



SAMPLE & DATA

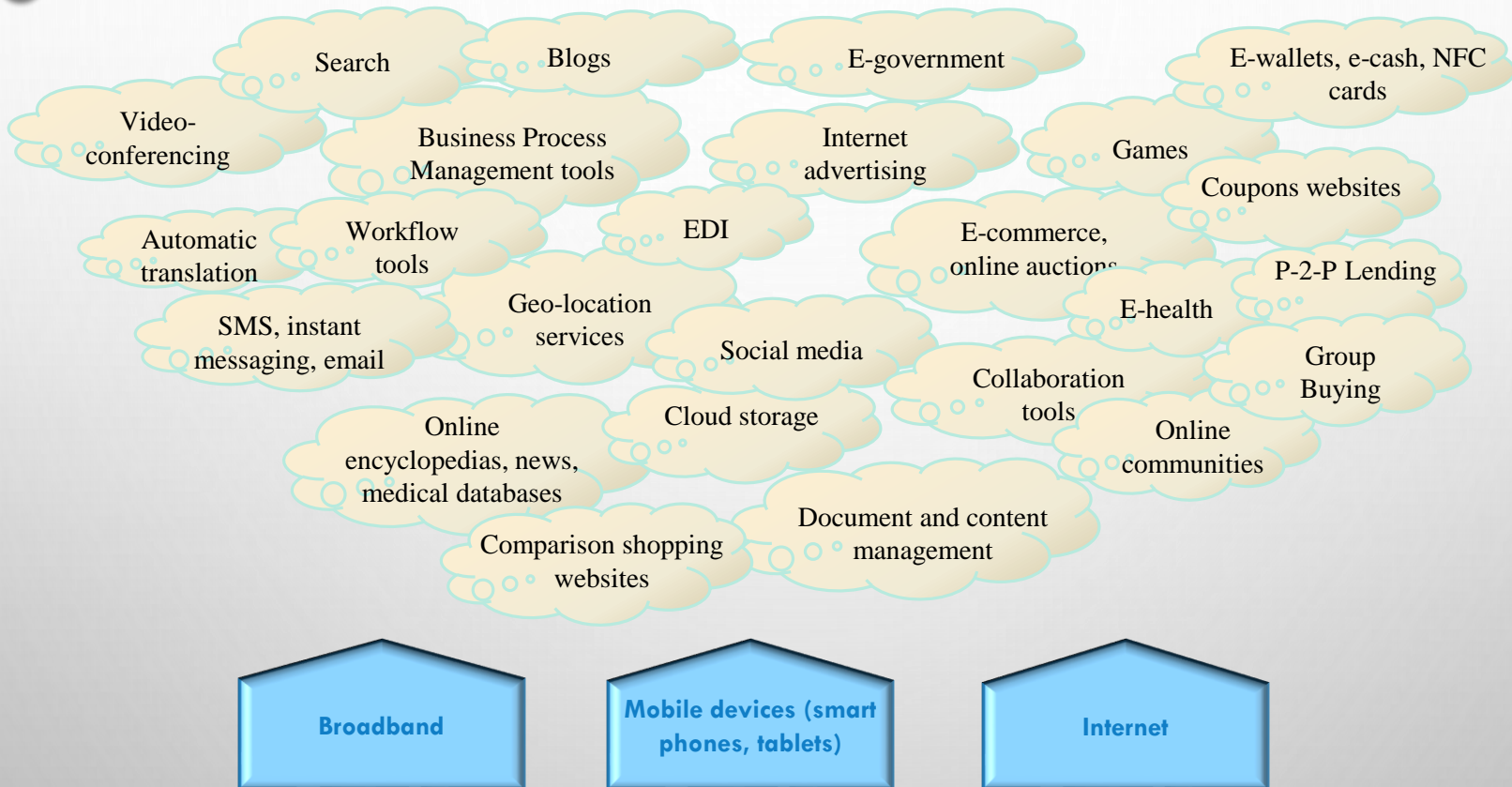
COURSE: INNOVATION DEVELOPMENT IN
COMMERCIAL BANKS

PRESENTED BY FARKHOD ODILOV



NEW TECHNOLOGIES

Three core technologies – broadband, mobile devices and the internet – have spawned a multitude of applications and counting...

