural geographical extension of their existing CEE presences. Given their sizeable presence in their respective home markets, for most of the foreign bank groups the SEE region plays only a minor role and is mainly viewed from a regional business mix perspective. Hypo Alpe-Adria-Bank (HAA), meanwhile, is the only Western European bank group that operates as a regional 'pure player', with an established integrated, centrally controlled bank network and a base of approximately 1.3 million clients.

A customised approach

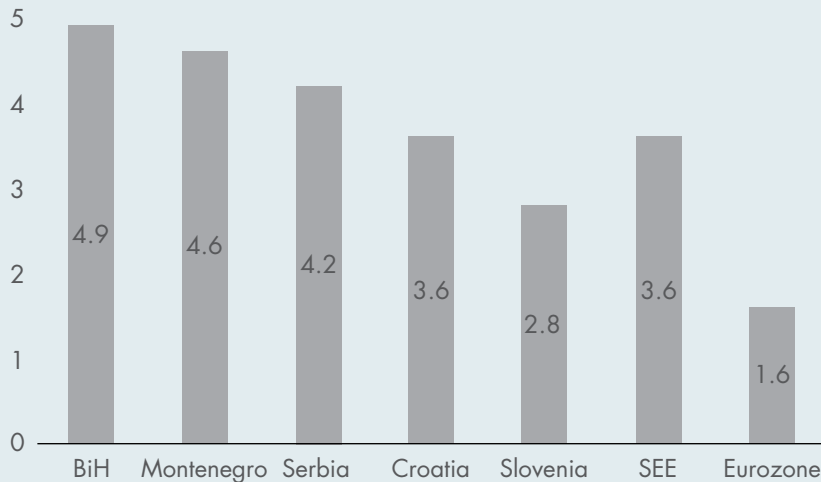
The HAA business model is focused on retail banking, especially on affluent and SME clients, as these two segments show the highest growth rates as far as the client base and revenue pools are concerned. HAA's affluent banking, for example,

focusses on the specific product and service needs of this growing client group. To ensure that we provide the highest quality of advice with personalised solutions for our affluent clients, our personal bankers receive continuous training and have to pass exams to achieve the relevant qualifications. This is in line with HAA's positioning as the service leader in the SEE market, and not as the price leader. With an attractive product range and additional benefits for clients, HAA's affluent strategy occupies a unique position in the region.

The continuous further development of the range of products and services, with a focus on our clients' needs, has received recognition not only from the customer side, but also from renowned international market research institutes. We have made noticeable investments in service quality, modern sales channels and a professional sales force over the years. HAA clients are extremely

Strong mid-term real GDP growth outlook

Real GDP growth



Source: Based on Global Insight

balance between 'brick or click' does not come down fully in favour of one or the other. The branch will remain the major contact point in the future for SEE countries. In addition, there are clear signs of increasing investments in internet and mobile banking over the past three years in Europe. For our bank the trend is noticeable in particular for affluent clients, who demand an innovative approach to communication. We developed and implemented Hypo m-banking in Croatia and in Serbia with success, after observing the potential for this, requests from clients and the upcoming trends.

Last but not least, people in this region pay more attention to price and quality when purchasing. The SEE client manages his money carefully; he demands quality and honest prices. With regard to quality, we can only confirm that our affluent concept focusing on advisory services for the individual client does indeed reflect the needs we have discovered from our research.

With its *Lifestyle Market Research 2013*, Hypo Alpe-Adria-Bank is in possession of valuable insights into markets from Slovenia to Montenegro, customer behaviours, fears and needs for the future. The examples described above show that we can see how to use the findings achieved through our expertise and specialised research.

Overall, the SEE market is challenging but highly attractive for those who have a thorough understanding of the market and customers, and have an appropriate business and operating model. Hypo Alpe-Adria-Bank has both of these, plus a unique focus on this region and a very attractive business base with approximately 1.3 million customers. ■

Neven Raic is head of group retail banking at Hypo Alpe-Adria-Bank.

satisfied and we ensure that we constantly raise our standards.

Nevertheless, profit counts most; therefore on the sales side we put a great deal of effort into sales force effectiveness and risk-adjusted pricing. Our operating model guarantees efficient and effective support for the business, based on a modern IT platform, centralised back office units and coherent cost management. This is supported by effective collection and remarketing, cutting edge risk management and NPL management.

Client intelligence

Our *Lifestyle Market Research 2013* study looked at the five countries where we are an acting player. The aim of the research was to see not only the differences or similarities between the countries, but also those between the SEE region and CEE Europe. The results show that there are no major differences between the five countries in the SEE region, but still we can derive

a few items of specific information. As the first example we can take the use of the internet, which is much more frequent in Slovenia, Croatia and Serbia than in the other SEE countries. Compared to the rest of Europe, with 63% of the European population using the internet, Croatia, Slovenia and Serbia are above the European average, while Bosnia and Montenegro are below this. As the new media offer enormous opportunities for customer interaction and we know that trends in internet communication are developing faster than in any other industry, this topic has to be given priority in our sales, distribution and marketing strategies.

Secondly, the findings of various European research studies show that in Europe the branch network is, and will remain, the number one distribution channel, and this was also confirmed in our survey of the SEE region. Although alternative channels are on the increase in Slovenia, Croatia and Serbia, the

Price matters



The importance of effectively managing price in the CEE region is undisputed. However, the practical implementation of key pricing instruments reveals considerable gaps in some areas. **Peter Klenk** and **Alona Matyeshena** from **zeb/** tell us more.

An international study carried out by zeb/ on maturity levels among financial services providers has identified important areas of investment that can help domestic and foreign financial services providers take a big step forward. The survey involved over 170 decision makers from across the CEE region, including 34% from management boards and top management.

The experts were asked to evaluate both the current maturity level and the relevance of their pricing strategy, the pricing itself, price enforcement and price controlling. By linking the importance of an aspect with its maturity level, it is possible to identify the areas in which financial services providers should invest the bulk of their resources.

One finding stood out immediately: only 30% of participants agreed with the statement that “our products and services are generally more expensive than those of our competitors”. This means that there is a latent assumption or fear that competitors make better use of their pricing latitude and/or that the participants undersell themselves. This applies equally to all business areas.

Building on success

What also became clear is that pricing champions can only be created by carefully combining several success factors. Financial services providers that managed to improve their business volume and profit in the last three years confirm an extremely high degree of maturity at a global level in the areas of market positioning, price calculation transparency, profit orientation in the target system, price management guidelines and balance between centralised and decentralised price determination.

Market positioning

A clear market position is the basis for consistent brand delivery at all points of contact with customers and potential customers. A position as a quality provider, for example, presupposes that services or service packages (and not individual prices) are the focus of customer communications. So the pricing excellence of an institution is heavily influenced by the extent to which it manages to implement a (pursued) brand positioning both in the price/service models and in discussions with customers. This is increasingly the case given that – as the latest zeb/

Private Customer Study also shows – almost all product fields are subjected to fierce predatory competition.

Price calculation transparency

Awareness of the minimum calculated price for the main products and services is the key prerequisite for successful price enforcement in the market – especially when traditional cost elements as well as customer and competitor characteristics are taken into account.

In the lending business, for example, it is possible to analyse whether certain customer, product, or competitor characteristics have, in the past, proved to be ‘margin drivers’, which can in the future be transformed via a scoring model into a basis point markup or markdown, thus resulting in a more clearly differentiated price recommendation.

Profit orientation in the target system

The profit-oriented and margin-oriented approach of many pricing champions forms the focus of their business strategy and, as a result, frequently also their system of targets and incentives. A target and incentive system must

always synchronise the requirements of the individual departments of a financial services provider with those of its customers and must prevent the failure to achieve earnings targets from being compensated for by achieving or exceeding other objectives, such as activities, customer loyalty, product usage, and so on.

Price management guidelines

Uniform guidelines in price management that define pricing-relevant cornerstones for sales and distribution processes in particular are frequently used by pricing champions.

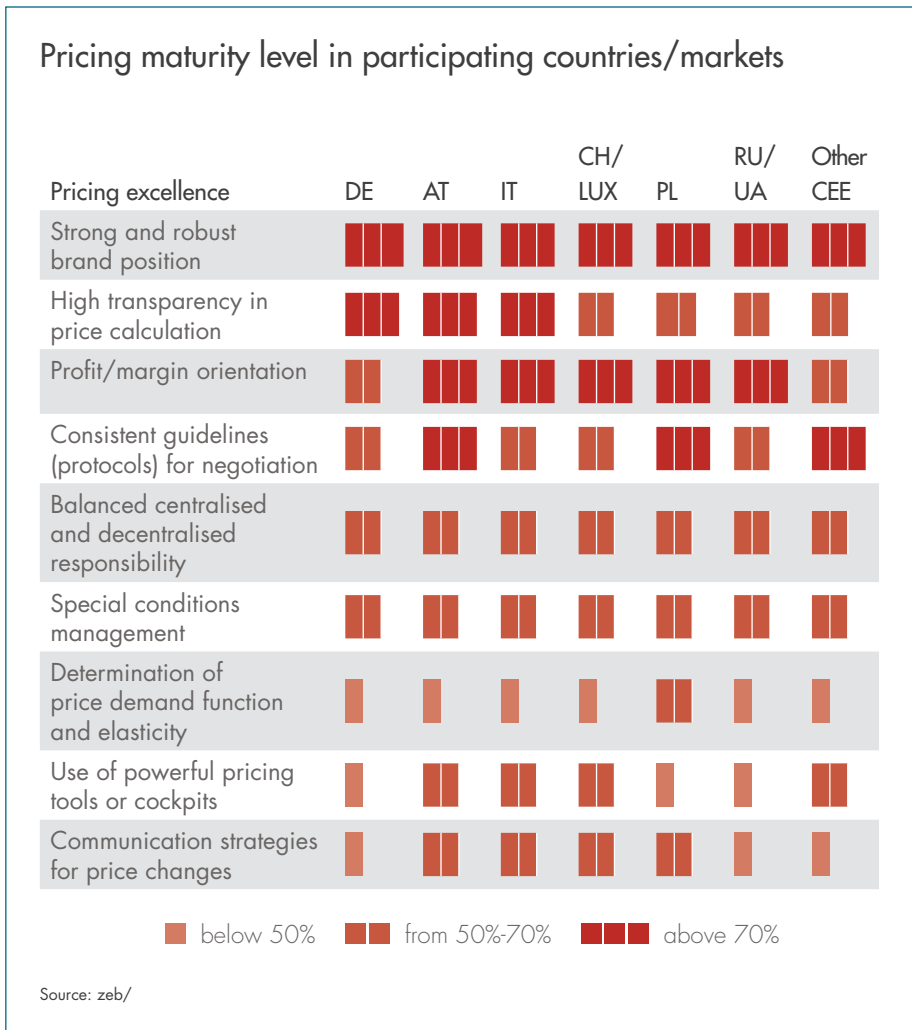
Balance between centralised and decentralised price determination

Pricing champions in the study exhibit an above-average “healthy balance between central and local pricing”. To be able to respond to a customer’s ‘soft facts’ in a consulting situation, both the necessary business orientation and, in particular, total bank management are mentioned. An important element in this is the integration of stimuli from total bank management into pricing at the point of sale, because price determination must focus not only on customer and competitor perspectives, but also on internal necessities.

