

Growing a New Niche in Retail Banking

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How some top performers are adapting to target the lucrative mass affluent market.

by Alan Gemes, Fabienne Konik, and Caroline Moss

The growing number of well-to-do consumers has already captured the attention of the retail market, and now banks are getting on board: In early September 2007, HSBC announced the roll out of HSBC Premier — offering borderless banking and preferential services — which they describe as “the first truly global personal banking service for the world’s...mass affluent,” a demographic group that is variously defined as possessing between US\$100,000 and \$1 million in liquid assets and that has demonstrated a taste for luxury and exclusivity. Another early entrant to the field, Citibank, describes Citigold, which offers exclusive services and rewards to mass affluent customers, as a “premium banking relationship...designed to give you — and your finances — the attention you deserve.”

Mass affluent customers are mobile, sophisticated, and extremely busy. As such, they demand financial advisors with specialized knowledge, they want the ability to schedule meetings with these advisors flexibly and easily, and they put a premium on privacy. As one of several key findings of a Booz Allen Hamilton study of retail banking best practices shows, top-performing banks around the world are tailoring their services across all channels to adapt to the preferences of this small but increasingly influential segment.

For banks seeking to enhance their performance,

developing offerings to attract mass affluent customers may be the key to raising their profile and reducing their cost-to-income ratios. There is still room for them to jump in, but each institution must weigh the economics of such a move and determine whether there is demand for such services in its market. For example, the higher assets and average balances of this segment justify the costs of introducing new, more expensive offerings for banks like HSBC. One study has noted that mass affluent customers are roughly 30 times more profitable than those of the mass market, and the global mass affluent segment is expected to grow by 35 percent between 2005 and 2010. Thus, navigating this path successfully, through improving traditional channels such as branches and call centers and expanding new services such as online and mobile sales forces, can be quite lucrative.

Revamp the Mainstays

Although mass affluent customers are increasingly interested in alternate channels like the Web, banks can still target them by enhancing their experience in the branch, and on the phone.

Branches. The mass affluent should be offered a differentiated service that evokes a sense of exclusivity. The best retail bank branches provide a hotel lobby-style appearance, concierge, and interactive information. Their staffs have immediate access to cus-

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tomers and product information, and meetings with specialists can be booked in advance.

Some banks achieve this sense of exclusivity by creating a separate floor for the mass affluent to do their banking. At Citibank branches in Asia, for example, Citigold members have access to a separate area with plush sofas, no lines, and the opportunity to sit down and privately discuss their service needs with an advisor. Although they may not meet with a dedicated relationship manager, they will meet with a special officer who deals only with mass affluent customers and who has access to their personal information. These advisors will be better trained, and have a broader range of skills across products.

Call Centers. Even as call centers are becoming a less popular purchasing channel, banks should still consider a segmented offering for mass affluent customers. Once in place, though, the centers need to minimize hand-offs and ensure fast connections to knowledgeable advisors.

Banks should offer dedicated phone numbers for mass affluent customers; they may call in to the same call center as all other customers (though they won't know it), but their calls will be immediately routed to people who are specially trained to meet their needs. Some banks have made progress in this area: Citibank's Citigold offers its customers an exclusive 24/7 toll-free customer service number; Credit Suisse assigns mass affluent customers an advisor whom they can call directly; the Bank of China, as well as other Chinese banks, offer 24-hour access to assistance by phone and guarantee an instant connection. In fact, banks in Hong Kong and China are setting the standard for customer service in call centers.

Expand New Channels

For most retail banking customers, the traditional branch remains the preferred purchasing venue, but that is changing. The mass affluent have demonstrated a preference for alternatives such as online services and mobile sales forces.

Online. Mass affluent customers are 30 percent more likely to prefer the online channel. Increasingly, they are 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.

Banks should develop Web sites targeted solely at the mass affluent in order to fully exploit this segment. These sites should begin with a landing page reserved for the mass affluent customers and should offer products and services tailored to their needs. For example, while browsing the Web site of Spanish bank Bankinter, mass affluent customers see messages that are targeted to their individual behavior, recommending products, such as trusts and access to equities, and tax planning, that they can then easily order or access. On some Chinese banks' sites, mass affluent customers will see market projections that can help them make investment decisions.

South Korean banks are leading the field in online banking. Woori Bank, for example, is a top performer with a model Web site dedicated to its mass affluent clients. Their site, called "Two Chairs" — a reference to the one-on-one spirit of the service — includes links to articles with expert opinions, customer news bulletins adapted to the mass affluent's information needs, and an online lifestyle magazine tailored to their interests. The site also provides assistance for Korean expatriates,

information about finance and banking for customers looking to study or move abroad, and an online reservation system for Woori-sponsored VIP lounges at Incheon International Airport. In addition, clients will find an advisory center providing financial advice on a variety of issues and a “eFinancial Product Mall” that is differentiated from that of the bank’s regular site.

Mobile Sales Force. The mobile sales force brings salespeople directly to the customer — in his or her office, home, or in the location of his or her choice. The idea is to make the experience personal and as convenient as possible.

Very few banks offer mobile sales forces today. Yet mobile sales forces could be an integral part of a bank’s mass affluent service and could address the special requirements of this group: The sales forces should have sophisticated appointment systems and their staff should be able to complete requests swiftly. In other words, connectivity and empowerment are key to success in this channel. In addition, 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, and, when possible, customers should be able to see the same advisor on more than one occasion.

In Asia, a number of banks, conscious of mass affluent customers’ preferences, invested in creating a special area to serve them in the branch. The customers appreciated the banks’ efforts; however, they soon started to send their drivers in their stead. The banks ramped up their mobile sales forces in response, to ensure face-to-face meetings with the client. In Hong Kong, mobile sales advisors are available to meet anywhere, at short notice. Mobile sales forces have also taken off in Latin America, in particular in Brazil, where oppressive traffic makes it less likely that time-poor customers will come to the branch: Banks need to go out and see them.

Opportunity for Growth

By providing segmented services across all channels, banks can set themselves apart from the pack, attracting mass affluent customers and ensuring their loyalty.

Citibank’s Citigold, for example, has a branding associated with it, offering segmented services across all channels — in branches, call centers, and online. In addition to the benefits described above, Citigold cus-

tomers are offered priority processing, special savings and rewards, and access to financial advisors from Smith Barney to guide their investing and manage their portfolios.

The recent relaunch of HSBC Premier as a global banking offering is focused on the mass affluent’s mobility, and seeks to provide seamless cross-border banking. Among its offerings are a globally accessible number for emergency assistance, access to a dedicated relationship manager, access to banking services and lounge facilities (Premier centers) in 35 countries and territories, and the ability to view and manage — through a single Web site — all HSBC accounts held globally. HSBC has developed a Global Training Academy to get 5,000 Premier relationship managers on the ground, along with 3,000 support staff, all specially trained to serve the mass affluent.

These and other top-performing banks are developing and adapting their distribution channels to meet the needs of increasingly demanding customers: Their branches are attractive and well-designed, their Web sites are highly specialized and secure, their call centers offer quick solutions to customers’ problems, and their mobile sales forces enhance convenience and enable face-to-face interaction. As their numbers continue to grow, the mass affluent will offer banks that carefully and intelligently enter this market substantial opportunity to raise their game. +

Resources

Alan Gemes, Fabienne Konik, and Caroline Moss, “Striving for Growth: Best Practices in Retail Banking Sales and Service Channels,” Booz Allen Hamilton, June 2007: The survey on which this article was based provides more detail about the current state of retail banks and identifies the top performers. www.boozallen.com/media/file/Striving_for_Growth.pdf

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