Striving for Growth

Best Practices in Retail Banking Sales and Service Channels
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Best Practices in Retail Banking Sales and Service Channels

Retail banks are raising their game across the board and across the globe. In a comprehensive study of more than 100 banks across 17 countries, Booz Allen Hamilton found that retail banks are developing and adapting their distribution channels to meet the needs of increasingly demanding customers: branches are more attractive and better designed; Web sites are more secure; and call centers offer quicker solutions to customers’ problems. Some banks are achieving excellence in key fields, such as HSBC in Hong Kong, which is setting the standard for branch banking, or Woori Bank in South Korea, showing the rest of the pack how online banking should look, feel, and function.

However, there is still an enormous amount of work to do. Despite efficiency programs, most banks have not significantly reduced their cost-to-income ratios. While costs have fallen, so have revenues, thanks largely to growing competitive pressures and narrowing margins.

Clear opportunities for expansion exist, but many banks are failing to adequately capitalize on the enormous potential of the key growth channels—online and mobile sales forces—because the performance of these channels does not yet meet customer needs and expectations. Moreover, banks need to pay greater attention to channel integration, where this is relevant to consumers, as few banks manage to achieve this today.

Some banks have achieved excellence, but there tends to be a huge gulf between best practice and average performance, suggesting that for the majority of banks, there is ample opportunity to improve performance and boost revenues.

To establish how far banks have come and how far they have to go, Booz Allen carried out extensive research—a study of consumer insights based on interviews with bank customers in Europe, North America, the Middle East, Latin America, and Asia—and a comprehensive mystery shopping exercise based on shopping and service experiences for each channel. Based on the findings of this research, the Booz Allen Revenue Enhancement (BRE) Index has been developed, taking into account performance across the four main channels—branch, online, call center, and mobile sales force—as well as a multichannel index.

What Do Customers Want?
Booz Allen’s consumer research reveals that despite the development of alternative channels, customers still prefer to purchase in the branch. However, the importance of the branch is in decline, and the mass affluent form the group leading the march away from branches and toward mobile sales forces and the Internet. When it comes to alternative channels, customers prefer online to telephone transactions, particularly when the product and the transaction itself are relatively simple. One area in need of significant development is the mobile sales force, which at present is limited or nonexistent in all but a few countries.
While these are the broad trends, variations exist in channel preference, driven by the complexity of the activity, the complexity of product, the degree of affluence, and the geographical region.

• While customers are quite happy to purchase straightforward credit products—such as cards and personal loans—over the Internet, they are much less likely to purchase pensions or investments online. Moreover, they are two and a half times more likely to carry out a simple transaction over the telephone than they are to purchase a product.

• Wealthier customers, who tend to be time poor and require a more specialized service, are 30 percent more likely to prefer the online channel.

• Regional preferences are also clear: North American customers, for example, strongly prefer to purchase products online.

Which Countries Are Achieving Excellence?
First-world countries are not always those offering first-class retail banking service; banks in certain newly industrialized countries, including South Korea and China, often showcase elements of best practice. The strongest region overall, leading the field in three out of the five categories, is Hong Kong. This is partly due to the advanced state of segmented approaches in Hong Kong banks, such as premier banking and mobile selling. Other top-performing countries include Switzerland and the United States. Certain regions

![Exhibit 1: Global Consumers: Preferred Purchasing Channels](source: Booz Allen Hamilton Revenue Enhancement Study 2007)
excel in certain areas: Swiss and U.S. retail banks, for example, have excellent branches, while South Korea leads the field by a considerable margin when it comes to online performance. The biggest gulf in performance exists in mobile sales teams; only a few regions, including Hong Kong and Australia, offer this service on a large scale.

Which Banks Are Achieving Excellence?
There is a very wide variation in performance at the bank level, but the best performing retail banks overall are HSBC in Hong Kong, Switzerland’s Raiffeisen, and UBS in Switzerland. HSBC Hong Kong tops the lists for best branches and best mobile sales forces, while Citibank UK provides the best call centers. Two banks in South Korea—Woori Bank and Citibank—feature in the top three banks for the online channel, while the United Kingdom’s HBOS offers the best multichannel integration.

Overall, banks perform best in branch and online channels. Call centers are good for basic transactions, but they are unable to cope with more complex products and sales transactions. Although the look and feel of different channels might be the same, cross-channel functionality is limited; and customers cannot easily switch from one channel to another without repeating themselves.

