



Industry players get together: the 5th European Retail Banking Summit, held at the Hotel Rey Juan Carlos I in Barcelona, was an excellent opportunity for banking decision-makers to participate in one-to-one meetings and network with their peers.



# ERB: REMEMBER – THE CUSTOMER IS KING

Aligning business and customers with the right kind of technology is the key to sustained success in retail banking – that was the prevailing theme at the 2007 annual European Retail Banking Summit. Michael Jones reports.

Some 110 key senior professionals from 25 countries gathered in Barcelona for the largest-ever annual European Retail Banking Summit, held at the Hotel Rey Juan Carlos I from 15 to 18 March 2007.

The summit differs fundamentally from conventional trade shows or conferences in that buyer and supplier delegates have the opportunity to have focused half-hour face-to-face meetings, leading to many new business relationships.

Over 600 one-to-one formal business meetings were arranged in addition to the numerous informal networking opportunities. There were also keynote presentations and an extensive workshop schedule covering innovation, customer segmentation, price revenue optimisation and SEPA. EDS Espana, HP and Satyam Computer Services sponsored the dinners for the three nights while Cisco and IBM were Headline Sponsors for the event.

## The retail bank of the future

Philippe Gogniat, director of financial services industry solutions for Europe and emerging solutions at Cisco Systems, opened the seminar programme with a top-line view of how innovation should be approached in a changing retail banking environment. He said: 'Our industry is not recognised as an innovator. In the recent Business Week list of the top 25 most innovative brands in the world there were no banks.'

In an account of the future of multichannel banking and customer-centric branch banking, Gogniat and

Uwe Feifel, financial services sector industry leader, financial markets, and northern Europe at IBM, described how the branch is still the number one sales channel today. 'Technology will help to drive growth by increasing efficiency and effectiveness,' said Feifel.

'Innovation is not just about speed and efficiency through technology, it's also about integrating IT into the business process correctly. Customers take an average of three to five minutes to complete their transactions in a branch.

'In a new initiative trialled by Deutsche Bank in Berlin, "the Q110: branch of the future", innovation has meant that the average time spent by customers is now 35 minutes.' This presents an opportunity to understand customers' needs better and offer them more suitable products.

Customers tend to stay in branches for longer when the office environment is more visually appealing and when the right technology networks are in place. Other attractions include cafes and play areas for children. IBM and Cisco are working with Deutsche Bank to test the products customers want to see, and these will now be rolled out to approximately 800 branches.

## Regulation and consolidation

European banks are being hit from all angles. Cross-boarder consolidation is altering the competitive environment, a dynamic regulatory environment is causing considerable disruption, segmentation priorities are changing and new partnerships are developing.

Key drivers at present are the regulatory headaches caused by SEPA, MiFID and Basel II. The experts at ERB all had the same message: Basel II must be concluded and investments made in SEPA to get the operational schedule back on track. With financial service institutions spending \$330 billion on risk and compliance, there is a tremendous amount to waste. However, only 20% of this is being spent on technology; the remaining 80% is administrative costs.



Cross-boarder consolidation is expected to accelerate until 2008. In 2002, there were 7,200 financial service institutions in Europe, but with the top ten banks holding more than 80% of the market, the TowerGroup predicts that by 2017 only 2,010 financial service institutions will remain. Banks will continue to move towards coalitions because they add value.

#### Technology and the customer

While technological innovation is critical, banks must also not lose sight of the changing needs of the customer. Ralph Silva, senior analyst of European banking and payments at the TowerGroup, said: 'There is too much technology in banking. We spent 20 years putting technology into banks and now we need to take some of it away again because it has eroded brand value.'

Financial service institutions need to look to other sectors – particularly retail and telecoms. There is a cultural issue in banking that 'IT managers know best', but now they need to follow the examples set by other industries.

Carlo Giugovaz, director of BDM at UniCredit Banca in Italy, reflected that: '80–90% of costs in banking are fixed – and it's very difficult to change this'. So, innovation and technological investments have to be sound.

According to Ralph Silva, financial services and money is a 100% emotional experience: 'It's about human relationships. However, technology has been eroding this relationship since the internet took off in the 1990s and removed the human element. We are being told that European banks are two-and-a-half years behind the US in terms of installing and adapting to new technology, but European banks still dominate all the lists compiled by consultancies analysing the most influential companies in the world. European companies do not follow – they lead. This is because they recognise that customers are all individuals requiring different treatment. European banks also operate in an industry that is particularly hard to operate in.'

{ 'The customer is still King. And they always will be.' – David Hough, Co-operative Bank plc }

Private banking and investment banking remain very profitable, Silva added, 'because they have retained the element of human relationships with their clients that has been otherwise eroded in retail banking.'

So how do banks counter this erosion of relationships? Silva had the answer: 'Start to reduce prices and you enter straight into a price war. Instead, you should improve your customer relations and invest in gaining people's trust again. One-stop shopping is what the customer wants. Back offices in banks don't speak – and that's ludicrous.'

#### IT as an enabler

And yet technology can still be a critical enabler to banks. One aspect that seemed to really capture the imagination of the attendees was the evolution of the 'pocket branch'. This involves fitting customer's cards with a CPU chip that runs on a microfuel power source similar to those used in pacemakers.

This power source lasts up to four years.

Guillermo Kopp, executive director and global research fellow for the TowerGroup, explained: 'Customers have a holistic view of their financial services network – it's an outside-in experience. They can tell straight away if the responsiveness is there.'

According to the TowerGroup, 45% of leaving customers do so because they are dissatisfied by the service and 70% communicate this dissatisfaction with potential new clients. In fact, 12% of customers convince at least 20 friends never to do business with the bank. Conversely, satisfied customers only tell two

friends and associates about their positive interactions.

David Hough, business manager of retail strategy at the Co-operative Bank plc, put it best during a workshop addressing segmentation strategies in retail banking. He summed up the prevalent theme at the summit: 'The customer is still King. And they always will be. Generational change will bring more impetus to digital marketing, and an increasing number of face-to-face meetings will be done via videophone, but customers will still be able to see the whites of the bank's eyes. It's very important to keep that level of human interaction.'

Oliver Klink, head of product management banking at Dresdner Bank AG, agreed: 'It's very hard to get the ear and the eye of the customer, so you must use the opportunities that you get.' Banks cannot forget that.

As always, the industry is facing numerous changes and new regulations, and in response, the second Risk, Regulation and Compliance Summit will be held in the UK from 21 to 23 November 2007, not to mention next year's ERB, which will take place in Vienna in Austria from 13 to 16 March 2008. For further details on both events, contact Pratheeva Kotalawela on +44 20 7915 9909 or email [pratheevakotalawela@spgmedia.com](mailto:pratheevakotalawela@spgmedia.com). FBA