



consulting | technology | outsourcing



High performance. Delivered.

Banking 2016  
Accelerating growth  
and optimizing costs in  
distribution and marketing





**It is time for retail banks to change. Faced with a daunting array of market, regulatory, customer, cost and operational challenges, many banks are struggling to post even moderate growth.**

Projected revenue growth rates, according to an Accenture analysis of 2011–2014 business plans for a group of 30 global banks, estimate 6.5 percent average growth (4 percent Europe/North America average) following -0.5 percent retail revenue growth for 2008–2011. Bankers are beginning to realize that it will be a challenge to meet these growth targets and know they have to win three critical battles: restoring customer trust and engagement, defending their payments business against progressive disintermediation from new entrants (e.g. Google Wallet, PayPal) and avoiding commoditization.

Current branch-based distribution models are no longer sustainable in most developed countries and are unable to meet the rapidly evolving customer needs and requests for easy access and simplicity across their banking services.

Accenture believes there is a clear path forward for banks that begins with the shoring up of core business operations to improve efficiency, customer relevance and profitability—in other words, “doing the basics right.” While some banks may excel simply by improving on the basics, including “smart-sizing” their distribution networks, others need new business and operating models to compete and grow going forward. Keeping one eye on the present and one eye on the future is the key paradigm we have defined as “Banking 2016—Next Generation Banking”, drawing inspiration from some notably innovative retailing models.

Accordingly, each bank needs to define its own target business model in light of its history, market, positioning, ambitions, etc. We think there are three business models banks should consider when defining their own model:

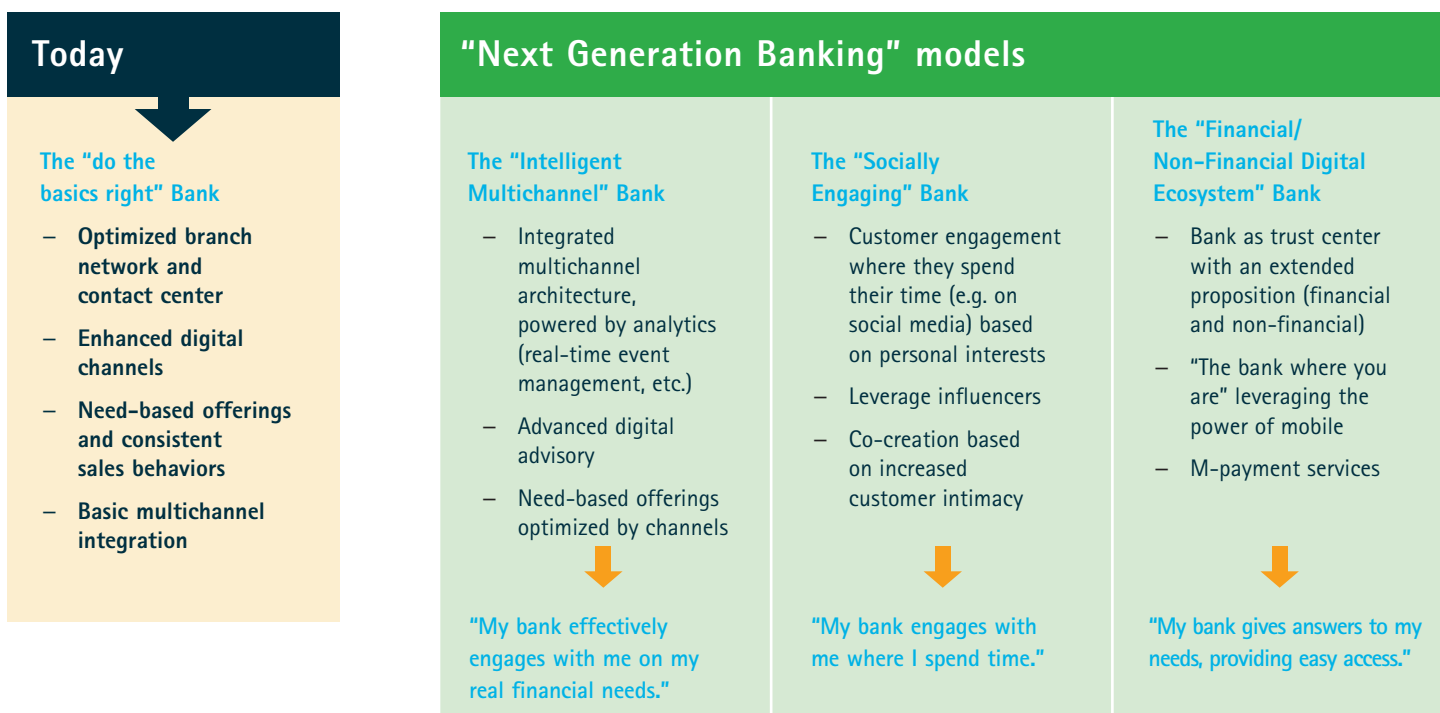
1. **One that builds on enhanced multichannel** experiences to engage customers and meet their financial needs effectively (the “Intelligent Multichannel” Bank), with the strategic application of analytics at the core of this model
2. **One that leverages social media** interactions to increase customer intimacy (the “Socially Engaging” Bank)
3. **One that places the bank at the center** of an ecosystem selling financial and non-financial services, leveraging in particular the power of mobile technology (the “Financial/Non-Financial Digital Ecosystem” Bank)

The money on the table can be significant. A bank working aggressively to implement all three of these business models can double its annual revenue growth rate (from 4 percent to 8-plus percent in developed markets) while reducing its cost to serve by 20 percent or more.