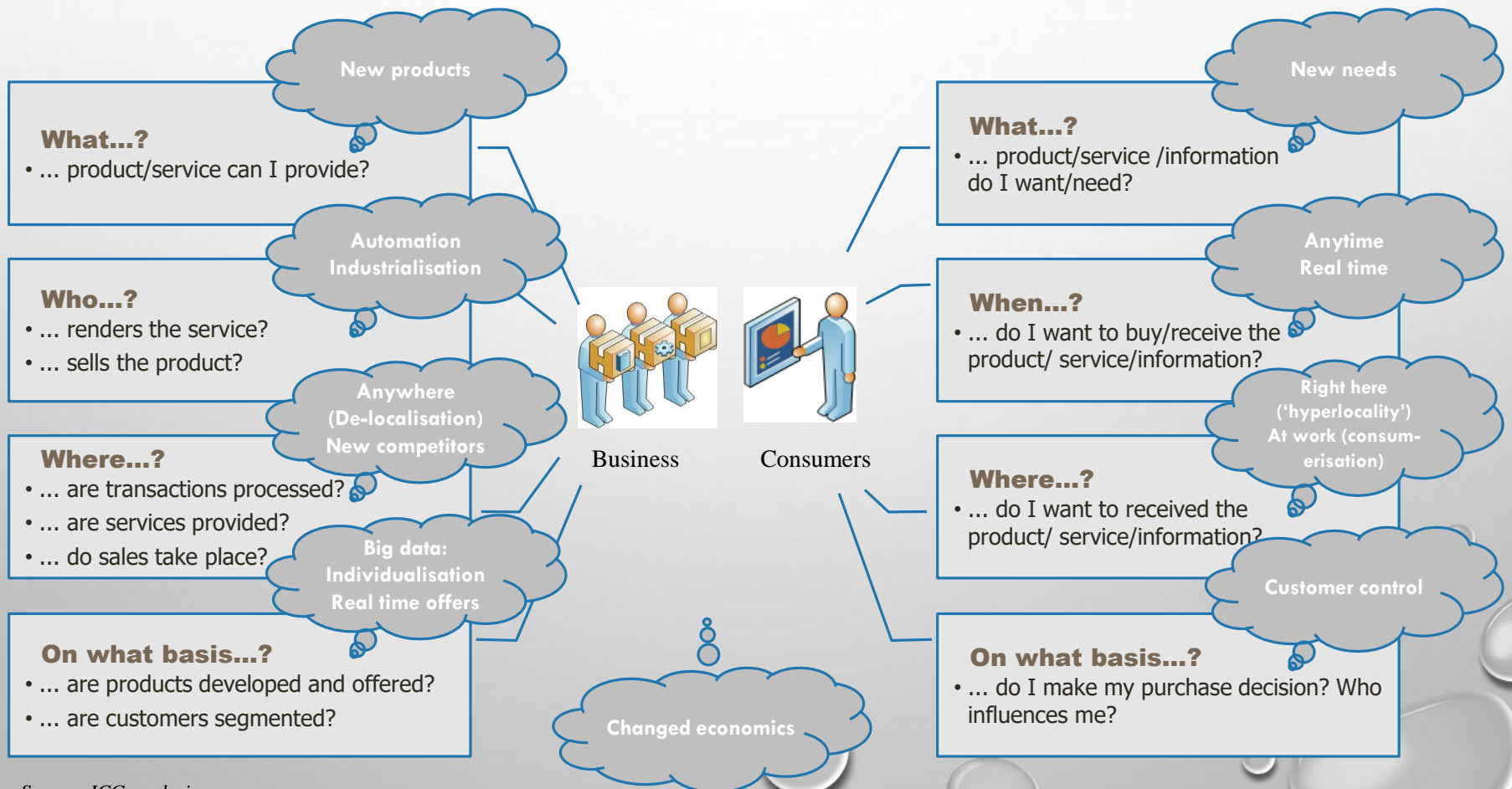


Source: ICG analysis

MACRO IMPACTS ON BUSINESS AND CONSUMERS

3. Impact of digitisation

Collectively, these new digital technologies are having a profound impact on numerous aspects of our lives and changing every element of the business model: how personal and business relationships are built and maintained, how information is collected and exchanged, how businesses are organised and how value is created and shared



SEVEN MACRO IMPACTS

Collectively, these new digital technologies are having a profound impact on numerous aspects of our lives: how personal and business relationships are built and maintained, how information is created, collected and exchanged, how businesses are organised and how value is created and shared

De-localisation

- Services that do not involve physical contact with the customer (unlike e.g. hairdressing, massage) can be performed from anywhere
- Face-to-face interaction with customer does not require co-location
- Co-workers need not be co-located
- Companies do not have to have a physical presence to compete in foreign markets

Individualisation

- Customer segments can be much smaller (segments of one person at the limit)
- Products and communications can be highly customised (e.g. loan's features, internet banking site)