The path towards excellence

Based on the results of the study, pricing excellence ensues from just a small number of success factors which, if they are fulfilled, can bring with them considerable earnings benefits. It is crucial that these effects are evident in the form of integrative interplay only – focusing on just two or three success factors does not create a pricing champion.

If we examine the retail banking, private banking, and corporate banking business areas under consideration, we can see that there are considerable differences. For example, profit orientation is less pronounced in private banking than in other business areas and the maturity



level of guidelines in retail banking and corporate banking is lower than in private banking. What’s more, a function or department in the company that is exclusively responsible for price management is seldom found in retail banking or corporate banking. There is also less cost transparency in private banking than in retail banking and corporate banking.

Discernible country-specific maturity levels in pricing

If we look at the results for selected countries, there are discernible differences both in the success factors described above as well as in other pricing aspects. Austria, Italy, and Poland in particular appear to be somewhat further developed than the

German banking market in terms of profit orientation in the target system and in the development of guidelines for price management.

German financial services providers appear to be very critical when assessing their own performances in terms of price management – with the corresponding potential if targeted investments are made here. However, this potential is very unevenly distributed among the business areas involved. More in-depth analyses will help to identify the correct starting points. ■

Alona Matyyeshena is a consultant and Peter Klenk is head of the pricing competence team at zeb/.

Creativity in times of crisis



Thomas Vajay and Stefan Kainz explain how traditional Austrian bank BAWAG P.S.K. leapfrogged the competition in delivering banking services to retail customers – and is reinventing its business model along the way.

Austria benefits from close to 4,500 bank branches and over 800 commercial banks for 8.5 million inhabitants – an astonishing 25% more bank branches than Norway, Sweden and Finland put together. This is only one of the reasons why Austria is deemed one of the most competitive banking markets in Europe.

There are also other challenges facing Austrian banks. First, we are living in a time of great demographic change. The result is a worldwide power shift to emerging countries and an aging society in the developed countries with the risk of a massive prosperity gap. The next twenty years will be dominated by increasing individualisation and complete digitalisation, shifting between the poles of ongoing globalisation and an increased longing for locality.

Second, the current macroeconomic environment is marked by a persistent phase of historically low interest rates,

with only a slight increase expected over the next few years. The global economy is recovering slowly from the crisis and the annual growth rates in Europe are expected to remain low.

Third, regulatory challenges like capital requirements, accounting changes, liquidity ratios, deposit protection schemes, new taxes and levies are best known to everybody in the financial industry.

Last, we are confronted with the fact that customers' expectations are growing. They demand convenience and influence. People have learned from their smartphones and mobile devices a 'plug and play mindset' that will be transferred to banking services as well. Customers are realising that banking is necessary while banks are not – as Bill Gates predicted almost 15 years ago.

An unfavourable starting position

While these challenges are relevant to the wider banking industry in developed markets, it is the solutions –

and outcomes – which make BAWAG P.S.K. stand out. In early 2010, the situation of the retail business was far from rosy: the two separate brands of BAWAG and P.S.K. Bank had limited attractiveness. There were two separate branch networks, a loss of market share and customers, and negative financial results.

Hence, four years ago, we set out on a comprehensive, multi-year transformation programme that addressed the very core of our retail franchise. It started with defining a clear mission that builds on some core strengths in the cultural DNA of the bank. *'BAWAG P.S.K. is the pioneer of intuitive banking in Austria: fair, transparent, easy to understand, emotionally appealing, anytime and everywhere'*. This mission statement has been widely communicated and explained throughout the bank and provides guidance for change initiatives in various departments, from strategy to marketing, from sales to operations.

Fostering a culture of innovation

Businesses thrive when they are able to rigorously design and offer products and services with a customer focus. But human-centred design has not been a core capability of traditional banks.

Therefore, in the early stages of the transformation process, BAWAG P.S.K. opened its own innovation lab – the iLAB. It is a design thinking laboratory where interdisciplinary teams create and develop ideas from a customer perspective. The iLAB challenges traditional banking models and is looking for differentiating solutions because innovating will be the new normal. Hence, banks need ecosystems for learning how to experiment and prototype. Understanding future needs and delivering ideas and products on that basis also beyond banking will be tremendously important.

Transforming the physical channel

One of the first priorities was to transform the channel structure. Within two and a half years we reorganised 1,200 P.S.K. bank outlets and 160 BAWAG branches into around 500 joint BAWAG P.S.K. branches that are operated together with our strategic partner, Austrian Post. This in-store branch solution leads to a win-win-win situation. Customers profit from one-stop shopping for bank and postal services and from longer opening hours (Monday to Friday, 8am to 6pm and Saturday mornings). For both parties, Bank and Post, cost sharing is an efficient way to ensure a nationwide presence. On top of that, BAWAG P.S.K. gained an unrivalled access to non-bank customers.

Transforming the digital channel

Next on the list came the transformation of the digital channel based on the expectation of rapidly changing customer behaviour. It started with the customer-centred redesign of



BAWAG P.S.K.'s new branch design with a suite of product boxes

the online transactional offering, the electronic banking page. Then, the mobile offering was created with a native smartphone app, followed by an extended tablet app – both showing very high acceptance and usage rates by customers. Our latest digital launch was a rebuilt homepage which is centred on providing quick and relevant information on banking products and services. Based on this information, customers shall be directly guided to checking out the product online, in the call centre or handed over to branches if requested by the customer or required by law.

Simplifying products

In order to fully leverage the potential of the physical and digital channels, products and processes need to support the intuitive proposition. On the product side, BAWAG P.S.K. launched a suite of physical product boxes for current accounts, loans and savings/investments. These tangible, simplified boxes are on display in the branches and on the digital channels and are used for addressing potential customers as well as for up- and cross-selling to existing customers. Holding a product in your hands makes all push

and pull activities much easier – for advisors and for customers.

All these elements contribute to BAWAG P.S.K. demonstrating significant early achievements in its transformation effort: attracting 80,000 new customers per year, improving customer satisfaction, increasing overall product sales and outperforming the Austrian market.

The key to success

All these efforts and results are based on one fundamental belief – the banking industry is at a crossroads and one promising route for a mass market retail proposition is a system banking approach. This approach requires optimisation of all elements of the business model to deliver an attractive customer experience, consistency in every channel and every branch and standardised and efficient processes. On this route we can learn much more from a system catering pioneer like McDonald's than a traditional banker might expect. ■

Stefan Kainz is head of retail innovation, strategy and planning. Thomas Vajay is head of innovation at BAWAG P.S.K.

Europe's growth engine



Erste Group's Rainer Münz and Zoltan Bakay reflect on what has been learnt from the recent past in the CEE region and what the future challenges for the next decade will be.

CEE is known to be the emerging part of Europe. During the past years of crisis its highly open economies proved to be flexible, adaptable and, as a result, did much better during the years of crisis than other parts of Europe. Growth rates in the pre- and post-crisis world exceeding those in most of the old EU are a clear indication. The way CEE dealt with the crisis is probably the reason why Europe's perception of CEE has changed somewhat. Coming from a status as newcomers the region – and in particular the Visegrad 4 countries under the informal leadership of Poland – have gained a much stronger voice within the EU.

In the past couple of years CEE benefitted from its close attachment to the German economy. Being the regional supplier of German industry, CEE managed to indirectly access international export markets. However, in the long term even this favourable position has its drawbacks.

Above all the region has to face the challenge of stepping up from its role as economic hinterland of the more developed part of the union. This is probably the big question of the years to come.

Closing the gap to Western Europe

Economic development since the fall of the Iron Curtain has been driven primarily by productivity gains stemming from a continuous inflow of Western capital and know-how, most prominently from Germany. In particular, the post EU accession period formed the region's character as supplier of the German industry. This one sided dependency may be a convenient position for the time being. However, German economic success may also hide the fact that CEE is currently a complete function of Germany's global economic performance. Should the German engine stutter, the region as a whole will be rattled. What's more, the region has to focus in the long run

on not getting stuck in its status as supplier of, however technologically advanced, cheap labour. In other words, the region has to avoid what experts call the middle income trap.

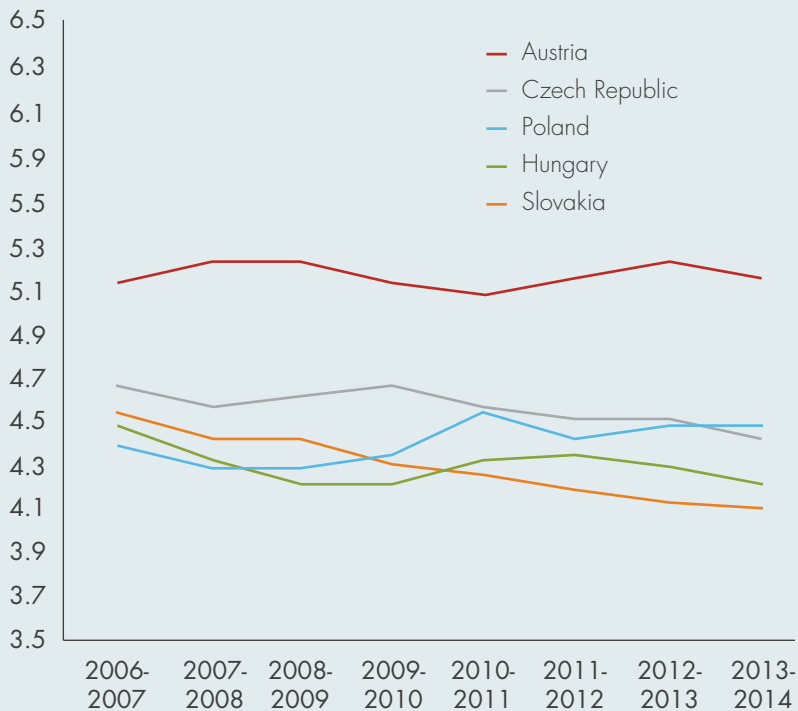
A good indicator of this may be the fact that competitiveness of the region has come to a halt in recent years. According to the *Global Competitiveness Report*, among the Visegrad 4 countries only Poland managed to improve its competitiveness lately. The Czech Republic, Slovakia and Hungary lost ground. This latter group is characterised by its supreme degree of openness and fairly small internal markets. Contrasting to this, Poland is less open and represents a substantially larger internal market.

So what are the options?

Experts almost unanimously agree that the key element of further development will be to step up competitiveness. Competitiveness should, however, not be reduced

Central European countries in the Global Competitiveness Index 2006-2013

(scores from 1 to 7, with 7 corresponding to the best performance)



Source: Global Competitiveness Index data platform

to labour cost advantages. The concept embraces factors like the quality of institutions, infrastructure, the macroeconomic environment, education systems, technological readiness, access to finances, innovativeness and business culture. This complex mix poses the real challenge to CEE in the next decade.

So what should be addressed? One heritage from the pre-transition period is the lacking integration of the regions' basic infrastructure. This applies to the road and railway systems as well as the regions' energy markets. For example, one can drive from Warsaw to Vienna on a highway, but there is no direct connection between Warsaw

“The key element of further development will be to step up competitiveness”

and Budapest. Meanwhile, the train ride from Bratislava to Vienna (65 km) still takes one hour. Travelling from Cologne to Frankfurt (190 km) in Germany takes about the same time. In particular the connection of the main economic centres such as Silesia, upper Moravia, Budapest, Vienna, Bratislava, Prague, Wrocław, Kosice and Krakow would give a supreme economic boost.