Regardless of the models being pursued, bank governance overall must evolve, giving appropriate weight to customer metrics in the key areas of reputation, commercial performance, service performance, sales performance and the capabilities required to support them.



## "Next Generation Banking" models



Source: Accenture

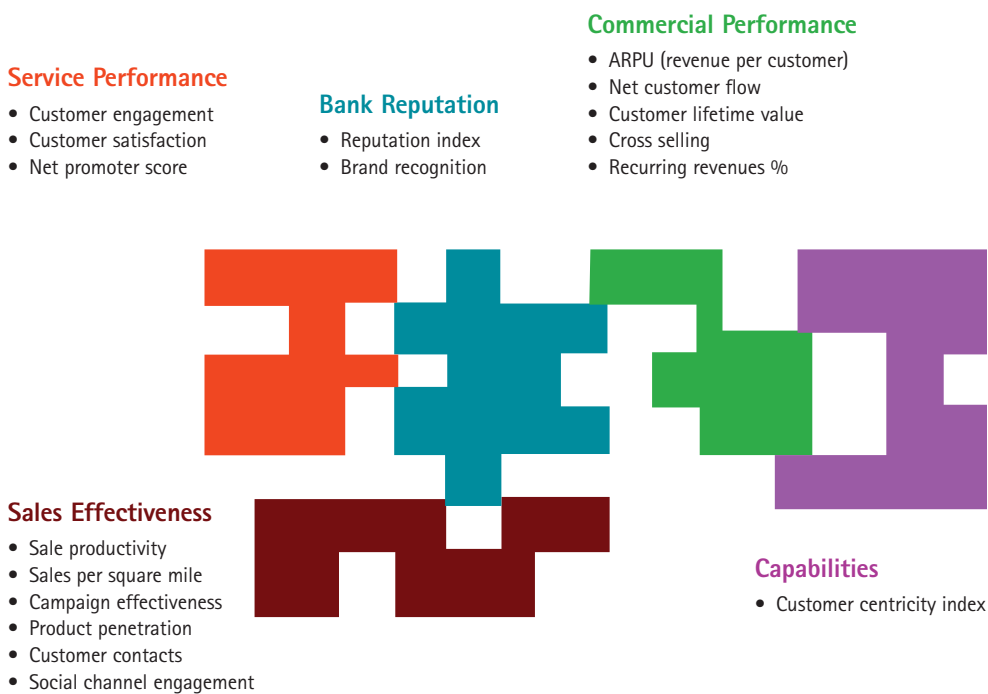
## Customer-oriented metrics evolution

### Profitability-based metrics

**Management and investors view**  
*(Shareholders Perspective)*

- Revenues
- Profitability
- Cost-to-income
- ROE
- Market share
- EVA
- Share price trend
- Market capitalization
- EPS

### Holistic stakeholder perspective



Source: Accenture

## "Banking 2016—Next Generation Banking" foundation: doing the basics right

What is "Banking 2016—Next Generation Banking"? It starts with getting the basics right to address banks' most immediate challenges: eroding customer trust and satisfaction.

The key components of "doing the basics right" are:

1. **Branch network optimization** (number and size of branches), reviewing network architecture (i.e. hub and spoke model)
2. **Basic multichannel integration**, alignment of channels and integrated governance processes for real-time banking
3. **Proactive and reactive management** interaction based on customer needs
4. **Operational customer segmentation** driven by a needs-based offering structure
5. **Sales force effectiveness** powered by consistent sales behaviors and tools
6. **Simple and clear communication** with customers
7. **Performance management** (new customer-oriented metrics) and tailored compensation schemes

## Optimizing the branch network

The most critical aspect of "doing the basics right" is improving branch network performance, ensuring sustainable positions and creating adequate foundations for the "Intelligent Multichannel Bank" model. Branch network effectiveness can be maximized through strategic localization (closing low-performance branches operating in markets with limited potential first), identifying the right number, type, and format of branches according to target customers and optimizing branch processes to free up commercial time and focus on sales generation.

Networks composed solely of full-service branches with duplicate services and skills are no longer sustainable. The branch network model must be designed with careful consideration to differentiated formats and integrated in a multichannel view that is able to maintain territorial coverage, react to local customer needs and optimize skills and capabilities. This extends beyond full-service branches and hubs to include light branches (with an average of 4-5 employees), kiosks and cash-less branches. By migrating low-value activities to digital channels and retail-based formats, banks can satisfy new customer segments and further overall branch network transformation.

An efficient "hub and spoke" branch model can help enable a bank to decrease the branches in its overall network by 15-20 percent and reduce average branch staff by 25 percent with the proper mix of flagship, full-service, light and kiosk branches. Furthermore, by specializing in specific services or activities, each branch format is able to deliver a more tailored customer experience and, ultimately, help increase customer satisfaction and loyalty.