Automation

- Needs can be anticipated without human intervention (based on digital info collected by the systems themselves); interactive, adaptive response as customer navigates through the bank's website

'Big data'

- Segmentation can be done on the basis of a wealth of psychographic data
- Much larger amount of customer data available to develop new products and services
- Location-dependant products and services can be offered

Real time

- Customers want to communicate anytime, from anywhere, and expect an answer also in real time (the emergence of the 24x7 channel)
- Multi-channel interaction requires real time processing and channel integration
- Opportunity to market to existing customers as they interact with the bank

Customer control

- The customer has a multitude of sources of information
- The rise of the militant consumer: the customer can take control of the brand and can organise easily to corral like-minded consumers
- Amplifier effect of service quality (good and bad)

Changed economics

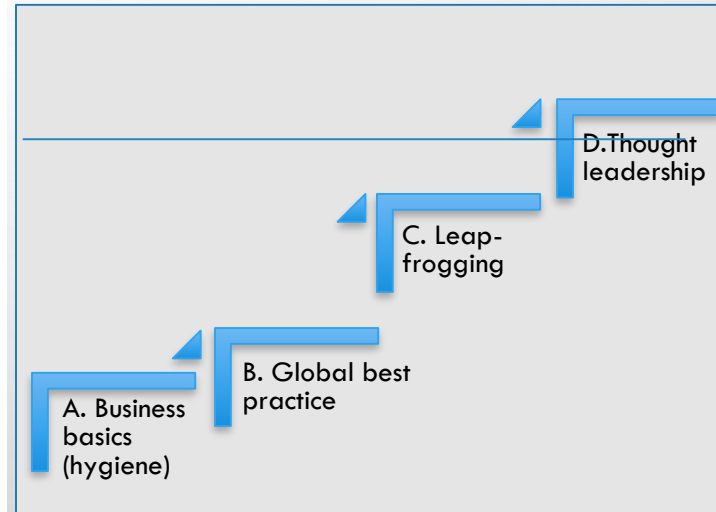
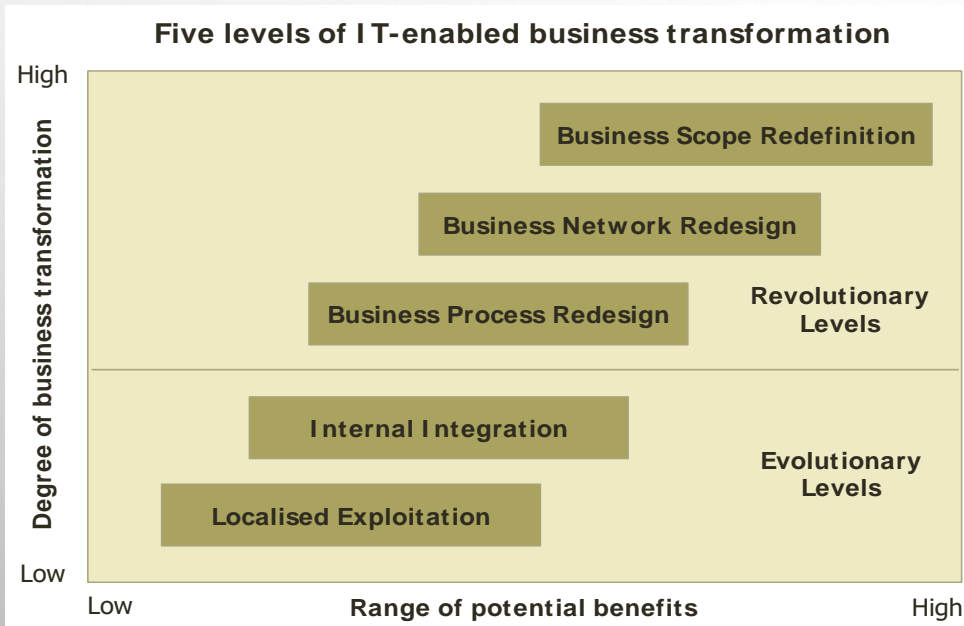
- Changes in cost-to-serve, improved productivity and the entry of new players with novel business models create and re-distribute value along the chain