High dependency on Russian gas imports and lacking connectedness of regional electricity markets hamper the development of competitive energy markets. More than technical barriers, political barriers have to be torn down in this respect. Safe and cheap energy supply currently impedes investment in many parts of the region. Relieving this situation would be of great benefit, but so would be the reduction regulatory divergences in this field.

Another important aspect of increased competitiveness is the broad field of innovation. It is a well-known fact that innovation is one of the most important aspects in escaping the middle income trap. The prerequisites of more innovation are improved educational systems as well as more research and development activities. Better regional cooperation – with technologically more advanced economies like Austria could be helpful. Cross-border cooperation – by running common research centres could help to reduce cost pressure and to exploit the benefits of more specialisation and effectiveness as well improved commercialisation of research activities.

Finally, the lack of mature capital markets denies companies in the region to raise funds to meet their needs. One option for the region would be to improve the integration of today's highly fragmented capital markets. A first step could be the merger of the two leading regional stock exchanges in Warsaw and Vienna. ■

Rainer Münz and Zoltan Bakay both work in Erste Group's Research and Knowledge Center.

Engage, delight and inspire

Efma's Customer Journey event will take place from 13-14 May in Barcelona. Here we talk to a number of the speakers to find out what their key message will be and to understand the importance of creating better experiences for customers.

You're going to be speaking at Efma's customer journey event. What are the key topics that you'll be covering?

Navarro: We will share Banco Sabadell's digital strategy and how we are developing new services through digital design and open innovation. In the new digital era, banks need to accelerate transformation and innovation of products and services to compete with both new and existing players.

Perilli: Our topic will be about gamification designed for relationship managers. We believe that the professional journey of every banker's career can be gamified. For example, there could be a role-playing game in which the more you succeed in gratifying customers in real life, the more your avatar grows within a digital space. It's all about the increasing importance of people's engagement and how this is even more relevant in relation to productivity. In a world where being part of something and sharing your achievements with your peers is embraced, we believe that using

social and game mechanics to motivate people is the way to go.

Karkal: I'll be talking about people as products. At Simple we spend as much time and care on building our customer relations team as we do our products. I'll talk through how pairing truly human customer service with a seemingly low-touch digital, branchless product drives an organic viral customer coefficient. And I'll shine a light on how Simple customers and their experiences are one of our strongest marketing and communication vehicles.

Yuste: I will be talking about digital transformation in retail banking and the challenges associated with this in three areas. First, in the cost structure of the business, which is traditionally driven by a big network of physical offices. Second, product and service development and the need to be more dynamic, flexible and customer-oriented. And third – and this will be the main focus of my speech – the customer journey. How customers relate with my brand and the importance of the multichannel scenario.

How important is the customer journey in today's operating landscape?

Yuste: Today, with the shift to online channels, especially mobile, it is really important to consider the main touch points and expectations of our customers. In the near future, more than 80% of the interactions of customers with our bank will be through digital channels and visits to the physical office will be relatively few. So the customer experience online, teamed with meeting their overall expectations, becomes key to retention. We also have to take care of the multichannel experience, ensuring consistency across all channels including the branch.

Perilli: The balance of power has dramatically shifted in the last three decades. Customers now have a wider choice and crave an emotional relationship with their brands. Banks should accept the challenge of becoming 'lovebrands', as new technologies allow them to be a useful and daily presence in their customers' lives. It is necessary to provoke an emotion; to impress customers with something so unique that it is also rewarding. It's like in a loving

“The customer *is* the operating landscape. Any product or financial service is only as powerful as its demand and customer satisfaction”

Shamir Karkal

relationship with another person: those things become key features, if you want a lasting relationship that becomes indissoluble over time.

Karkal: The customer is the operating landscape. Any product or financial service is only as powerful as its demand and customer satisfaction. If you fail to listen and iterate, something better will come along.

Navarro: The customer journey is crucial in a digital and multichannel world because customers are interacting through multiple platforms, devices and screens all day long.

Where do most banks fail in providing an exceptional customer journey?

Karkal: In the States, banks earn over 50% of their revenue from fees and charges that result, in a large part, from customer error or confusion. Bank branches are intentionally, serially understaffed to provide tellers with ample opportunity to cross-sell products that customers don't need. This general misalignment of incentives is untenable. It leaves a massive industry ripe for disruption. As Shakespeare said: “There is a tide

THE PANEL



Boris Perilli
Customer service business analyst, CheBanca!



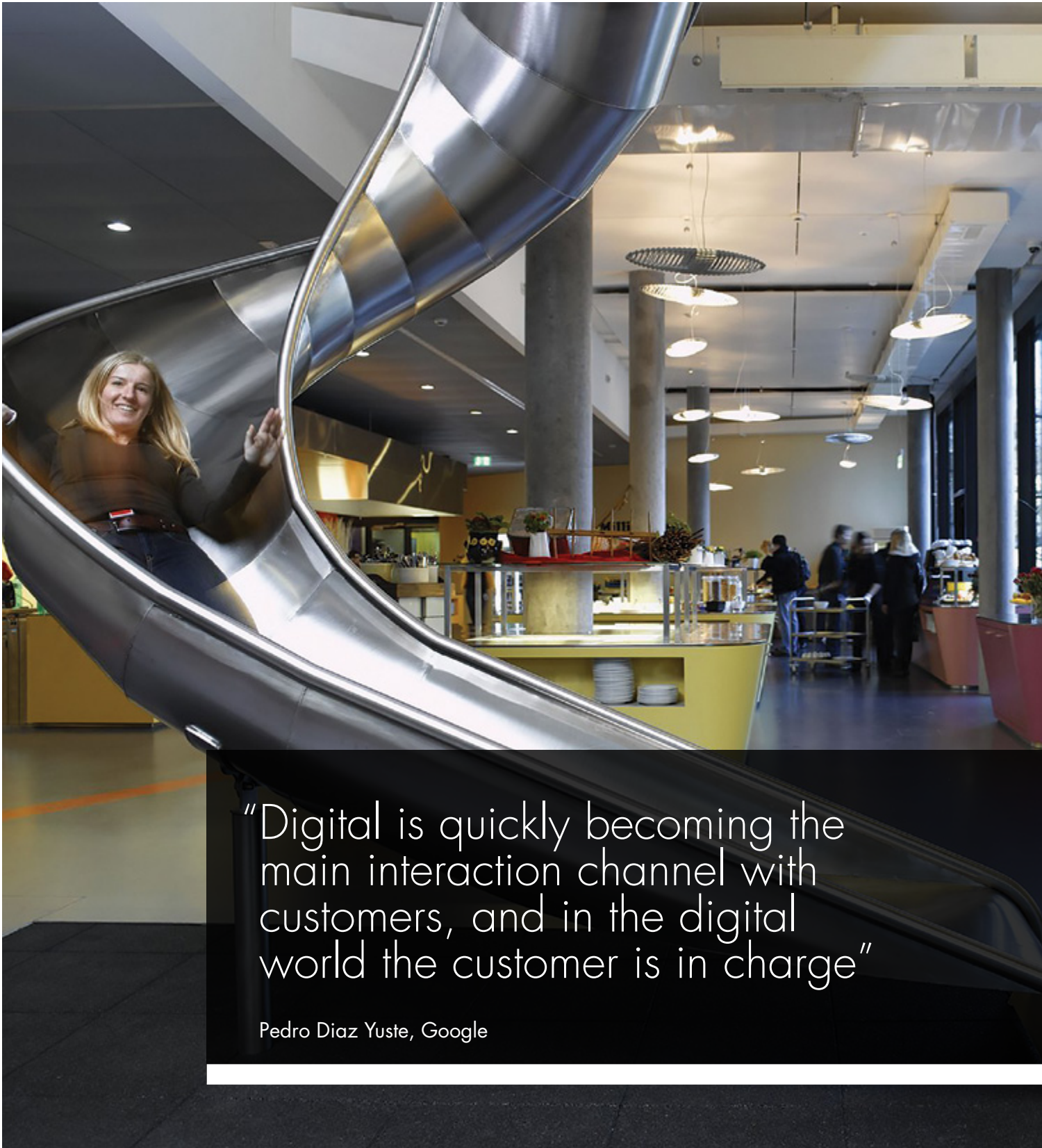
Pedro Diaz Yuste
Head of sales - financial institutions (banking and insurance), Google



Pol Navarro
Head of digital channels and innovation, Banco Sabadell



Shamir Karkal
CFO and co-founder, Simple, USA



“Digital is quickly becoming the main interaction channel with customers, and in the digital world the customer is in charge”

Pedro Diaz Yuste, Google

Google's head office in Zurich

in the affairs of men which, taken at the flood, leads on to fortune. Omitted, all the voyage of their life is bound in shallows and in miseries. On such a full sea are we now afloat, and we must take the current when it serves, or lose our ventures.”

Navarro: Some banks fail in understanding service and business design from a customer perspective. Banks should identify customer behaviour when it comes to digital channels and re-design processes with a new experience in mind.

Perilli: The lack of consistency is a major danger. Yes we have superb home banking and mobile applications, plus digital wallets, PFM tools and proactive relationship managers. But do all these wonderful things work together in harmony? You can't expect to be close to the customer at different times of the day if the tools built to accompany them keep struggling to talk to each other. It leads to the customer feeling disoriented, and leads them to choose something else.

Yuste: In general, banks are really focused on the customer experience at the physical office and also about customer service via phone. But they lag behind regarding the online user experience, interaction and engagement. And this trend is even more important in mobile. It's also important to improve the multichannel experience, making it more consistent.

What are the key elements that banks need to get right in order to succeed?

Karkal: While it can greatly improve the customer experience, technology is no substitute for empathetic, responsive, and human customer service. Simple has smart, empowered people answering customers' questions in near real-time. Customers live in the now, so should banks. Our customer service sets us apart just as much as our technology, and even if banks get the technology right, they have a long way to go with service.

“Some banks fail in understanding service and business design from a customer perspective”

Pol Navarro

Perilli: Managing information well, with clear and perfectly communicated positioning, a useful and friendly use of technology and distinctive human interaction when needed are the key elements to success.

Navarro: First of all, having a wide view of all customer interactions and key customer journey processes (onboarding, credit card usage, etc.) is important. Next, it's also crucial to incorporate customers in the design processes and pre-launch.

Yuste: Digital is quickly becoming the main interaction channel with customers, and in the digital world the customer is in charge. Banks, therefore, have to work very hard to improve the customer journey in digital, mobile and the interaction with other channels. This means big changes in technology as well as more agility, more flexibility and changes to key processes in the banking industry regarding customer acquisition and customer service and interaction. They have also to consider online as a key element to build the drivers of their brand proposition, and I am talking of both changing media mix and engaging with online users in an effective way.

How do you envisage the customer journey in ten years' time?

Karkal: In ten years, the customer experience will be largely digitised and banks will have to quickly learn and adapt their products and

services to meet a rapidly changing financial landscape.

Yuste: Banks will engage with potential customers through digital channels, beginning the customer journey much earlier on. Mobile will be the main interaction point and customers will choose their bank based on the user experience (specifically in mobile). Changing banks won't be difficult. Banks will take advantage of big data to provide an excellent customer experience and to take advantage of new opportunities.