## Opportunities in the operational basics

In addition to optimizing the branch network, banks have other opportunities to become more proficient in operational basics and increase sales. For instance, they can:

- Redefine roles and activities at branches through process optimization, standardization and initiatives enabling focus on sales, such as digitalization, back-office automation and integrated CRM systems. Gathering and pre-filling customer information should also be considered.
- Improve branch sales force performance by implementing next-generation front-end workstations that can provide branch employees with the latest tools, information and guidance to engage customers effectively.
- Focus on branch front-line staff by designing specific profiles and dedicated training plans to create an empowered, unified workforce (we call this "workforce of one"); support branch employees with both formal and informal learning tools that can be enabled and accelerated by cloud-based collaboration capabilities and social media.
- Enhance digital capabilities to provide a more personalized, streamlined and robust online banking experience, complemented by educational tools and simulators to better address self-directed customers' needs.
- Develop basic mobile banking capabilities to provide services that take full advantage of the "on the go, anywhere, anytime" nature of mobile devices.
- Restructure product catalogues by customer needs and with service levels based on customer segmentation.
- Integrate channels to facilitate transparency and data sharing so each customer's buying habits and needs are known and can be addressed across an integrated multichannel buying experience (eliminating a more silo-structured approach).

If customers feel they are getting proper service from their banks and the product mix and price points meet their expectations, the expected result will be greater customer satisfaction, retention and loyalty.

## Banks should consider differentiated branch formats

	Cash-less, kiosks— maintain for service	Light branches— maintain for sales	Full-service, hubs— maintain for advanced banking	Flagships— innovate, attract
	COV. 50% sales services 	COV. 30% sales services 	COV. 15% sales services 	COV. 5% sales services 
DESCRIPTION	<ul style="list-style-type: none"> <li>– 100% transactions</li> <li>– Open with staff 1-2 days per week</li> <li>– Reciprocity income</li> <li>– Minimal staffing levels (not bank skilled employees, people from retailing sector)</li> <li>– Fully automated</li> <li>– Belonging to full service/light branches</li> <li>– Tailored merchandising (focus on area and seasonal campaigns) generating branch traffic</li> </ul>	<ul style="list-style-type: none"> <li>– 50% transactions and 50% sales</li> <li>– Tailored hours</li> <li>– Sales lead generation</li> <li>– Regular staffing: meeter and greeter, cashier and peripatetic RMs</li> <li>– Able to accept and manage anything</li> <li>– Belonging to full-service branches</li> <li>– Standard merchandising</li> </ul>	<ul style="list-style-type: none"> <li>– 40% transactions and 60% sales</li> <li>– Extended hours</li> <li>– Sales lead generation</li> <li>– Specific staffing: dedicated business cashiers and permanent RMs</li> <li>– Highly specialized mortgage, trading advisers</li> <li>– Supports light branches for complex service/sales</li> <li>– Full merchandising</li> </ul>	<ul style="list-style-type: none"> <li>– 30% transactions and 70% sales</li> <li>– Extended hours</li> <li>– Center of sales and service excellence</li> <li>– Specific staffing (depending on area/segment served): dedicated business cashiers and permanent RMs</li> <li>– Location of experts</li> <li>– Supports all other types for regulated sales</li> <li>– Tailored merchandising, focus on innovation</li> </ul>
	KEY FEATURES	<ul style="list-style-type: none"> <li>– Advanced ATM</li> <li>– Opening hours differentiated per local needs</li> </ul>	<ul style="list-style-type: none"> <li>– Remote advisory supported by hubs</li> <li>– Flexible concepts</li> <li>– Possible franchising model</li> </ul>	<ul style="list-style-type: none"> <li>– Digital meeter and greeter</li> </ul>

Source: Accenture



## The future is now: three innovative "Banking 2016— Next Generation Banking" models

Doing the basics right may be the ultimate objective for some banks. However, for others mastering the basics becomes the foundation on which to build more innovative capabilities that can help address changing customer behaviors and compete for the critical payments business against new entrants such as retailers, technology companies, mobile operators and pure-play start-ups. These new capabilities are embodied in the three pillars of Accenture "Banking 2016—Next Generation Banking": the "Intelligent Multichannel" Bank, the "Socially Engaging" Bank, and the "Financial/ Non-Financial Digital Ecosystem" Bank.

### The "Intelligent Multichannel" Bank

The "Intelligent Multichannel" Bank frequently engages with customers through different channels, taking personal channel preferences into consideration. The key differentiator of this model is the extensive use of analytics that can enable the bank to more effectively understand and meet customers' needs. Key elements of this model are:

1. **Advanced multichannel integration** focusing on digital channels and an integrated architecture
2. **Pervasive analytics** based on effective customer data collection, micro-segmentation and predictive modeling to determine the most effective basket of products
3. **Real-time interactions management** that can increase conversion rates from inbound and outbound contacts
4. **Advanced advisory services** leveraging digital channels and personal analytics
5. **Product offerings and related pricing** schemes based on micro-segments and optimized by channel

As a first step, banks could design an integrated customer experience based on a streamlined multichannel approach and architecture. As banks activate new channels, customer inputs and customer knowledge can be expected to increase, which would then enable banks to create micro-segments. Micro-segments are the smallest set of customers with uniform demographics and social behaviors, and form the basis for defining strategic profit pools.

The increased capture and application of customer data, properly managed and updated through an advanced CRM platform, can help enhance the value and return on product catalogues, commercial campaigns based on real-time propositions, as well as lower distribution costs by optimizing capacity by micro-segment preferences.

A multichannel customer experience is based on the right combination of online and offline processes and can be enhanced by focusing on dedicated advisory services (remote or digital).

Expanded bank "availability" for products and services allows customers to make choices continuously based on their needs, while helping the bank refine its knowledge of customer preferences.