BUSINESS TRANSFORMATION AND TECHNOLOGICAL CHANGE

CONCEPTUAL

The level of technological change we are experiencing is likely to require a high level of business transformation and thought leadership, but the benefits could be high as well

Response required

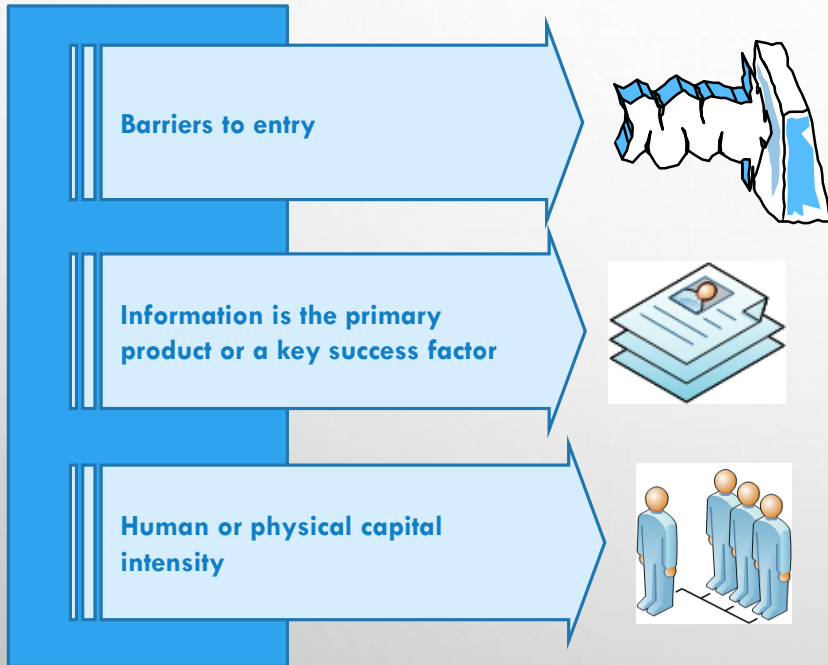


Source: 'IT-Enabled Business Transformation: From Automation to Business Scope Redefinition', Venkatraman, N. Sloan Management Review, 1994

SPEED AND QUANTUM OF DIGITISATION

The financial services industry is expected to be intensely impacted by digitisation relatively early on

Factors driving speed and quantum of digitisation in each industry:



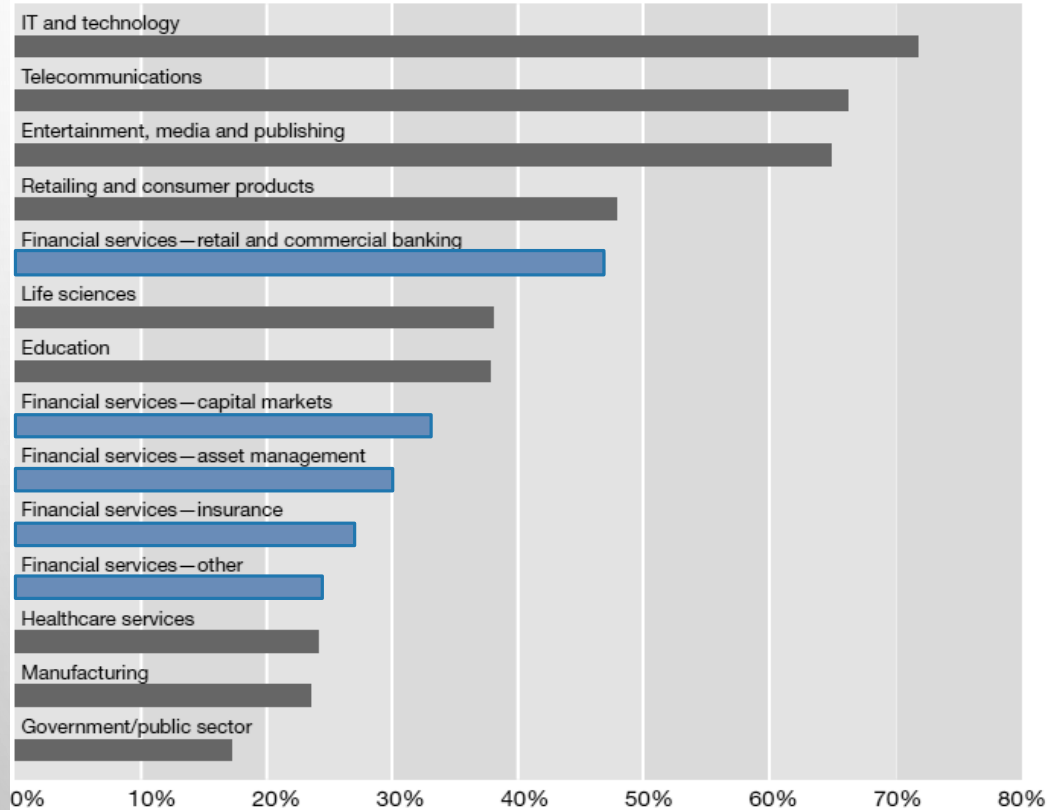
Likely impact on Financial Services industry

- Medium speed of penetration
- High impact on products/services and business models
- High impact on labour productivity and capital intensity

In financial services, retail and commercial banking is expected to be most transformed

INDUSTRIES MOST AFFECTED BY DIGITAL TRANSFORMATION

In your view, which of the following business sectors will be most transformed (for the better) by information technology over the next 5 years? (% stating "greatly transformed")



Source: PWC, 'The new digital economy', 2011

IMPACT OF DIGITISATION IN FINANCIAL SERVICES

Digitisation is expected to impact the financial services industry at three levels



Rationale

- Real-time, high resolution business insights (e.g. shopping habits, location, finances, social activities, search history, securities trading, travel, medical history, voting, advocacy)
- Ability to reach out to customers more effectively
- Growing use of critical business techniques such as social marketing, crowd sensing, and crowd sourcing

- More targeted management of workforces
- Increase in process automation
- Leverage of virtualization (e.g. in testing)
- Cloud-enabled cooperation models allowing the tapping of talent globally
- Better investment decisions due to better data