Perilli: Banking will become portable – more personal, mobile and digital, but still physical in when necessary. Retail banks will become specialists in helping people with their 'financial fitness', helping them to better manage their financial lifecycle. Who else, if not banks, should teach people to manage their money, rather than save in the true sense of the word? Customers should be able to rely on their banks to help them manage their money, starting from the A-B-C.

Navarro: Banks will need to adapt to real-time customer interactions from multiple internet-connected devices. We will have real, hyperlocal experiences (connection between digital spaces and physical branches.) There will be a decoupling of some services/products such as payments to deliver a more tailored customer experience. ■

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A winning formula

There has been a considerable change in customer, market and regulatory attitudes over the last few years, which has a remarkable impact on the ways in which banks sell their products and services.

Finding a winning formula is no easy feat. Many banks are investing heavily in self-service channels, in particular their mobile strategy. Some are focussing their efforts on analytics in order to better predict customer needs. And others are trailing a new approach to sales altogether.

In this special feature we hear from banks across the globe to better understand their approach to sales force effectiveness.



Successful sales in Asia

Walk into a retail bank in Asia and you may well see crowds of customers waiting to talk with sales staff; a scene that has been unchanged for decades. Outside of that traditional milieu, however, a multitude of transformations are underway to increase the effectiveness of the sales force. **Richard Hartung** explains.

According to management consultancy firm Bain & Company, mobile and online channels can reduce costs by up to 95%. With this in mind, it's easy to understand why banks in Asia are working to move transactions out of the branch. However, despite the cost advantage of mobile and online channels, in-person sales continue to appeal to consumers who have more complex needs or a more traditional mindset, and branches still play a major role in sales.

In a recent interview, for example, the CEO of National Australia Bank (NAB) told Ovum that customers still want to talk to a real person from time to time for everything from simple servicing requests to more complex advice. What banks then need is to use the branch channel better. Rather than simply replacing physical channels with digital ones, NAB sees a merging of channels so that they complement each another.

Bain said another practice that leading banks in Asia are using to maximise the value of their branches is sophisticated modelling techniques, geo-demographic data and geo-mapping software to improve decisions about the branch network dramatically and deploy innovative branch formats that improve network economics. The leaders are also changing goals, behaviours and incentives for staff so that they make the most of new technologies. The right site within the right location can lift branch performance by roughly four times, Bain found, and in developing Asian markets branch science has caused returns on capital expenditures to double.

Along with in-person sales in the branch, some banks in Asia have begun using innovations such as virtual tellers to increase branch sales with support from staff in remote locations. POS specialist NCR said some banks in Southeast Asia are now using interactive

tellers for tasks including opening new accounts and loan initiation, so that customers can open accounts 24/7 with the help of a remote teller.

As customers' needs for speed increases, banks such as Kotak Mahindra Bank in India and RHB Bank in Malaysia are also turning towards paperless account opening and having branch or other sales staff using tablets to speed up turnaround time and increase efficiency.

Technology to drive sales

One of the key drivers boosting sales force effectiveness is technology and the most prominent is of course mobile, with an increasing percentage of sales by banks in Asia happening through mobile sales forces. Bankwest CIO Andy Weir told *Financial Sector Technology (FST)* magazine that the bank has optimised some of its customer sales system screens to support its mobile sales force, so that staff can use corporate



instant messaging, the phone and voicemail in a single app to increase their effectiveness.

In India, according to Celent's Wenli Yuan, HDFC Bank sales staff use a system that is closely integrated with an underwriting engine where dynamic questions are asked based on the details entered, which reduces turnaround time tremendously. The software has enabled sales staff to sell far more, with staff who use laptop or tablet-based software closing the sale in at least 80% of cases during their first meeting with a customer.

Similarly, according to IDC, AIA staff using mobile interactive point-of-sale devices that synergise technologies have effectively halved the turnaround times of the insurance purchasing process, so staff can focus on providing better financial advice to their clients.

Data drives sales

For staff inside and outside the branch, banks in Asia are also increasingly turning to data analytics to deliver the right information and make sales staff more effective. Central Bank of India, for example, implemented a data repository from IBM and an analytics solution that enables staff to obtain a comprehensive view of each customer across all branches and product lines, so they can anticipate needs and make decisions that maximise customer satisfaction and profitability.

In Singapore, OCBC Bank uses customer data analytics to determine individual customer preferences, then designs event-based marketing strategies that focus on personalised marketing communications across multiple channels, including e-mail, the call centre, branches, ATMs, direct mail, text messages and mobile. The bank has achieved a 45% increase in overall conversion rates

and a 60% increase in cross-sales, according to IBM.

And in Indonesia, Bank Permata uses software from NICE to identify sales opportunities and have staff act on them while they're meeting customers. The software guides staff through the entire process, from presentation of the offer through to fulfilment. It uses interaction context and the customer profile to identify a targeted sales opportunity, guide the agent, determine the right offer, provide key selling points and offer rebuttals to customers' objections.

Remote channels

Despite the improvements in branches and in tools for mobile sales forces, banks are still finding that online and mobile channels are more cost-effective. OCBC Malaysia's head of e-business Roy Heong told *FST*, for example, that online acquisition is currently the most effective and fastest-growing channel, with the fastest response time and a lower cost-per-new-account.

Still, some banks are using staff behind online or mobile channels to augment sales initiatives. Commonwealth Bank in Australia and its subsidiary ASB in New Zealand are among the leaders in social media, for example, and they have found that social media has become a very effective marketing platform, with sites like Facebook helping build relationships between the bank and its customers.

In Korea, Hana Bank is strategically integrating online and offline channels, using Hana N Cyber as an internet and mobile product sales model to acquire new customers. While Hana N Cyber supports an entirely remote process from application to execution of a loan via internet or mobile, without the customer visiting a branch, it also enables branches to sell more

“Banking leaders are turning to technology and analytics to enhance sales effectiveness”

effectively by minimising the time and space required as well as by enabling remote marketing through interconnected channels such as online and mobile.

While old-style sales practices still remain at banks in Asia and a local connection to people is important, banking leaders are turning to technology and analytics to enhance sales effectiveness. Sales staff who adapt to these new practices quickly enjoy better relationships and far higher sales than in the past. ■

Richard Hartung is the Efma head of content management for Asia.

Becoming highly recommended



Murat Höke outlines **TEB's** journey to becoming a customer-focused service organisation in Turkey and the benefits the bank is realising as a result.

Bankers typically focus on gaining new customers and retaining the existing customer base via deepening the relationship. Both require an effective and efficient sales culture as well as high levels of service, trust building, a transparent image and convenience. This should all be supported by an easy to reach network, optimum risk management, an innovative product portfolio serving customers' needs, effective pricing, the latest technology, a strong customer focus and more. Managing all of this in a balanced, co-ordinated and effective way is something of a science.

Establishing an effective and efficient sales force is important for both the acquisition and retention of customers and is one of the keys to sustainable value creation, since it is the driver of income generation. Banking in Turkey still has much room to improve when it

comes to this, but there's no doubt that TEB is leading the way.

Delivering a differentiated service

Creating sustainable differentiation is no easy feat, but we're making it our mission to deliver superior experiences and to become the 'most recommended bank in Turkey'. We're doing this by implementing a full customer experience transformation programme called 'Happiness is Contagious' which has various dimensions and steps.

In the first year of the programme we analysed our position and capabilities, defined our strategy, vision and motto and set up a new customer experience management department. We also conducted a series of cultural assessments and defined the KPIs for headquarter and branch staff. We then implemented a change programme focusing on the bank's culture and improving the skills

of all branch staff via classroom and online training and internal communications.

One of the biggest challenges was to increase the customer focus of our headquarter support functions. To do this we asked headquarter managers and directors to work one full day at a branch where they would carry out a number of different functions and also speak with branch staff and clients to gather insight and understand expectations and issues. Each visit was then reported back to the customer experience department. More than 150 headquarter managers and directors have worked at 94 branches, and more than 1,200 pieces of feedback have been reported to the customer experience department.

The feedback was then converted into actionable projects. In just six months around 300 actions went live and have been announced at the bank. Not only



this, but middle management customer focus has increased and branches feel that headquarter staff are more focused on supporting their needs.

Delivering at the moment of truth

The second stage of the programme began in 2013 when we planned to focus more on hard metrics. We've decided to use the net promoter score (NPS) for measurement of customer satisfaction because it's globally used, easy to understand and easy to assess. Typically you ask the customer how likely they are to recommend the bank to a friend, ask them to rate the bank on a scale of 0-10, and also ask for reasons for the scoring so that appropriate action can be taken.

Customers giving the bank a 10 are the strongest, most loyal customers. The ones scoring 7-8 are neutrals – ones that are happy but may easily leave the bank if they get a better offer from a competitor. Those scoring you between 0-6 are detractors – ones that create a negative buzz about the bank and which will leave once their loan payment is over. NPS is measured as the percentage of promoters minus the percentage of detractors.

Using this methodology we found that loyal customers are generating more net income due to their longer stay with us, their willingness to buy more products from us and because they recommend us to friends. Working out how to create more loyal customers, therefore, is key.

To do this we worked out what are the most important moments, products and services for each customer segment. We also established 20-30 moments of truth (MOT) for each segment. With top-down NPS analysis as a starting point, we analysed our NPS score against the market at each of these MOT to understand where we stand

against the competition and what other banks are doing better than us at each of these key points of interaction. We've made corrective actions based on these results.

A new way of doing business

It's important to embed customer focus within the company by making NPS part of the daily life of the bank, especially at customer touch points. With this in mind, we launched a bottom-up, daily NPS measurement project. This has seen us collect NPS scores for each relationship manager and at each branch via a dedicated team at our call centre.

Every day we collect scores from more than 2,000 customers. The day after we show the results to the branch manager, who will call customers directly to address any issues. We've found that this significantly helps branch managers to change the way they service the customer. This also generates competition between the managers in a specific business line, who all want to get the best score. The daily results of NPS scores are published publicly bank-wide, and also have an impact on bonuses.

In just one year we've sharply increased our NPS scores in all segments. The retail segment's NPS grew from 12 to 45. The affluent segment's NPS grew from 26 to 47 and the micro segment's score grew to 37 from 27. Similar results were shown for all other segments. What's clear is that good service pays off. Those banks that put increased focus on existing customers benefit from a more loyal customer base. Differentiation via customer-focused service is always an important opportunity, but banks need to define where to focus, what to do and what not to do. What's more, building a customer-focused service organisation needs corporate-wide buy-in and ongoing measurement of progress. ■



TEB's new format branches better meet the needs of its customers

Murat Höke is director of business development, customer experience and bancassurance at TEB Retail & Private Banking Group

It's time to stop selling!



Barnaby Davis from **Barclays UK** argues that it's time the words 'sales and service' are separated. To succeed in providing a better service, he says, banks need to listen to customers, not sell to them.

In today's customer-driven marketplace, there's no place for the sales managers of old. Gone are the days of high-pressure, target-driven selling; it simply doesn't work and instead drives the wrong type of behaviour – behaviour that we don't want to see at Barclays.

Everything we do at Barclays is with the customer in mind. In fact, we've eliminated sales altogether. If you think about it, it makes total sense. When a customer walks into a branch you're not going to be able to sell them a mortgage just because you're having a special 'mortgage day'. They either need a mortgage or they don't.