### Bankinter illustration

2004  
The Science of  
Managing Customers



2009  
Client Retention Model



2010  
Analytics Pervasivity

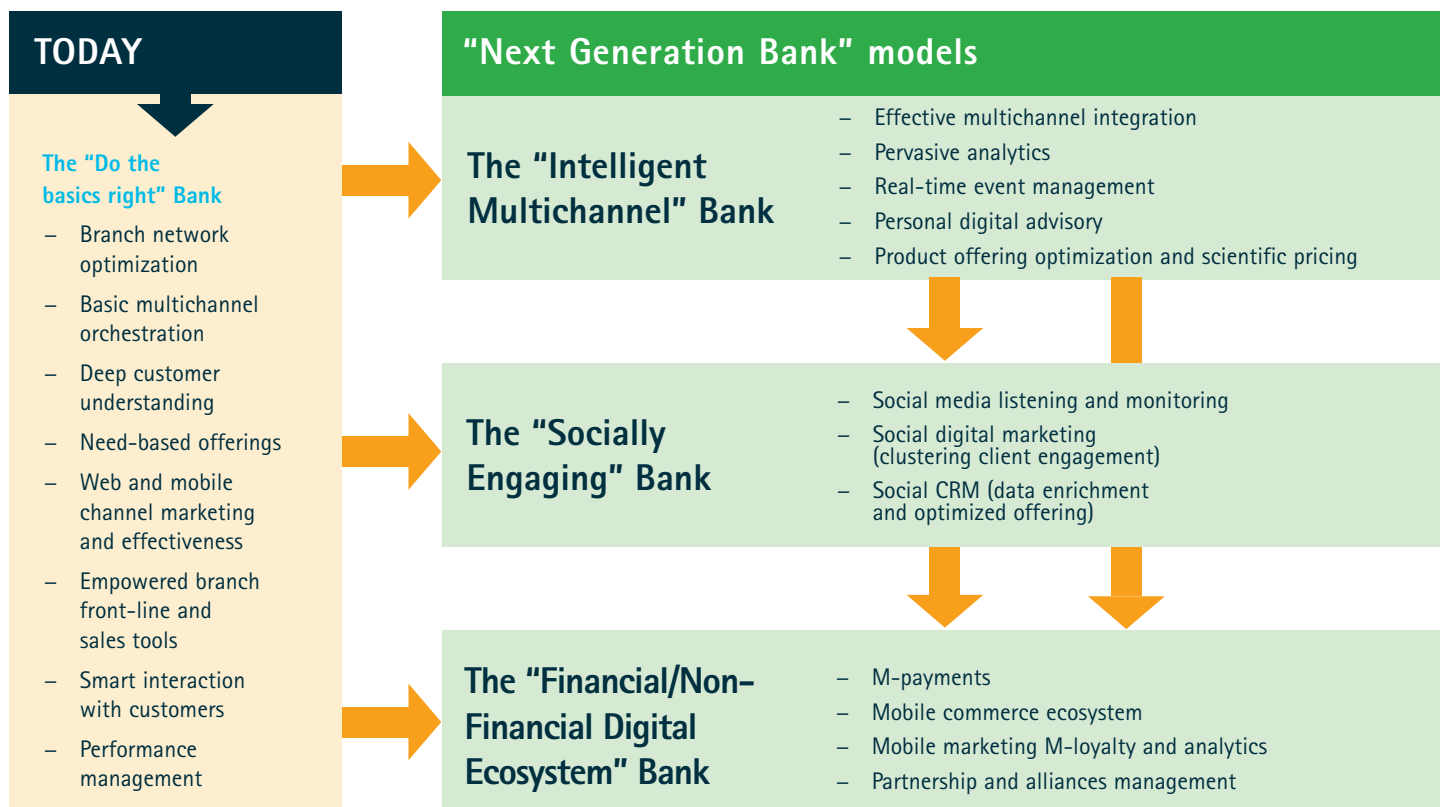


Customers of the "Intelligent Multichannel" Bank can benefit from the ability to interact with the bank anywhere, anytime, and can receive financial products and services based on their needs and behaviors through their preferred channels.

Spain's Bankinter is a good example of an early adopter in advanced analytics. The bank started working on analytics several years ago and focused on developing commercial propositions based on customer intelligence and the frequency of customer contacts, both proactive and reactive, and then created the Engloba Geo CRM tool in 2009. More recently, Bankinter's belief in analytics led it to introduce different units influenced by CRM, such as Risk CRM and Operation CRM, and its sales are still growing thanks to additional improvements to the Engloba tool.

Another Spanish bank, BBVA, is a good example of a bank that operates within personal advisory space: 24/7 personal customer service is provided to its clients who use digital channels to do their banking rather than the branch but still want a personalized service.