Best Practice
Lessons for those banks failing to achieve excellence are clear—there are specific targets to aim for, across all channels. The best branches have a hotel-lobby-style appearance, and the best call centers have short waiting times and instant connections to real people rather than to lengthy recordings. The best Web sites have unbeatable security complete with security certificates, PIN cards, and even random-number

Exhibit 2
Top Three Country Performers in Each Channel

Source: Booz Allen Hamilton Revenue Enhancement Study 2007

Exhibit 3
Best Performing Banks in Each Channel

Source: Booz Allen Hamilton Revenue Enhancement Study 2007
generators. To achieve the gold standard for certain segments, banks should aim to offer the following:

- Advisors with immediate access to customer information who are able to suggest a range of alternatives based on that customer’s history and circumstances
- Private meeting rooms
- Specialist advisors, available immediately, both on the telephone and in branches
- Minimal hand-offs
- Holistic solutions
- Dedicated staff, offices, Web sites, and call centers for the mass affluent market.

Get the Basics Right in Branches
Despite technological advances and the shrinking of networks in many countries, customers still want to do most of their banking in branches. It is their preferred purchasing channel for all products but especially for current and savings accounts and mortgages. Interestingly, the largest shift is a migration away from branches toward mobile sales forces. This shift demonstrates consumer preference for other face-to-face channels and might be explained by the fact that banks are still struggling to get their branches right.

Goals. The secret to successful branch management is to get the basics consistently right. Customers should be welcomed; appointment systems and sales processes must be sleek and very well organized. Appointments should be confirmed by text message or e-mail, and advisors should be able to sell more than one product at a single meeting. The mass affluent should be offered a differentiated service, with a sense of exclusiveness evoked through increased privacy.

Performance. Although average service levels are higher for branches than for any other channel, there is still a significant difference between the performance of the best banks, which are at or near excellent, and the rest of the pack. In product knowledge and transactional capabilities, performance is high, but segmented offerings and customer insight are weaker. The best retail bank branches provide a hotel-lobby-style appearance, concierge, and interactive information. Their staffs have immediate access to customer and product information, and meetings with specialists can be booked in advance.

No More Hanging on the Telephone
Call centers are becoming a less popular purchasing channel for customers, with just 7 percent of them saying they would open a savings or current account over the phone, and only 10 percent opting to apply for a mortgage from a call center. Buying by phone is more popular for credit and general insurance products, but overall, call centers are losing out to online channels, primarily because it takes too long for callers to get through to the right person. In this context, banks might need to revisit their call center strategy and enhance call center performance as well as consider use of complementary channels.

Goals. Changing the game is necessary for banks if they want to deliver a superior customer experience and drive profitable growth in their call centers. With the option to speak to a human considered the most important factor, the key to improving the customer
Goals. Security is absolutely paramount in the online channel. Banks need to develop systems that combine sophisticated security mechanisms—multiple passwords and virtual keyboards—with simple logon procedures. Secure sites are an ideal sales channel because they offer a unique opportunity to tailor product alerts and offers to the individual. However, because not everyone is comfortable with technology, banks should be able to provide live technical support as well as answers to product queries. Given the importance of the Internet to time-poor customers, banks must develop Web sites targeted solely at the mass affluent if they are to fully exploit this segment.

Performance. At the very best banks, performance in the online channel is near perfect in all areas. However, global performance is much less impressive, with most banks achieving average scores, especially with regard to a segmented offering, where scores are weak. South Korean banks are leading the field in online banking, offering innovations such as secure sites that can be personalized, security codes from separate devices, and dedicated Web sites for the mass affluent.

Performance. Banks in Hong Kong and China set the standards for customer service in call centers, offering instant connections, 24-hour access, multilingual specialists, and segmented call centers for mass affluent customers.

Banking in Cyberspace: Differentiation is Key
Customers—especially mass affluent customers—are increasingly demanding the opportunity to purchase products and transact online, and this trend is likely to accelerate as broadband connections reach more and more homes worldwide.


Exhibit 5
Call Center: Vital Attributes—Relative Importance vs. Satisfaction

Source: Booz Allen Hamilton Revenue Enhancement Study 2007

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<th>Relative Importance</th>
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1. Option to speak to human
2. Security complete in <20 seconds
3. Query resolved by call center
4. Resolve queries in a single call
5. Average <1 hand-off
6. Short waiting time
7. Option to speak to human
8. Call center in home country
9. Staff knowledge about customer
10. 16-hour telephone service

Low satisfaction in areas of highly important areas; priority improvement areas

Exhibit 6
Online: Vital Attributes—Relative Importance vs. Satisfaction

Source: Booz Allen Hamilton Revenue Enhancement Study 2007

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1. Robust security measures
2. Simple and quick logon
3. Site available at all times
4. All service on same site
5. Comprehensive information
6. Clear and intuitive layout
7. Quick page loading
8. Staff can follow up queries
9. Can complete wide range of transactions
10. Staff can follow up queries

Low satisfaction in areas of low importance; second priority improvement areas
Greater Mobility Required

Mobile sales forces are a popular way of purchasing products—in particular, more complex products, such as pensions and investments—but they are not widely available in many countries. Brazil, Hong Kong, the United Kingdom, and Australia are among the few markets where mobile sales forces are extensively and successfully deployed.