Focusing on customer needs

There are twelve key stages of our customers' financial lives, and these are the times that they will need some extra help. It could be for a mortgage, an investment plan, insurance or something else. At these times we make it a priority to be there for our customers and to offer the best advice possible.

But 96% of the time the relationship we have with our customers will be passive and transactional. By recognising this, and by making that experience as easy and enjoyable as possible, we are creating a bond of trust – something invaluable and something necessary if we want our customers to come to us in times of need.

Taking this new approach meant stripping away all staff incentives and commission. Today our staff are incentivised on a monthly basis only by what customers say about the branch they work in. We put trust in the fact that people come to work to do a good job.

The results speak for themselves. Since we stopped 'selling' in branches our customer service scores have rocketed from 60% satisfaction to an industry-leading 95%.

Changing staff behaviour

One of the biggest challenges of removing a sales incentivised culture

is convincing staff of the model's effectiveness. This is especially difficult when you're dealing with people who have developed traditional sales management skills over a number of years and who have a default way of working. Sometimes they don't believe there's another approach that's better; this can be a very challenging hurdle to clear.

Our strategy for addressing this has been multi-pronged. Perhaps one of the biggest successes has been the weekly conference call I make with around 15,000 members of branch staff. By speaking with them directly I make sure we're all singing from the same hymn sheet instead of relying on regional managers to relay information – sometimes that feels a little bit too much like trying to pass water through granite. The conference calls also put a voice to our culture for employees. There's a Q&A session at the end of each call, so there's a chance for them to get involved and ask questions.



Barclays has invested in its new branches to promote self-service options

I strongly believe that engaging directly with the frontline is a better way of leading. Without good colleague engagement you won't be able to make changes to the culture. It's very important to recognise that people come to work to do a good job – no one sets out to make mistakes or under perform. If someone isn't exhibiting good behaviour then it's the job of the leader to find the good in that person.

What lies ahead

In the future there's no doubt that service will continue to be the biggest differentiator for banks. A good digital offering will lay the foundation for this, and we're already finding that mobile is doing an increasing amount of the heavy lifting in the transactional space.

We have 2.5 million regular users of our mobile app, 25% of which have never used internet banking. Customers seem to appreciate the fact that they can use it 24/7

– it gives them a real feeling of empowerment and I think it is giving them more confidence in other aspects of their financial lives.

All this isn't to say that there's no future for the branch. There is clearly something important in the ritual of discussion being face-to-face. That's why we're investing heavily in new branch formats that promote the use of technology for everyday transactional banking, but that ensure we're always there from a face-to-face perspective too.

These new branch formats are 95% self-service but, by employing the same number of staff, we've found there's more time for training and they've generated a much better experience for employees and customers alike. We're committed to rolling out the new format branches at pace through 2014.

We've also committed to a groundbreaking project to install free Wi-Fi access across all branches, giving customers the ability to use

any wireless-enabled PC, tablet or smartphone to connect to the internet, download our mobile banking apps including Barclays Pingit, access barclays.co.uk and other internet sites – often faster than if they were using 3G. Together with the 9,000 Apple iPads being used in our network of 1,600 branches in the UK, our colleagues can now work with customers anywhere in the branch for maximum convenience. Customers can also see and immerse themselves in online apps on the iPad there and then, with staff close by to guide them through the features.

All in all, there's no doubt that we're very much committed to a service-led future for our customers and, with this approach, I'm confident that we will continue to realise high customer satisfaction scores and a very happy workforce. ■

Barnaby Davis is managing director of the UK branch network at Barclays.

Better banking

Caroline Crosdale explores how new, smaller branches are helping to revolutionise the sales process in the US.

American banks need to sell more and sell better. “The 2008 financial crisis hit the industry badly. Debit card use went down, lending demand declined – everything banks relied on was severely impacted,” explains Bob Meara, a senior analyst at Boston consulting firm Celent.

New regulations limit the fees that banks can charge on overdraft and debit card transactions. Big financial institutions compensate these lost opportunities with wealth management, but small credit unions don’t have wholesale business. “They had to quickly figure out what else they could do,” says Meara. “Out of necessity, they reinvented how to do things”. The big banks, including Wells Fargo, Bank of America, JP Morgan Chase and Citibank of course followed with their own solutions.

A lot of financial experts invest in management software. On the technology side, sales staff are equipped with customer relationship management (CRM) systems. “The idea is to use CRM to put the right sales lead in front of the right person whether they are online, on the phone or at the branch level,” says Meara. “For example, you learn that one of your customers is shopping for a good mortgage, so you will offer an extremely low rate.”

On paper this seems promising but, according to Meara, less than one in

five banks are using CRM software effectively. So workforce optimisation is going back to the basics: making better use of the branch. “50% of customers of any age still prefer to have a bank with a branch,” says Martin Shires, marketing manager at ATM provider NCR Corporation. “That’s why a lot of brain storming and pilot programmes are conducted at the branch level.”

Barriers fall

Giants like Bank of America and Wells Fargo are experimenting with smaller locations and less employees. Bank of America opened its Express Banking centre in New York City on Wall Street. The 2,200 square feet centre is one fourth the size of the usual branch. There are no tellers behind the glass. Customers do a lot of their business themselves with larger ATMs and employees roaming with tablets strapped to their wrists to help them with more sophisticated services. When they’re free from everyday routine, employees have more time to cross sell products of more value.

Wells Fargo in Washington DC is also experimenting with smaller branches. Its neighbourhood stores are one third the size of a typical branch and 40% less expensive to operate. Five employees replace the usual 10 or 20 staff members.

Credit Unions are trying their own recipe. University Federal

Credit Union in Austin Texas offers its student customers six Interactive Financial Centers. “There are no more barriers between the customer and the teller,” explains Sheila Wojcik, senior vice president of communication at the credit union. “The traditional branch has been replaced by an ATM, a podium and a collaboration desk. On the first visit, the personal financial representative walks the customer through all the steps. The customer learns how to access cash and how to make deposits. That first visit is all is needed to efficiently use the ATM, then the employee can concentrate on higher value services.”

University Federal executives appreciate the new concept. Staff went down from 12 to 5. It cuts annual employee expenses by US\$350,000. The collaboration desk is a success: customers like to discuss their needs. Membership went up 220% within the first six months of operation.

Better compensation, more loyalty

The employee able to multitask is, of course, highly skilled and better trained. “We are looking for a different calibre,” says Wojcik.

“The classic teller is rigid, orderly and process driven,” adds consultant Steve Reider, president of Bancography. “The new banker must be able to analyse, complete



An artist's rendering of University Federal Credit Union's new concept branch

a transaction and handle several customers at the same time."

In the past, University Federal Credit Union would have hired a teller that used to sell movie tickets, but now the bank is asking for deeper financial experience. "These employees are college educated, or they are coming from branches in grocery stores like financial services at Safeway, WalMart or Stop and Shop," explains Reider. "The grocery store has already an open fluid environment".

This new employee, usually called a 'universal banker' is better compensated and more loyal. There is a 30-40% turnover at entry level among classic tellers. "We've reduced it to 15-20%," marvels Wojcik, who is ready to adjust the salaries to the new skills.

"There is one third or half the salary tied now to performance in sales," explains Meara. "When the banker is effective, he makes much more money".

Bankers on the floor are changing, but technology is changing even more. NCR Corporation, owner of Ugenius video banking has more and more

customers trying out video call centres. Dollar Bank in Pittsburgh and Cadence Bank in Texas are just two of the 80 North American banks that are now deploying video tellers. Coastal Federal in Raleigh has 44 experts in a centralised call centre and 64 mini branches with video facilities in places where the bank would never have enough customers to open a large branch. The video concept allows the customer to speak at a distance with a real banker, write a cheque, open an account or make an appointment with an expert to get a loan. The bank reduces its teller costs by 40% and at the same time opening hours are extended. The Dollar Bank

personal teller machine is open from 8am to 10pm, six days a week.

These video call centres are not limited to three or four basic operations, on the contrary. "Trained people are expensive," emphasises Meara. "You need a licensed broker to do wealth management and small business lending is managed by an experienced banker, so financial institutions will not hire them in all the branches. But you can organise a video chat with the right people in a private office. Young consumers think that it is cool – and for the bank it is much more efficient." ■

Caroline Crosdale is a freelance journalist.

"When they're free from everyday routine, employees have more time to cross sell products of more value"

Driving profitable behaviours



The global insurance industry has plenty of room for improvement when it comes to providing positive customer experiences, especially given the strong connection between positive experience and profitable customer behaviours like making increased referrals and buying additional products. Capgemini's Jean Lassignardie tells us more.

The 2014 *World Insurance Report* from Capgemini and Efma, which derives its results from extensive surveys of insurers as well as more than 15,500 of their customers worldwide, offers deep analysis of the myriad factors that drive positive customer experience and in turn, profitability. Our findings underscore the particular advantages of providing experiences that customers view as solidly positive, rather than merely neutral. They further shed light on the importance of fully developed digital channels in shaping those experiences.

Measured strictly against a range of industry-standard efficiency ratios, insurers exhibited generally improved performance in 2012, leading to higher profits in most regions of the world. A significant reduction in the number of catastrophe-related claims, as well as better alignment between premiums and payouts helped boost insurer performance. Efficiencies gained from acquiring and serving

customers through direct channels and newer technology platforms also began to have a positive impact. In addition, a more stable macro-economy, combined with prudent investing principles, helped propel insurers' return on investment portfolios.

The customer experience

Our report measured insurer performance against Capgemini's proprietary Customer Experience Index. Customer experience is the sum total of a customer's interactions with a company, incorporating a wide range of variables, including expectations, values, standards, and perceptions. The results of this year's index indicate that insurance companies are steadily improving the experiences they provide customers. For instance, globally, the percentage of customers having positive experience with their insurer increased marginally from around 31% in 2012 to 34% in 2013. Even so, the overall level of customers citing positive experiences remains low globally.

Insurers in more than two-thirds of the countries examined increased their number of customers citing positive experiences, with those in North America and other developed markets in Europe mostly leading the pack. The United States was the most successful at providing positive customer experiences, while the Netherlands showed the most improvement from a year earlier with a jump of 18.2%.

Although the steady improvement is a welcome development, most customers describe their interactions with insurers as no better than neutral. A neutral attitude may seem benign, but in reality, it sets the stage for behaviours that are destructive to profitability. Customers with neutral experiences are considerably more likely to switch insurers than those with positive experiences. In Europe, for example, 21% of customers with neutral experiences are likely to leave their insurers, compared to only 12% of those with positive experiences (see chart).

Improving profitability

Positive experiences are, by far, the most effective in promoting customer behaviours that lead to improved profitability. Our research found that customers with positive experiences are nearly twice as likely to refer friends to their insurer. Such referrals are an extremely important lever in increasing market share. Customer insights carry extra weight with potential new customers because they offer a level of authenticity that cannot be matched by claims from the firm itself.