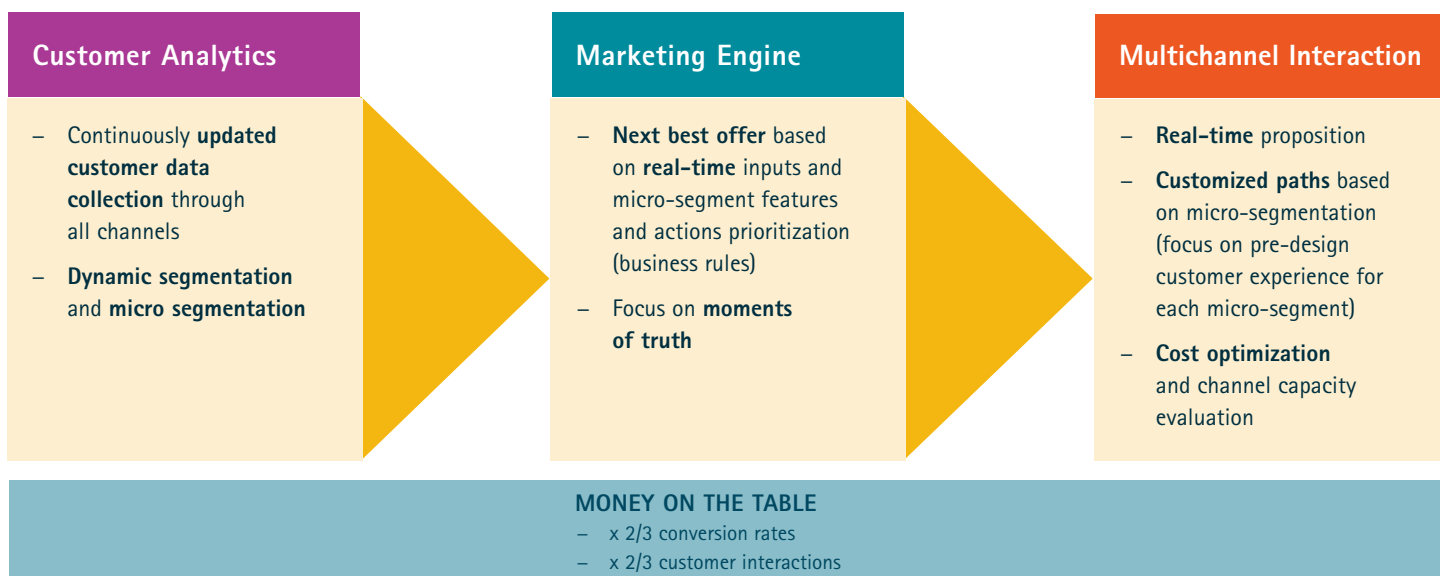
## Banks should consider a set of distinctive capabilities to compete in the future



Source: Accenture

➔ Possible Paths

## Pervasive analytics, a real-time marketing engine and advanced multichannel integration can more than double conversion rates



Source: Accenture

## The "Socially Engaging" Bank

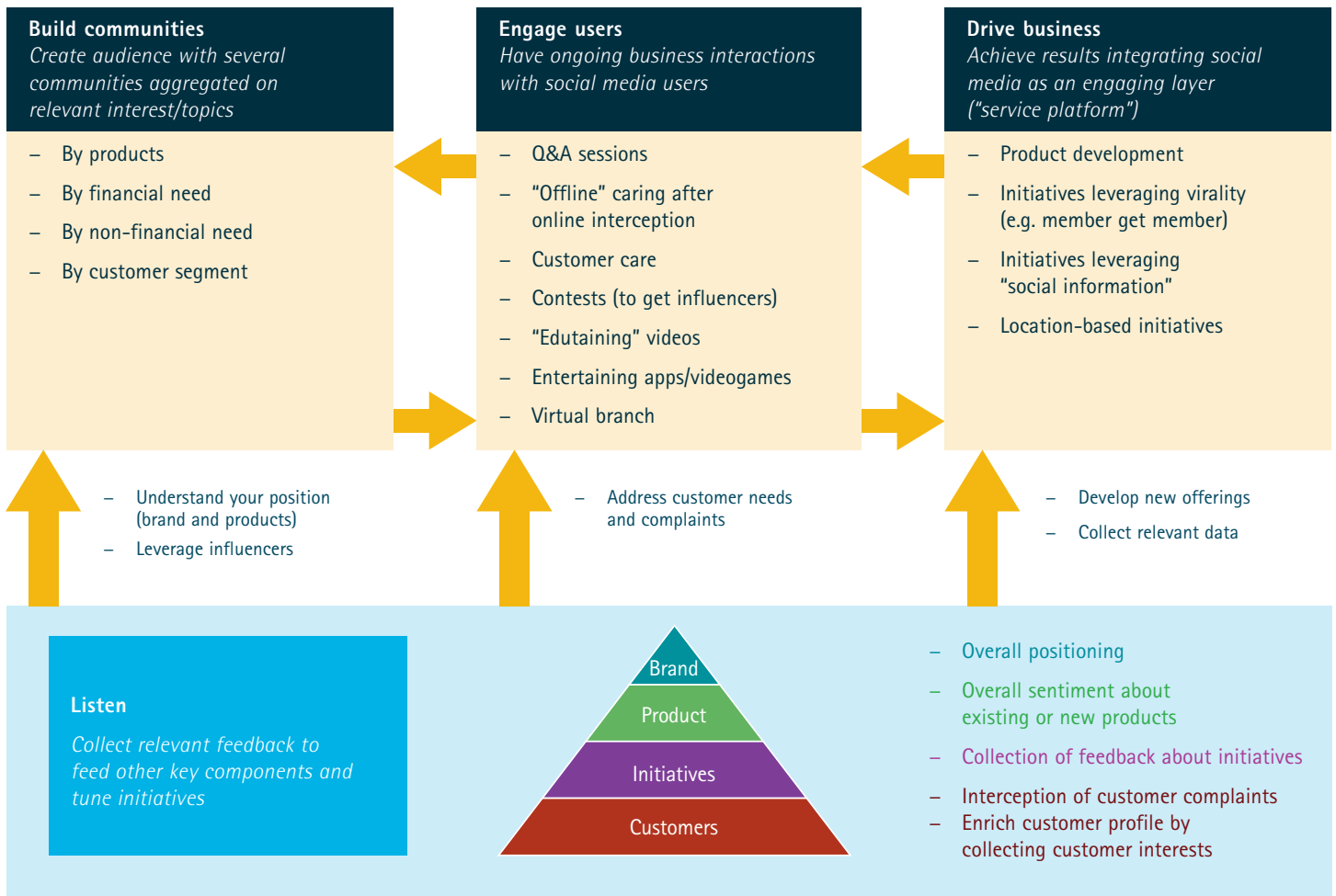
The second "Banking 2016—Next Generation Banking" model emphasizes engaging customers where they spend their time, with a specific focus on social media to increase customer intimacy. The intention is to create relationships based on personal interests, leverage influencers and facilitate co-creation (the bank and its customers).

