



SOMETHING TO BANK ON

THE ANNUAL RETAIL BANKING SURVEY, A JOINT STUDY BY SAP AND THE EUROPEAN FINANCIAL MANAGEMENT AND MARKETING ASSOCIATION (EFMA), PROVIDES DEEP INSIGHT INTO THE CURRENT SITUATION AND THE TRENDS FOR THE FUTURE, WRITES **MICHAEL MISCHKER**, DIRECTOR, INDUSTRY SOLUTION MARKETING FINANCIAL SERVICES, SAP UK.

European retail banks are under tremendous competitive pressure to make customer-centric processes a reality in their organisations. There's no doubt that IT will be critical to this transformation. Pressures in the retail banking sphere have led to a wave of mergers and acquisitions in recent years that have shifted the competitive landscape and focused attention on cost-cutting and consolidation of assets. There is a sense of urgency across all channels and customer segments about finding a way forward that is not just efficient for the bank but also effective with customers.

The objective of generating fresh revenues from retail banking operations is driving the change. It is the customer experience that is at the centre of the discussion and banks are discovering that they are not in charge of the conversation they have with their customers.

SAP and EFMA offer industry insight

SAP's partnership with EFMA, the largest retail banking association in Europe, counting more than 1,200 financial services institutions as its members, continues to drive initiatives such as thought leadership and innovation in the retail banking sector. Karel de Boeck, chairman of EFMA and managing director at Fortis Bank, says: 'The study, jointly-developed with SAP, allows EFMA to engage its members in a focused discussion of their efforts to transform the delivery of retail financial services to customers. At the heart of the partnership is the groundbreaking annual study 'The Five Pillars of Excellence, A European Benchmark Review,' which is derived from the annual Retail Banking Survey (RBS).



In 2003 SAP developed the RBS in conjunction with EFMA and the University of Mannheim, Germany. The survey is designed to assess banks at a regional, local, and individual level. The survey is made up of 33 questions, which are divided into two parts. Part 1 of each question asks for a real-time assessment of where the bank is now. Part 2 asks for the position the bank will be in in three years time. The current and future assessment by individual banks make this study unique and, more importantly, extremely valuable by providing the industry and individuals with a number of views. To date, 125 banks in 30 countries have completed the RBS.

Promises not fulfilled

The RBS and other joint activities reflect a mutual desire for EFMA and SAP to approach the sector challenges from a different perspective, one that is customer-centric and knowledge-based. Banks are looking at ways to grow their business. They are grappling with difficult tasks such as collecting and analysing customer data. The RBS provides an opportunity to segment their business processes and functions. Of particular significance are findings that suggest a misalignment between senior management's promises to the customer and what a bank's operations and channels can actually deliver. The study also compares findings from the 2003 RBS, which enables further analysis of business gaps and suggestions for industry improvements.

Now in its third year, the joint study encompasses an even wider base of participating banks than in previous years and offers deeper insights

'BANKS NEED TO TRANSFORM DATA COLLECTION AND ANALYSIS INTO A HIGHLY FLEXIBLE PROCESS.'

into the challenges faced by EFMA members for transforming retail financial services to meet customer expectations, according to Patrick Desmarès, executive director of EFMA. Desmarès says, 'These key findings bring us to the heart of the problems, and the opportunities, for our industry. In the coming year it will serve as an excellent platform to help EFMA further its mission of provoking debate and discussion to encourage innovation.'

2006 Five Pillars of Excellence

The key findings of the 2006 RBS were presented by Richard Lowrie, SAP's director of banking strategy, at the EFMA Convention in March 2006. The initial findings indicate that in the timeframe of three years, banks are planning to take enormous steps forward in enhancing their IT capabilities. Additional key findings include:

- **Growth strategies to drive profits.** An overwhelming number of banks (75 per cent) favoured growth over cost-cutting as their primary business strategy.
- **Greater choice for customers.** Of the survey

participants, 61 per cent expect to offer differentiated products and service propositions by 2009 based on validated customer need, up from 12 per cent today.

- **Constraints with current IT systems.** More than one-third of banks report constraints to their IT systems in achieving their strategic goals. In three years, 98 per cent of these banks expect IT to support their business strategies as well as provide competitive advantages.

'Banks' IT systems and organisational structure need to support information availability across the entire enterprise to leverage the potential of effective customer management,' says Lowrie. 'In comparison to the results of the study conducted in 2003, the new study reveals a correlation between a bank's business strategy and the ability of its core systems to support customer-centric business processes. For SAP, the findings confirm that our development efforts in analytical banking capabilities meet a pressing and ongoing need in the industry.'

Structured intelligence needed

Daniele Bonfanti, programme manager at Financial Insights, EMEA, an independent research and advisory firm, says, 'In an even more mature market, organic growth can be pursued only with the support of a more structured business intelligence process that allows banks to reach an appropriate level of information quality – essential to have a deeper understanding of customer segments.'

Additionally, Bonfanti notes, 'Banks need to transform data collection and analysis in a highly flexible process to be able to really support the business decisions and initiatives and, more importantly, the need to move away from a business intelligence approach that is often too late, too slow, too rigid.'

A community of understanding

The SAP-EFMA partnership has already brought so much value to the banking sector. The opportunities to have open discussions and to interact with individual banks has been genuinely beneficial to SAP, EFMA, and the banks, as everyone involved has gained a greater understanding of the challenges that confront banking today.

By sharing the RBS findings with the European banking community, SAP and EFMA can help community members make the right decisions for the future. SAP and EFMA can show financial service firms how to invest for flexibility, agility and innovation, and can offer guidance in critical areas such as regulation and compliance or smart front-to-back-office processes.

About SAP

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Further information

For more information about how SAP and EFMA are working together, visit www.efma.com/sap or contact Michael Mischker at Michael.Mischker@sap.com.