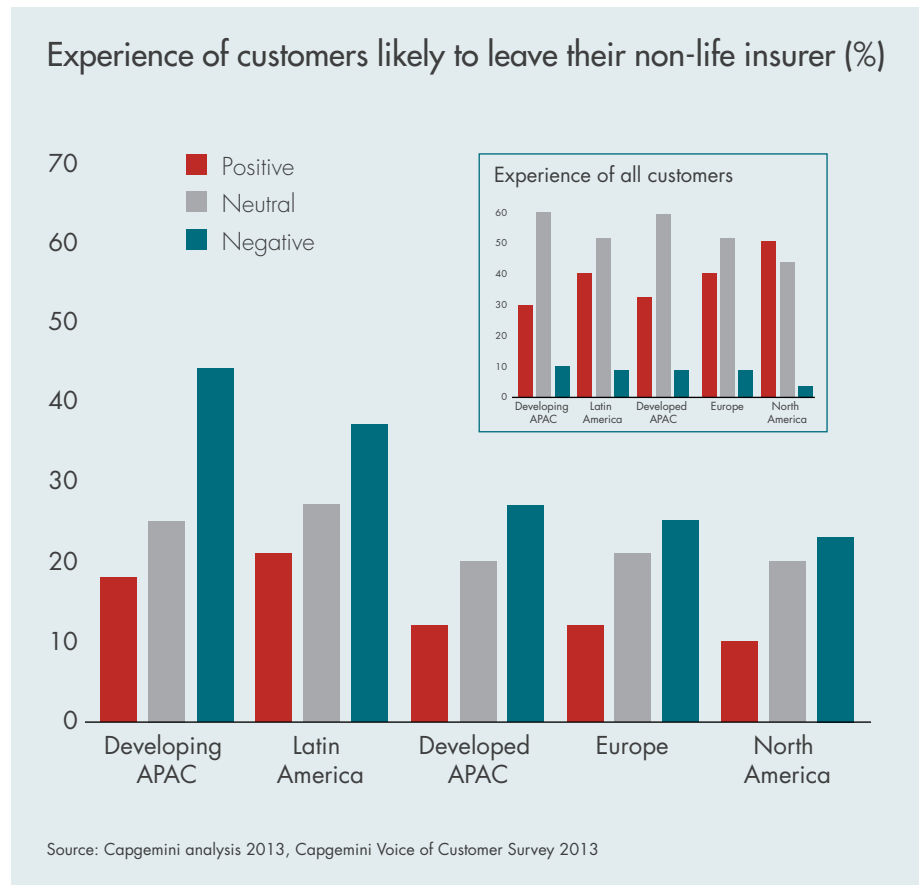
In addition to making referrals, customers with positive experiences are also more likely to buy additional products from their insurer. Selling more products to existing customers is cheaper than acquiring new customers. In addition, customers with more products are likely to stay with the firm for a longer time.

To ensure their rates of positive customer experience continue to improve, insurers need to make sure their delivery systems measure up to changing customer preferences. Though agents and brokers have long dominated insurance sales, customers are increasingly turning to alternate channels, including the internet and mobile, as they become more accustomed to the convenience of using digital channels in other areas of their lives.

Alternative channels

Despite a growing demand for digital channels, customers do not report a high rate of positive experience when using them. Of all the alternate channels, the internet is the most likely to provide a positive experience, with 41% of non-life customers saying so, and the mobile phone at only 31%. The numbers for life customers are even lower at 32% for internet and 26% for mobile.

While mobile is the least likely of all the channels to offer a positive experience, it has the highest impact when it does. Customers having a



positive experience via mobile are the most likely, compared to all the other channels, to refer friends. They are also the most likely to buy additional products. These findings indicate mobile holds the greatest potential to move customers toward more profitable behaviour. Insurers with insight into the specific actions necessary to create positive experiences via mobile will be most likely to reap benefits.

The gap was most evident among life insurers, which failed to deliver positive experiences in line with the importance customers gave agents and the internet (the channels cited as most important), as well as every other type of life-insurance delivery channel. To address the most serious gaps, life insurers should focus on empowering their agents through intensified training and better tools, while also enhancing the digital capabilities they offer through the internet.

The value of taking steps to support positive customer experiences is clear. By promoting more positive experiences, insurers can create an environment that leads customers toward more profitable behaviours, such as word-of-mouth recommendations and additional product purchases. A crucial step for insurers is to identify the channels most important to customers, develop concrete services or products to exceed their expectations for that channel and continuously monitor the product lifecycle improvements that can be made. An essential pitfall to avoid: making sure you are mapping the right products and services to the right channel based on direct customer and operational data and analytics. ■

Jean Lassignardie is chief sales and marketing officer at Capgemini Global Financial Services.

A digital breakthrough

Multichannel was just the beginning of this story – the retail banking industry is on the verge of structural change. **A.T. Kearney's Ettore Pastore, Torsten Eistert, Stefan Marcu** and **Mathias Ullrich** explain that the future is most definitely digital.

Efma and A.T. Kearney analysed the retail banking market in 27 countries, interviewing executives at more than 45 leading retail banks. This study reveals that putative changes within the retail banking industry are just the tip of the iceberg, as customers readily embrace digital offerings.

Digital banking is more than offering digital channels to customers. It includes a wide range of amendments to the existing operating model as well as to the customer interaction model.

Up to now, banks have extended most of their efforts on the digitisation of their internal processing – reducing manual interfaces, consolidating system landscapes and offering new digital features such as mobile banking applications, e-wallets, and personal finance management (PFM) tools. This will not – according to the study *Banking in a Digital World* – be sufficient to meet future customer demands and draw level with competitive non-bank offers. For example, players like Mint are acting as a virtual personal finance

manager to customers, across multiple bank accounts.

A much-needed overhaul

Retail banking offerings are to be overhauled through digitisation. While on the one hand, core products will be reduced, it will be mainly the large variety of value-add services that will give the offering a very individual and tailored flavour. This new mix will allow for reduced complexity in processing and systems, but at the cost of new operating models. Banks will need to take make-or-buy decisions and, ultimately, the operating model might incorporate strong third party products. Financial tech start-ups are already positioning themselves within these segments.

New efficiencies in non-standard processes

Besides new service and product provider constellations in banking, there are also significant improvements in internal processing capabilities to be expected from banks. While banks across the world are setting up straight-through-processing capabilities for standard processes, it is the

non-standard processes that are time consuming and costly. It is not the online transaction process that can be performed via mobile devices, but the mortgage advisory and opening process that still requires multiple manual interfaces. The future will require more robust straight-through-processing, similar to what customers are used to in other industries such as consumer goods, traveling and transportation.

A new culture

Another area banks have not looked into so far is culture and people transformation. Transforming from the traditional bankers' club into a customer-focused, innovative and fast player is seen as a major issue. "There is no Steve Jobs out there who can say, 'Follow me,'" one Italian bank executive said. "At a traditional bank, you need solid business cases and 120% support from all stakeholders." Addressing the attitude toward innovation may be the best place to start. "Our inherent banking culture is preventing us from being truly innovative," an executive at one Austrian bank said. "So we created a think tank outside the bank

to design and decide new offerings, in equally mixed teams with bankers and non-bankers.”

Trial-and-error approaches are typically not suitable to the conservative way of banking, but it may be required in a fast, digital world where first-mover advantages are worth more than an ultra-short return on investments. “Two main changes are required to incorporate a trial-and-error approach to banking and accept that in some cases the machine is the better seller,” said one German bank executive.

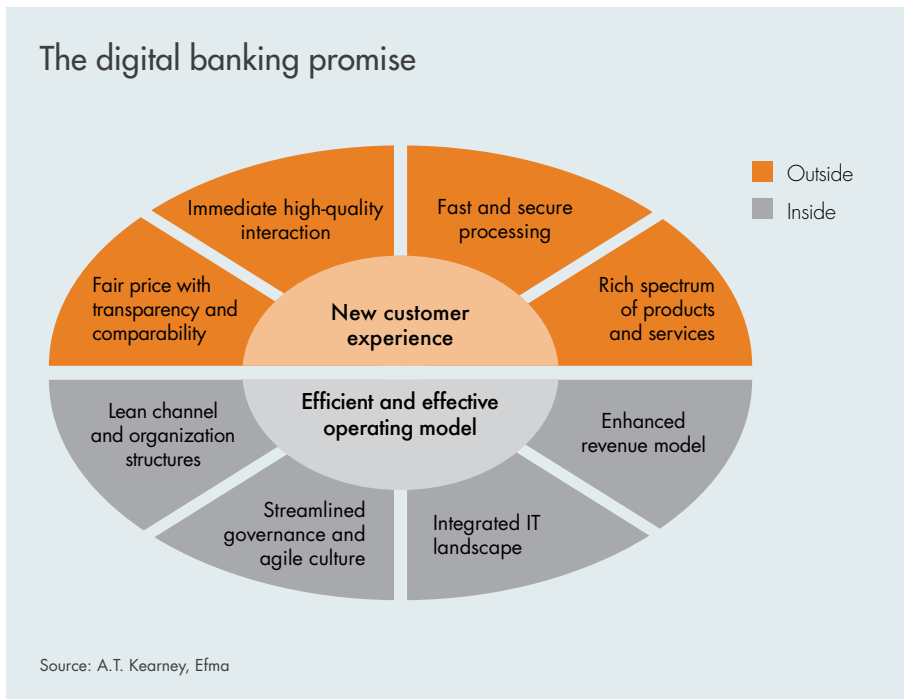
Getting buy-in from staff

Getting staff to embrace digital as a way to improve efficiency and effectiveness is another issue. So far, they have not been given much incentive. In fact, some see it as a threat to their jobs and have begun boycotting. “The problem is that branch staff still consider digital as a threat that will ultimately take away their job rather than embracing new opportunities to better serve their customers,” one Spanish bank executive said. Two moves can pave the way: install new decision-making authorities allowing for faster innovation, and get more buy-in from staff.

The speed of change

The speed of transformation is largely determined by the respective domestic digital environment. For this banking capabilities are matched with customer demands, market dynamics from competitors as well as regulatory. According to the study, the most advanced regions in terms of readiness are the United Kingdom, Singapore, Denmark, Sweden, Netherlands, United States and Australia. These regions offer forward-thinking, nurturing environments for digital banking – including the strong customer advocacy, an advanced banking landscape, and tech-savvy financial technology markets.

Important banking country markets such as Germany, France, Spain



and Switzerland are positioned in a less advanced digital environment, which makes them remain undecided whether to hold on to tradition, or to go for new experience.

As the research reveals, all surveyed banks recognise the importance of multichannel integration with a seamless flow of information, but they have not aligned their internal organisations and governance mechanisms accordingly. The biggest challenge for banks will be reversing some of their long-standing practices – be it new sales and distribution models that are not relying on single advisor approaches but leveraging smart data mining techniques to crack the customer demand, or be it new forms of organisation and governance that allow for fast decisions and processing independent from channels and segments.

Breaking habits is always tough, but banking would not be the first industry to be surprised by the speed of transformation through digitisation. It's all about getting ready before the tipping point is reached; otherwise it will be hard to keep pace. ■

A vertical list of four portraits of A.T. Kearney professionals, each with their name and title:

- Ettore Pastore** is a global partner at A.T. Kearney.
- Torsten Eistert** is a partner at A.T. Kearney.
- Stefan Marcu** is a director at A.T. Kearney.
- Mathias Ullrich** is an associate at A.T. Kearney.

Going multichannel

South Africa based **Nedbank** has worked hard to build a state-of-the-art multichannel strategy to ensure that client expectations are met.

Nedbank embarked on its multichannel journey in 2011 and, after months of analysis and research, launched its Integrated Channels Strategy (ICS) aimed at providing clients with a relevant mix of easy-to-use, integrated banking channels to deliver distinctive client-centred experiences.