The key components of the "Socially Engaging" Bank are:

1. **Social media monitoring** to identify opportunities to engage customers, mitigate risks and promptly react to issues
2. **Social digital marketing** building on clustering to enable the bank to better define the best content for individual customer profiles and attract them
3. **Social CRM** enriching customer data with social media data, thus facilitating more effective propositions

Most banks today cluster customers through traditional drivers (such as average revenue, cross-selling rate) and engage them on a "push" basis. In a "Socially Engaging" Bank, interactions are much more personalized. The bank has tailored interactions with customers based on their interests and intentions communicated via their actions on social media (for instance, by "liking" or sharing something). Such actions can help the bank group customers by common interests, have dialogues with them daily on relevant subjects and offer products when customers need them. The bank subsequently becomes a daily partner, able to address client needs and play an active role along the entire purchasing path, instead of only engaging the client in the final phase.

## Social media positioning—transformation journey



Source: Accenture



The more the bank interacts with customers, the more information about customers' lives and habits that can be collected to refine communities/profiles. This process can be further extended by introducing real co-creation processes to develop new products or services and that can be subsequently offered to different profiles. Either way, customers are led to feel that they are part of the bank, which helps to foster greater loyalty to the institution and makes them less likely to shop around for a different provider.

Investing in social media has essentially become a requirement to engage today's customers, considering the extraordinary growth in social media adoption (400 percent increase in the average time users spend on Facebook from 2009-2011, according to Comscore 2011) and Generation Y average usage. In addition, a surprising 75 percent of social media users are above the age of 30, which suggests that banks should test new approaches on clients who fall into this age group first.

American Express is one of the financial services companies that have effectively applied a strategy of social engagement. American Express started with customer service via Twitter and then expanded its proposition by taking a cue from Amazon, who asked its customers to link their Amazon accounts to their Facebook profiles in 2010. This allowed Amazon to analyze a complete profile, including preferences, needs and friends, helping it formulate customized offerings and discounts. American Express created "Small Business Saturday", playing off more common sales days like Black Friday and Cyber Monday. The initiative, based on linking customers' American Express cards to their Facebook accounts to get rewards, has demonstrated itself to be highly successful (30 percent increase in sales from 2009 to 2010). In 2011, another initiative, "Link, Like, Love", further increased American Express' relevance as a social media player by providing customized offerings to customers based on their spending, location and social media profile

via Facebook, Foursquare and Twitter, enhanced by geo-localization functionality. More recently, American Express developed the Go Social platform, which has helped its small-business clients create and autonomously manage commercial campaigns (increasing merchants' acquisition rate from the program's first phase by more than 50 percent).

Learning from other retail businesses can also be valuable: for example, beverage maker Gatorade has created a Mission Control Center, a "war room" for monitoring its brand in real-time across social media, tracking various data and running detailed sentiment analysis around key topics and products so it can respond or adjust its strategy accordingly.

## Amex illustration

"We need to go where our Cardmembers and merchants are..."

**DAVID WOLF**

*Vice President of Global Marketing Capabilities*

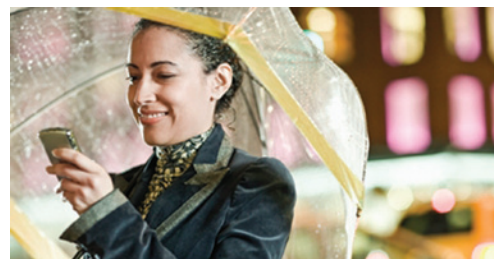
**SOCIAL MEDIA VISIONS, 2010**

Small Business Saturday  
Nov. 27

First business step on social media  
2010

Link, Like, Love

Cardholders benefit from personalized merchant deals linking their card with Facebook, Twitter and Foursquare  
2011



## The “Financial/Non-Financial Digital Ecosystem” Bank

The “Financial/Non-Financial Digital Ecosystem” Bank represents the bank “where the customer is”, providing both financial and non-financial offerings. This model uses the power of mobile technology to offer services extending beyond traditional banking products through a network of partners. The bank can decide to create or be part of a digital ecosystem, depending on the payments solution and the role it intends to play.