Goals. Mobile sales forces should be an integral part of a bank’s mass affluent service. As such, the development of sophisticated appointment systems is crucial as the target market is demanding and time poor. Most important is to give mobile sales force advisors the ability to complete requests; connectivity and empowerment are key to success in this channel. Both specialist and generalist sales advisors should be available; there should be flexibility on the timing and location of meetings; and customers should be reminded of their appointments by text message. Follow-up is also crucial. Banks should send out meeting summaries by letter or mail, and where possible, customers should be able to see the same advisor on more than one occasion.

Exhibit 7
Mobile Sales Force: Vital Attributes—Relative Importance vs. Satisfaction

Performance. Very few banks offer mobile sales forces, and overall performance among those that do is relatively poor. The service tends to be limited to the mass affluent, and then only where customers are seeking to purchase complex products, such as investments or mortgages. There are, however, a handful of banks that achieve excellence in this field, offering flexible meeting times and locations, well-informed advisors, and in some cases, sending out account managers along with specialist advisors to cement relationships and improve customer insight.

Multichannel Integration, Only Where It Matters

Multichannel integration, across all channels and all products, is not a priority for consumers. However, consumers choose channels on a holistic basis and, for some products, expect to be able to move across certain channels without having to repeat themselves. A key priority for banks is to identify the products and channels where integration matters to their customers.

Goals. Integration is about more than just a consistent look and feel. Banks should concentrate on delivering a joined-up service and value proposition across selected channels and products as a key part of success. For example, customers might start a mortgage application online and complete it in a branch. Banks should be taking advantage of new technologies to broaden the range of channels they offer; for example, using Skype and exploiting opportunities in cyberspace. In addition, all channels should have segmented offerings for the mass affluent.

Performance. A limited number of banks are offering all major channels with extras such as Skype and SMS, mobile phone banking, and special channels for the deaf. However, overall performance is weak, with even the best-in-class banks failing to achieve excellence in this area.
Raising the Game in Retail Banking
Booz Allen’s research shows there are clear opportunities to enhance revenue in retail banking. Going forward, retail banks need to:

- Provide dedicated channels (Web site, call center, mobile sales forces, and specialist areas in branches) for mass affluent customers.
- Reduce waiting times in branches through the use of welcome desks (concierge concept) and the option of making appointments in advance.
- Efficient call center menus and staffing that enable customers to quickly reach people who can resolve their queries.
- Enable customers to tailor Web sites, supported by strong security measures (e.g., random number generators).
- Offer mobile sales advisors who can complete transactions at the meeting, for select customer groups.
- Enhance the ability to commence a transaction on one channel and complete it on another.

In addition to the global themes identified in this study, a set of country-specific insights have been developed to help banks improve performance across channels on a local basis. Countries included in the study are Australia, Austria, Brazil, Canada, China, Germany, Hong Kong, Kuwait, the Netherlands, Saudi Arabia, South Korea, Spain, Switzerland, Thailand, the United Arab Emirates, the United Kingdom, and the United States.
Methodology

Booz Allen’s 2007 Revenue Enhancement Study set out to test the role of sales channels in revenue generation, taking as its starting point the fact that, across the globe, retail banks’ drive to improve efficiency through cost reduction has been offset by a decline in revenue generation.

The study followed a two-fold approach:

1. MORI Ipsos, the independent consumer research company, was tasked with undertaking interviews with banking customers in Europe, North America, Asia, Latin America, and the Middle East. Research covered 17 countries and assessed consumer preferences for each distribution channel and overall satisfaction levels.

2. In addition, Booz Allen carried out an extensive mystery shopping exercise at 100 banks, focusing on the consumer experience. This included a shopping and servicing questionnaire in a number of branches for each bank, plus Internet assessment, telephone calls to call centers, and shopping with mobile sales forces.

Based on the findings of this research and the mystery shopping, Booz Allen defined five individual channel indices to measure banks’ performance: branch, call center, online, mobile sales force, and a multichannel index. When these indices were weighted by consumer importance, this formed the Booz Allen Revenue Enhancement Index Score, which was used to rank banks’ performance across the main channels.

Exhibit 8
Booz Allen’s Revenue Enhancement Index

Source: Booz Allen Hamilton Revenue Enhancement Study 2007
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