Optimising the existing channel footprint

Nedbank's multichannel journey began with identifying the needs and expectations it hoped to address through the programme. Advancements in the mobile and digital worlds meant that opportunities in this channel needed to be unlocked. At the time, it was acknowledged that traditional branches also need to evolve to remain relevant for clients while remaining profitable to the organisation. Nedbank identified four fundamental drivers to enhance physical distribution and mobile and digital channels.

First of all was the need to integrate the sales operation. While most sales are derived from physical branches, additional sales could be leveraged through the mobile, digital and call centre channels. Coupled with this is the need to have relevant products that resonate with clients'

needs through every life stage as well as the ability to transition between channels, for example starting the journey online and finishing in the branch.

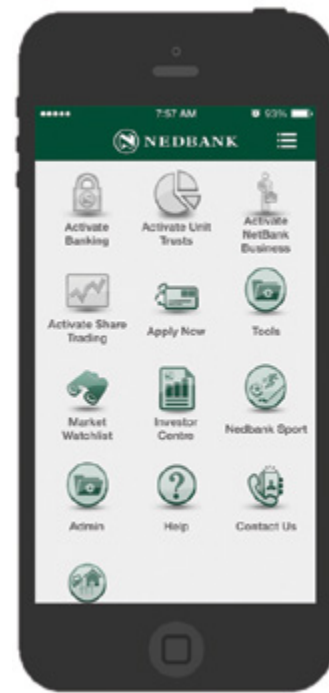
Second was the need to create integrated servicing that would allow clients to transact through the self-service channels of their choice. Over 70% of clients indicated a willingness to move to self-service, which would ultimately allow branches to focus on sales and advisory roles rather than servicing and transacting functions.

Third, the mobile channel and functionality needed to be upgraded, as past capabilities were limited to internet and WAP/USSD-based channels.

Finally, the bank made efforts to create awareness about the benefits of integrated channel behaviour. The inclusion of frontline staff goes a long way in creating a knowledge-based culture to define the needs of both staff and clients, while ensuring adoption during implementation.

Leading the way

The past two years have witnessed the bank launching several mobile and digital innovations to reposition Nedbank as a market leader. The Nedbank App Suite, for example, allows clients to bank safely and easily by means of their mobile device. The



app includes role-based features for staff, retail, business and corporate banking clients and received the 'Best Android App' award in the consumer category at the MTN App of the Year Awards 2013.

Nedbank's online personal financial management tool, MyFinancialLife, has also received much praise and attention. Highly secure and easy to use, it is designed to empower consumers to manage their financial goals. To encourage kids to understand money

“Nedbank’s branch of the future was successfully launched in August 2013, with an overwhelmingly positive response from clients”

matters from an early age the bank also introduced MyMoneyMap, an allowance management tool. MyMoneyMap and MyFinancialLife are available for free for both Nedbank and non-Nedbank clients.

Approve-it is another innovation. A cellphone-based transaction authentication system, the solution allows clients to authenticate sensitive internet banking transactions from their cellphones and has contributed to a 99% reduction in fraudulent phishing attempts since 2011.

The distribution network

The bank also looked at two focus areas for its physical distribution network. The first was to ensure that the right locations were found and that poorly performing branches and ATMs were identified through a micro-market-based analysis. The second focus included the evolution of the branch format and design, which enabled the bank to develop its branch of the future. This was designed to create an environment that is client-centred and engaging, while also being economically viable through a rich combination of technology and a personal touch.

The branch of the future features a number of innovations:

- Shop fronts have been opened to welcome clients, replacing bi-lock security doors.
- Teller cash recyclers have allowed the removal of the teller security glass to encourage a one-on-one conversation with clients.

- Cash-accepting ATMs have been installed in a self-service zone that is open until midnight.
- A queuing system was introduced providing effective waiting-time management. Comfortable seating has replaced long, tedious queues.
- Product rationalisation has resulted in a simplified transactional product offering by reducing the number of products from 17 to five.
- Video banking has been introduced, supplementing branch servicing capabilities.
- All branches are staffed with ‘Service Champions’ who help introduce clients to the new-format branches.
- Free wi-fi, internet banking station, iPads and general internet surfing stations have been made available.
- Banker pods have been acoustically designed to allow a more personal discussion.
- Kids’ zones have been created to entertain children and an ‘eduzone’ area allows for presentations and workshops to educate clients about services.
- Furniture and design elements have been created from recycled material.

Nedbank’s branch of the future was successfully launched in August 2013, with an overwhelmingly positive response from clients. 28 branches have been reformatted so far and we expect all branches will be reformatted by the end of 2018. ■

THE FACTS...

Headline earnings:

€261 million

28,889 staff

Total client base above

6.4 million

572 branches

190

alternative outlets

3,182 ATMs

Africa’s only
**carbon
neutral** bank

As per June 2013 interim results
Indicative exchange rate of R15 = €1

Powering ahead

In the fourth quarter of 2013, **Axis Bank** in India launched a new digital retail banking roadmap to power it ahead. Richard Hartung spoke to the bank's president Rajiv Anand to find out how the mobile piece of the roadmap will give the bank a competitive advantage.

Setting the context for mobile banking in India, Axis Bank's president Rajiv Anand says that he's experiencing a huge growth in internet use in India, particularly on mobile phones. "We now have smartphones at various price points - they have become affordable from a handset and data usage perspective," he says. "In that context one also sees a significant increase in applications available, and customers taking to these applications."

Moreover, Anand said he's seeing that customers want to be able to bank anytime, anywhere. "They're spending more time online, on Twitter and on Facebook. At that moment of truth they're able to fulfill their banking transactions." This change means customers want to be able to do transactions wherever they are, for example sitting in a retailer or a restaurant, without having to visit a branch.

As consumers use their mobile phones more for purchases, the next step is to use the phone for their

critical financial transactions. "That's why we decided to launch a mobile app for our customers," Anand said.

Differentiation in a crowded market

Many banks already have mobile applications, Anand admitted. What he sees as the key differentiators for Axis Bank are the ease of use for the mobile app, and the speed of transaction.

"The mobile app we have is a simple, intuitive, easy-to-use application," he said. "The look and feel thus becomes a differentiator for all customers. As a result, adoption has been very good."



Axis Bank is making it easy for customers to bank anytime, anywhere

“Ultimately, banking transactions are what touch the customer regularly”

Anand said seamless integration with the internet is the second differentiator, with personalisation and integration with Facebook perhaps being most important. “You can create beneficiaries to transfer to, and input their pictures from Facebook. You can also import pictures from a gallery. We have worked on customisation which is self-service, so the customer can play with the application. If you create beneficiaries on the internet, they automatically show up on the app as well.”

The imperative, Anand said, is to ensure that banking or payments is as smooth, simple and expedient as possible, so the customer does more and more through a particular bank and the account becomes the primary account. “Ultimately, banking transactions are what touch the customer regularly. They open a bank account once in a while, take a home loan once. The things the customer does regularly are paying credit card and utility bills, going to the supermarket, using the services of the bank. One has to look at the entire payment franchise from that perspective.”

Customisation for segments

While a key focus is on simplicity, the bank has also segmented its customers and provides different services based on customer demographics. The primary focus for the app is the 18-35 age group because, Anand said, “we’re finding that younger people are early adopters using self-service channels to do financial and non-

financial transactions. They’re already comfortable online and they are the ones who are doing research and completing transactions online.”

At the higher end of the mass affluent and affluent market, on the other hand, Anand said transactions are more often completed through interactions with the relationship manager. Still, he noted that a certain percentage of the affluent are using the mobile app, so the focus for that demographic is on customers already using self-service. There is also customisation on the app so that the affluent can press a button and call the relationship manager immediately.

What’s next?

While Anand believes the mobile app is compelling, phase 2 will be even better because it will have offers targeted to the individuals using big data and a high-quality CRM system. Another key step is getting the app onto tablets, which Anand expects to happen soon.

In the end, Anand said, “the cost-benefit is there. What the bank is working towards is seamless multichannel delivery. As we see the continued growth of the smartphone, customer engagement with the bank will increase. As engagement and customer stickiness improve, profitability improves, and transactions on mobile are cheaper.” And in that dynamic and growing market, it’s the simplicity, speed and integration of the app that Anand is counting on to gain a competitive advantage. ■

THE FACTS...

Third
largest private
sector bank in India

1,947
domestic branches

11,245
ATMs

A balance sheet of
€39 million

as on 31st March 2013

297,069
online trading
accounts

**‘Bank of
the Year’**

at the Money Today
FPCIL Awards 2012-13

Maybank

One Solution

Maybank's One Solution is seven financial products in one. Serviced via a kiosk, it offers fast approval and activation in just ten minutes.

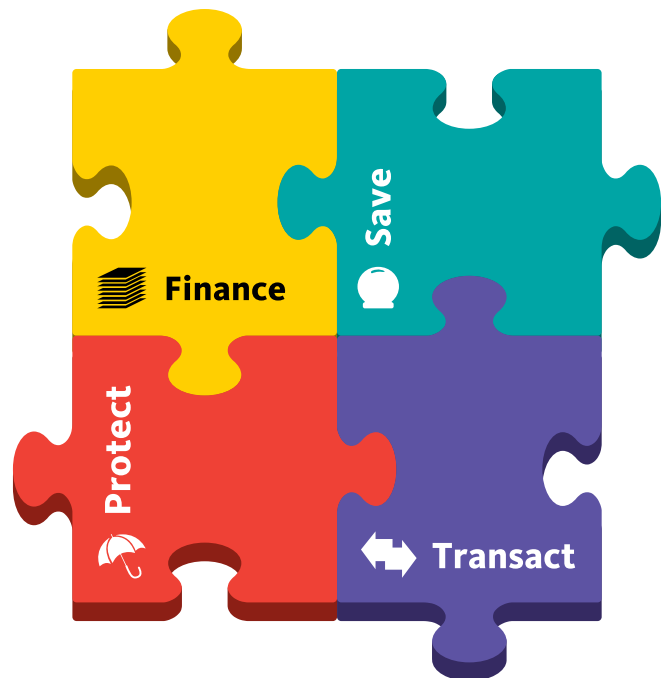
Background

As the largest bank in Malaysia, and with the widest network coverage, Maybank is serving most, if not all, segments of the community today. In fact, more than 60% of the bankable population has a banking relationship with Maybank. However, out of its nine million mass market customers, around 20% are unprofitable. The bank wanted to increase the profitability of this segment and also increase the profitability of customers served through the branch.

The innovation

Maybank developed a 7-in-1 product bundle called the Maybank One Solution. Offering fast approval and activation in just ten minutes, it is essentially a money management solution that gives financial empowerment to the customer. Through this product, the whole spectrum of financial needs is conveniently met; from daily transactions to savings, financing and insurance. It requires a single sign up process, with no forms to fill in. Products can be activated instantly or in the future, depending on the customer's needs.

With a lower cost distribution model, Maybank's One Solution is sold through kiosks located in high traffic areas such as malls that open seven days a week and have extended operating hours. All channels are orchestrated to optimise customer convenience and to reduce the cost to serve and acquire. The aim is to maximise low cost



channels such as online, mobile, ATM and agent and to develop a kiosk concept to capture and service the mass segment so there's no need to go to a branch.

Customers have a consolidated view of all their product holdings via internet banking. All transactions are shown in the Maybank2U Planner – a free personal finance management service for customers to use to track and plan their finances.