The key components of the “Financial/Non-Financial Digital Ecosystem” Bank are:

1. **Mobile payments** based on Near Field Communication (NFC) or mobile wallet, that enhances bank

competitiveness in the payment arena and helps retain existing customers

2. **Enriched propositions through mobile commerce** focused on financial and non-financial offerings, mobile marketing, m-loyalty and m-analytics

3. **Alliances and partnerships with non-banking operators** and creation of related content

The bank has the opportunity to become a “one-stop shop” and satisfy all relevant customer needs starting from a unique point of contact built on partnership and customer trust. As a first step, the bank must determine the most attractive non-financial partners and related offerings around which to design a complete customer experience. Operational alignment and management are crucial parts of delivering effective and secure integrated

services that are consistent with the bank vision and image, trusted by the customer.

But how can the bank create attractive deals and improve customer engagement? Analytics and marketing capabilities linked with mobile services are required. This means the bank must be able to leverage customer information gathered through the mobile device, such as mobile transactions (m-payments) and geo-localization. Combined with innovative marketing initiatives based on mobile advertising, daily deals, hot deals and loyalty programs, the overall concept facilitates interaction with customers in real time.

Mobile payment is a key capability here, given the number of new entrants (e.g. telecommunications companies, retailers) in the payment space. M-payments can enable transactions and ensure the connection to

## The bank ecosystem proposition



Both individual's and merchant's needs can be satisfied through a multichannel platform enabling trading and transactions “on the go”

\* Main impact on both individual and merchant needs

Source: Accenture

additional services usually included in the m-commerce proposition. We suggest banks precisely define an m-payments strategy, ideally based on the most common and advanced payment solution such as the mobile wallet. Once the payments solution is in place, the customer base can be better protected and the risk of customers changing providers is reduced, given the increased natural trust for payment services provided by banking institutions versus companies from non-financial sectors.

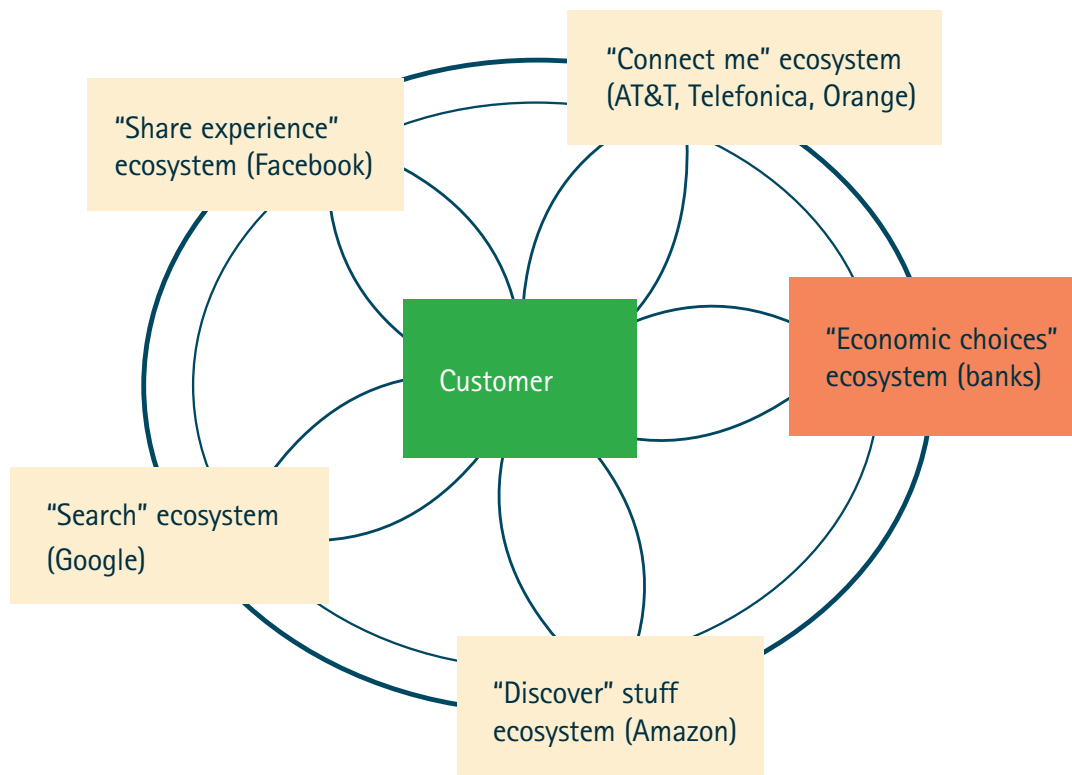
In this way, the bank can assume the role of trusted advisor, supporting customers with financial and non-financial offerings and opportunities, such as buying a house, a car, or even supporting the customer preparing for marriage. For all needs linked to economic choices, the bank is able to support the customer from the

very beginning and continue to do so throughout by leveraging its partnerships with non-financial institutions.

It's important to emphasize that this model has been designed with the view that customers dealing with so much information will want and need to trust fewer ecosystem operators. We think Facebook will be the operator for the "Share experience" ecosystem, Google for the "Search" ecosystem, big telecommunications companies for the "Connect me" ecosystem and big banks for the "Economic choices" ecosystem. For banks that aspire to the "Financial/Non-Financial Digital Ecosystem" model, lessons can be learned from some of the defined ecosystems, like Google. The online giant has created one of the most complete digital ecosystems through a number of integrated services, including

cloud storage and a best-in-class search engine, proprietary browser (Chrome), operating system (Chrome+) and the most common smartphone OS (Android), Google Maps, GoogleTV, YouTube, Talk and Google Voice, proprietary apps domain, its own music offering, and Google+ (a mix of Twitter and Facebook). Google also is an important player in the NFC ecosystem. Its relationship with MasterCard and Citi allows Google to offer retailers more data about their customers and help merchants target ads and discount offers to mobile-device users near their stores. Google Wallet passes payment information over existing payment protocols (including MasterCard PayPass and Visa PayWave), and the Nexus S smartphone—which Google developed with Samsung—is already enabled for NFC transactions.

