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Beyond Business as Usual

OpEd

Building a 'Transformed' Bank

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THE FINANCIAL SERVICES INDUSTRY HAS BEEN TRYING TO improve its cross-sell performance for more than a quarter century. During this time, billions of dollars have been spent on customer-focused initiatives. Yet there is little to show for these investments, since the average cross-sell ratio still hovers around two products per customer—just as it did in the early 1980s.

How can performance be improved in an area that is becoming increasingly important in a consolidating industry? Answer: By building a transformed bank.

The short answer is to focus on what customers want to buy, not what our marketers want to sell. This means turning cross-selling strategies on their head and focusing on making bank products and services attractive and compelling, so that customers want to cross-buy. Most importantly, ways must be found to offer customers value for concentrating more of their business with banks by understanding their needs and delivering convenience, quality service, better pricing and loyalty rewards.

This strategy is used widely by successful retailers. Consider the online experience offered by Amazon.com. By analyzing purchase behaviors, it recommends additional books or CDs consumers might like to purchase, proactively emails offers for new books with profiles similar to recent purchases, offers volume discounts, provides loyalty rewards and streamlines checkout processes to minimize abandonment. As a result, many customers rarely purchase just one book, instead buying several items to maximize discounts and save on shipping costs.

While financial products are not impulse purchases like a book or a CD, in many cases banks have the rich customer data that retailers crave. Detailed credit applications that disclose customers' financial positions, buying habits and lifestyles are at their fingertips. Purchase patterns from card- and checking-account transaction activity can be analyzed. Bank products have natural linkages and convenience points and a majority of consumers have indicated they would like to deal with just one institution—if they receive a competitive price and quality service.

First, recognize this is a journey, rather than an event. Just as banks slowly built the walls and silos that created the barriers, customer experiences need to be improved by systematically focusing not only on systems and processes, but also on organizational structure and bank culture. Changing an orga-

nization's perspective from looking out to looking in is a cultural change that requires a coordinated effort across the enterprise.

What does the transformed bank look like? Each bank is unique, but transformed banks all embrace a customer focus from the front office to the back office, and aim to land and keep customers with unparalleled service as well as attractive products and prices. They have an organizational structure that focuses on customers, rather than products, and maximizes functional effectiveness across the enterprise. Their processes build loyalty and increase retention with personalized features, facilitate cross-buying based on customer interests, support relationship accounts that link products together, and enable customers to automatically direct the flow of funds between accounts.

Moreover, a transformed bank's technologies identify relationships, reveal patterns and offer recommendations; these banks also adapt rapidly to shifts in market demand and share common components across the enterprise.

To play in the new era of banking, a transformed bank must excel in providing responsive, personalized service at a competitive price. Banks need technology that acts as an enabler, rather than an impediment. With this foundation, banks can move beyond conventional products and offer customers lifestyle solutions in addition to integrated and customizable accounts.

The next logical step in the transformation is to offer proactive advice. Instead of cross-selling the product of the day, the transformed bank employs integrated technology and processes to make astute observations and offers recommendations that match products with customer habits and needs. Banks must monitor their customers' activity, and when needs change, they must proactively offer better solutions that meet their new profiles.

A customer-focused strategy can make all the difference in how customers view banks and the products and services offered. Action on banks' part will lead to increased customer loyalty, increased wallet share and positive recommendations to prospective customers. Moreover, when banks use their resources to better serve the customer, greater value is delivered to shareholders in a marketplace that values institutions that grow organically.