“The ‘once and done’ customer acquisition process is what makes the Maybank One Solution unique”

What makes it unique?

The ‘once and done’ customer acquisition process is what makes the Maybank One Solution unique. By capturing all of the necessary information at the beginning of the process, customers can then access additional products when they want them through the channel of their choice, without having to re-submit information. For existing Maybank customers, all information will be retrieved via the kiosk system, without the need for the customer to be interviewed again. The details are auto-filled into an e-form and can also be used as part of the loan approval process.

Each kiosk is paired with a branch, and contributes to that branch’s profit and loss account. This approach ensures the branch manager takes account of the kiosk’s performance. All new customers recruited at a Maybank kiosk will become the customer of the paired branch as well. The branch and kiosk work together to convert as many existing mass customers as possible.

Key contact details:

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Vice president and head of mass banking
Maybank Berhad, Malaysia
azlan.mg@maybank.com.my

The results

By December 2013, Maybank One had been in operation for 21 months. During this time there were a number of key insights that would help shape the bank’s winning strategy. For example, it was found that kiosks located in malls received many current account requests from retail businesses. With this in mind, the bank started to offer Business Current Accounts for Retail SMEs in May 2013 and has since received an extremely positive response from local business owners.

To date, Maybank has opened 34 kiosks and has another 30 kiosks scheduled to open in the first quarter of 2014. More than 250 members of staff are involved in this project, led by 12 core team members.

A higher cross-sell ratio has been achieved (3.01 products sold on average to new customers, up from 1.22 products and 5.08 products sold on average to existing customers, up from 2.90 products). This signals higher levels of customer satisfaction.

Furthermore, the Maybank One Solution has won two awards: the Banking & Payments Asia Trailblazer Award 2013 for Service Excellence in service innovation and the Marketing Excellence Award Malaysia 2013 for excellence in consumer insight, market research and data driven marketing.

Talk to Pay

La Banque Postale

Talk to Pay is a new security solution for online payments using voice biometrics. A high level of user authentication allows for user friendly card payments.

Background

The Talk to Pay project was led by the marketing department at La Banque Postale in response to the growing online payments fraud that threatens e-business development and banks. Indeed, each year, hundreds

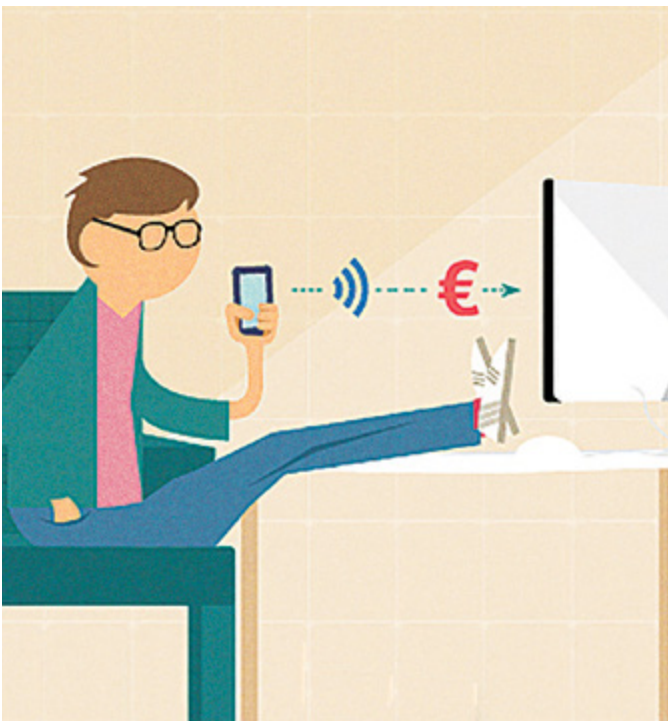
of millions of euros are lost due to fraudulent payments: in France, online payments represents only 9% of total payments but accounts for 61% of the cost of fraud.

Furthermore, the choice of using voice biometrics technology was governed by the objective of removing the need for passwords. With Talk to Pay there is nothing to know or to enter to authenticate: just pick up the phone and repeat the phrase.

Last but not least, the universality of the solution is an essential need in payment systems that prompted our initiative. It was designed to only involve the issuing bank and its cardholders (customers of La Banque Postale) to be readily and easily adapted to every e-commerce website.

The service relies on user authentication via voice biometrics technology to enable convenient and quick card payments. The visual cryptogram of the card is disabled and a one-time token is generated after authentication and provided in the CVV field to complete the transaction.

The strong authentication is based on the phone as a personally owned mobile device (as the call originates from the system towards the user's phone) and on the unique voice characteristics of the locator who has to repeat a sentence to authenticate.





What makes it unique?

In France and Europe, there are currently no other solutions based on voice authentication, which is why several patents were registered on this subject by the provider of this solution, PW Consultants. Talk to Pay is a comprehensive solution which includes voice biometrics authentication and the generation of a dynamic visual cryptogram. This allows users to make secure online payments only with the possession of their phone in their hands.

Key contact details:

Aurélien Lachaud

Innovation and new means of payment manager
La Banque Postale, France
aurelien.lachaud@labanquepostale.fr

The results

The pilot phase started in July 2013 after the authorisation of the French CNIL to process biometrics data in this experimental use case. The Talk to Pay solution is currently in the prototype stage, after several years of research and development. Several hundreds of cardholders, co-workers and clients are currently testing the service and, following the experiment's results, La Banque Postale could provide Talk to Pay to all of its customers.

The main challenge is the capacity to authenticate users in a large range of use cases, which requires a compromise between security and ease of use. But the pilot phase also has to confirm that this solution – and the customer experience offered – is accepted and actually wanted by users.

Currently, more than 5,000 voice authentications have been processed successfully.

“Think Tanks allow Efma members from all over the world to collaborate and engage in insightful conversation”

Thinking outside the box

Efma's Think Tanks give members across the world the ability to network in a more convenient and efficient way.

Efma's mission has always been to promote innovation in retail financial services by fostering debate and discussion among peers. In an ideal world this debate and discussion would take place in a face-to-face environment, but in today's busy, globalised playing field we understand that this isn't always possible.

That's why we created our Think Tanks. Through a series of online

networking opportunities, the Think Tanks allow Efma members from all over the world to collaborate and engage in insightful conversation. They are a cost- and time-effective way of brainstorming and understanding what is going on in other markets and organisations.

Each Think Tank is made up of a series of four to five online meetings, all centred on a particular topic. In order to build up a group

of active participants we approach around 100 members with the aim of having around 40 members from as many geographies as possible who are able to get involved. We expect participants to attend all meetings in a series.

Each meeting will be led by an Efma spokesperson, who acts as the organiser and moderator, and an Efma Associate Member, whose role is to lead the discussion and provide content. In addition to this, there will be three or four of the participants who will be chosen as panellists to present their own experiences and answer key questions. The discussion is supported by online tools where members can chat and share slides. There's also a web portal dedicated to the think tanks where members can interact, share contact details, exchange documents, launch debates, ask questions and view the previous meetings.

This great networking opportunity is for Efma members only, providing a relaxed setting for discussion, without any commercial pressure. ■

Visit efma.com/thinktanks to find out more



Upcoming Think Tanks include:

- A pathway to improve customer experience (Ernst & Young)
- Retail banking digitisation (Boston Consulting Group)
- Social media in retail financial services (Hearsay Social)
- Customer contact centres (Pegasystems)
- Next best action marketing (Pegasystems)

For more information about these Think Tank initiatives, please contact Karine Coutinho karine@efma.com



18–20 March 2014

DISTRIBUTION SUMMIT

Amsterdam Hilton
www.efma.com/distribution



3–4 April 2014

SME BANKING

Milan Grand Visconti Palace
www.efma.com/sme



13–14 May 2014

CUSTOMER JOURNEY

Barcelona Pullman Skipper
www.efma.com/customer



3–4 June 2014

CREDIT & SAVINGS SUMMIT

Barcelona Pullman Skipper
www.efma.com/creditsummit



5–6 June 2014

BANKING ON INNOVATION

Barcelona CaixaForum
www.efma.com/innovation



22–26 Sept. 2014

RETAIL PAYMENTS WEEK

Paris Pullman Bercy
www.efma.com/payments



13–14 October 2014

MARKETING SUMMIT

Barcelona Pullman Skipper
www.efma.com/marketing



14 October 2014

DIGITISATION

Barcelona Pullman Skipper
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16–17 October 2014

42nd EFMA CONGRESS

Barcelona Pullman Skipper
www.efma.com/congress



12–14 Nov. 2014

AFFLUENT & PRIVATE BANKING

Brussels Marriott
www.efma.com/affluent



26–27 Nov. 2014

SALES PERFORMANCE

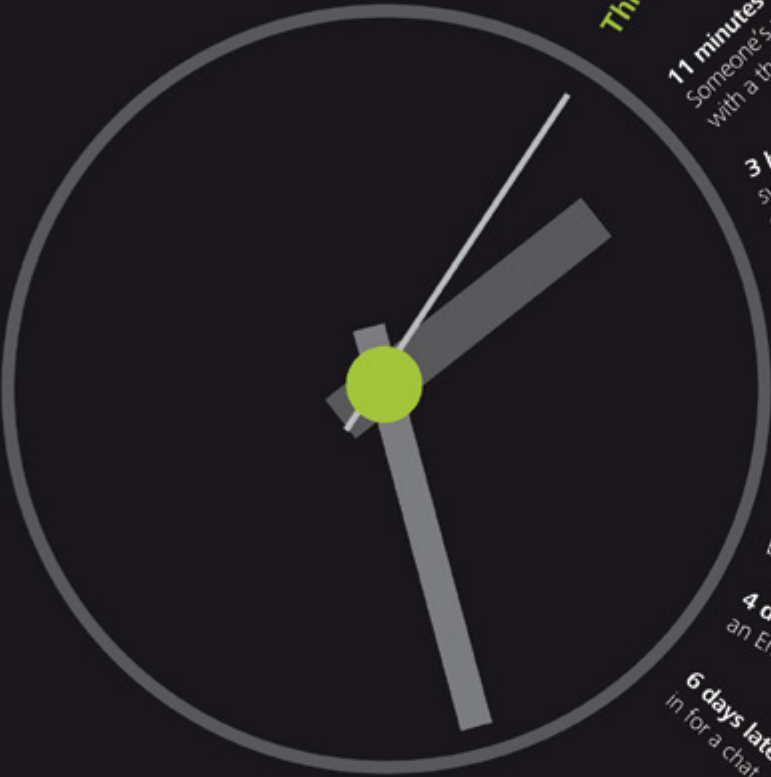
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2–3 December 2014

FINANCIAL INCLUSION

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This is the moment your business is attacked.

11 minutes later. Your CIO calls during Sunday lunch. Someone's posted thousands of sensitive files online with a threat to release more.

3 hours later. IT wants to shut down the entire system so they can investigate. Reluctantly you give the okay.

4 hours later. The system's still down. Already, your reputation is getting a hammering on Twitter.

18 hours later. You arrive at HQ to find the press camped outside. All you can tell them is 'No comment'.

3 days later. The data protection authority wants an update. You'll have to give them something – but what?

4 days later. Your shareholders are demanding an Emergency General Meeting.

6 days later. The chairman calls you in for a chat.

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