- Value shifts will be primarily within industries as a result of changes in market share or industry structure
- Consumers will gain power
- Need for a new wave of growth in capital investment

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5. Digitising business banking

Appendices

CUSTOMER INNOVATION THEMES IN RETAIL BANKING

Disruptive innovation in retail banking follows six themes, all focused on the delivery of a range of financial, emotional and physical benefits

1 Better money management

smartypig, meniga, bundle, credit, VirtualWallet, money ZOOM, v-mint, moneydashboard, Sony Bank, MyBankTracker, pocketSmith, DISCOVER, mvelopes, BILLSPRING

2 Immediate secure access

wonga, DYNAMICS INC, Ferratum, billfloat, AKBANK, SECURE KEY, VISA, ACTIVEPATH, TX LOAN, revolutionmoney

3 More social, more fun

blippy, Swipely, RIGHTCLIQ, Prodigy, rollover, LendingClub, Z+PO, KIVA, CurrencyFair, Betterment, PR+SPER, Funding Circle, % RateBetter

4 Ultra-convenient payment

Square, bling, Kwedit, CHASE, RatePRY, PayNearMe, BillMeLater, PayMate, obopay, PayPal, popmoney, paymo, ANZ goMoney, playspan

5 Personalized & customizable

ZYNC CARD, CHASE SAPHIRE, citi, AMERICAN EXPRESS PASS, DISCOVER, DYNAMICS INC, HypoVereinsbank, CHASE BLUEPRINT, cardMobili

6 Customer-centric pricing

John Charcol, licuro.com, Postbank, Offermatic, Kabbage, Maxlips, wealthfront, Citi FORWARD, MoneyAisle

BUT... VIRGIN MONEY IN THE UK

Virgin Money appear to be planning a move from niche player in financial services to full-service provider of retail banking. They will face an uphill challenge though

Recent developments	Assessment
<ul style="list-style-type: none">• Founded as Virgin Direct in 1995 as a jv with Norwich Union offering index-tracking equity funds• In 1997 launched The Virgin One Account, a jv with RBS, the UK's first current account mortgage [mortgage account coupled to an off-set account)• In 2001 RBS buys out Virgin; Virgin Direct changes its name to Virgin Money and launched a credit card, savings and insurance products in jv with Bank of America• In 2004 Virgin Group acquired full ownership• In 2010, Virgin Money had 2.5 million customers with over £2 billion of funds under management and over 2.3 million Virgin Money cards in issue• In 2010 Virgin Money bought Church House Trust, a small regional bank offering deposits and mortgages, which it intends to turn into its platform for a full fledged retail banking business• Jv with Fortis for insurance	<ul style="list-style-type: none">• While existing banks may be more unpopular than before the financial crisis, even a brand as strong as Virgin will find it tough to shake-up the UK personal banking market:<ul style="list-style-type: none">○ Consumers' attachments to notionally "free" banking services (current accounts, ATM transactions, credit cards) resulted in significant cross-subsidies between different groups of banking customers and thus acts as a significant barrier to innovation and competition in pricing○ Compliance requirements related to data protection, identity confirmation and money laundering make it difficult to simplify products and processes○ While 65 per cent of Tesco Bank's business is currently done online, 70 per cent of customers would welcome an opportunity of transaction banking in store. If Virgin Money's customers are like Tesco's