## The digital ecosystem: keeping the customer connected, engaged





Among banking players, Commonwealth Bank of Australia's (CBA) mission is to be the first "truly mobile bank". In 2010, CBA launched the CommBank Property Guide, a mobile app for customers who want to buy a home. Thanks to partnerships within the real estate industry, the bank is able to provide information about houses, prices, area attractiveness and then simulate tailored mortgage scenarios. This end-to-end approach has propelled the CBA app's success and raised the possibility of extending its uses to other sectors, such as autos. Another step CBA took to establish its role in the mobile ecosystem is related to P2P payments and is based on the launch of its "Kaching" initiative, where customers can pay through Facebook, email or a mobile number: in less than two months the app has been downloaded by 110,000 customers.

## Commonwealth Bank of Australia illustration

### Vision for 2013

2010

*Anyone, Anywhere, Anytime*



### End to End Needs Coverage

2010

*House need: real estate app produced  
1% of mortgages*



### Kaching P2P APP

2011

*110K downloads in 2 months*



**"Given the current global banking landscape and the further changes and disruptions on the horizon, banks that grasp and execute these new business models and principles are better equipped to survive and thrive through 2016 and beyond."**



## Capabilities mix





## Moving forward: adopting “Banking 2016—Next Generation Banking” capabilities

The three “Banking 2016—Next Generation Banking” models are not final destinations per se, but rather represent the higher maturity levels of all the capabilities they encompass. Each bank can develop their identified capabilities differently, but defining a clear strategy and customer proposition are paramount.

Capability maturity levels can be different. Banks can pursue their journeys toward their chosen model by considering a broad mix of potential capabilities, each opting for the capabilities mix most appropriate to its business and operating model goals. They then need to develop and build out their own portfolio of capabilities to achieve them.

This journey will be based on:

- Market
- Strategy pursued
- Available capabilities/current capabilities maturity level
- Investment affordability

In planning for the future, we recommend banks:

- **Define a shared vision** on future scenarios/opportunities involving the entire management team. In doing so, it's essential to assess customer base and prospects to identify a common foundation for any decision
- **Define a “North Star” model** in light of the three defined business models. A “North Star” model is defined by the appropriate capability mix, and how it affects appropriate investment choices
- **Ensure a dedicated focus** on “Doing the basics right”, creating a “war room” if appropriate
- **Create a digital lab** and foster a “test and learn” approach across social, mobile and digital services
- **Define an appropriate sourcing strategy** to scale and deliver required capabilities at speed

By following the “Banking 2016—Next Generation Banking” approach, banks are better positioned to achieve their defined “North Star”, thereby increasing performance and competitiveness in the near- and long-term. The money at stake is significant. With the right strategy and level of commitment, banks in developed markets stand to double their annual revenue growth rates (i.e., from 4 percent to 8-plus percent) and lower their costs to serve by more than 20 percent. Given the current global banking landscape and the further changes and disruptions on the horizon, banks that grasp and execute these new business models and principles are better equipped to survive and thrive through 2016 and beyond.

**For more information, please contact:**

**Global**

**Piercarlo Gera**

Piercarlo.gera@accenture.com

**North America**

**Nigel Smith**

Nigel.smith@accenture.com

**Stephen Gardiner – Canada**

Stephen.gardiner@accenture.com

**Europe, Africa, Latin America**

**Alberto Antonietti – Italy**

Alberto.antonietti@accenture.com

**Joël Nadjar – France**

Joël.nadjar@accenture.com

**Peter Kirk – UK/Ireland**

Peter.kirk@accenture.com

**Miguel Montañez – Spain**

Miguel.montañez@accenture.com

**Robin Silfverhielm – Sweden**

Robin.silfverhielm@accenture.com

**Flaviano Faleiro – Brazil**

Flaviano.faleiro@accenture.com

**Christof Innig – Germany**

Christof.innig@accenture.com

**Asia Pacific**

**Mark Halverson – Japan**

Mark.a.halverson@accenture.com

**Alexander T. Trott – China and Singapore**

Alexander.t.trott@accenture.com

**David J. Levi – South East**

**Asia and Australia**

David.j.levi@accenture.com

**Contributors:**

**Ambrogio Terrizzano**

ambrogio.terrizzano@accenture.com

**Silvia Pesaresi**

silvia.pesaresi@accenture.com

**Monica Del Naja**

monica.del.naja@accenture.com

**About Accenture**

Accenture is a global management consulting, technology services and outsourcing company, with more than 246,000 people serving clients in more than 120 countries. Combining unparalleled experience, comprehensive capabilities across all industries and business functions, and extensive research on the world's most successful companies, Accenture collaborates with clients to help them become high-performance businesses and governments. The company generated net revenues of US\$25.5 billion for the fiscal year ended Aug. 31, 2011. Its home page is [www.accenture.com](http://www.accenture.com).