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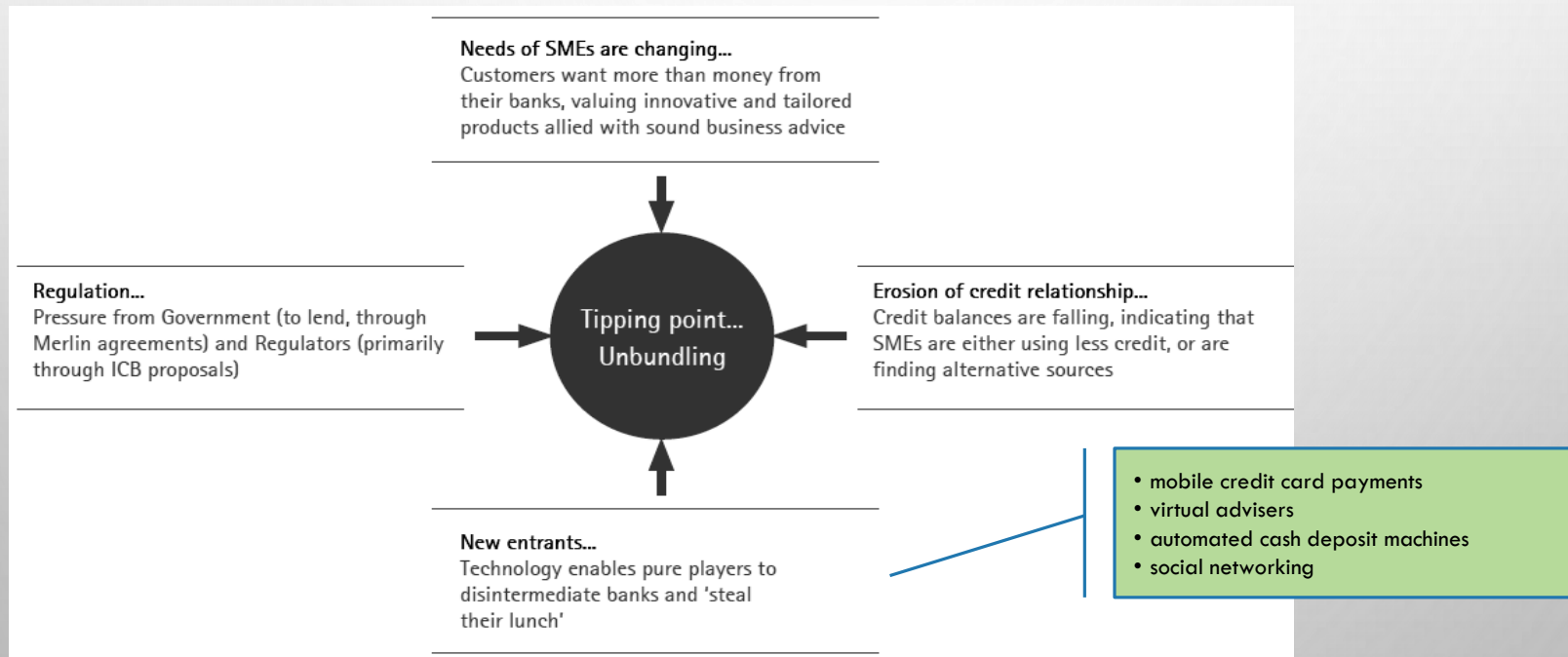
5. Digitising business banking

- **Innovation in business banking**
- Developing analytics capabilities
- Conclusion

Appendices

SME* BANKING TIPPING POINT

Accenture argues that as a result of skyrocketing of rejection rates and contraction of lending since 2008, the relationship between SME and bank is eroding. This, combined with new technologies, changing SME needs and regulatory pressure to make switching banks easier, is leading to a tipping point whereby the traditional SME bundled product offer could be unpicked



* SMEs are defined by Accenture in this paper as businesses with between 50 and 250 employees

Source: Accenture, 'Next generation SME banking', 2011

FOUR BEST PRACTICES IN MIDDLE-MARKET BANKING

Key elements

Several of the best practices in middle-market banking require the leveraging of digital technologies (in green below). Several also impact the relationship management model (starred)

Enhanced service at low cost

- Starting point is a well designed, intuitive and well-integrated online portal, similar to the offering of a good personal bank, but with more features and flexibility (e.g. web portal of Wells Fargo)
- Others are remote cheque capture, EDI, payables outsourcing, payroll cards

Segmented product and service offerings

- Offer tailored solutions in an economical way (e.g. standardised product packages)
- Segment the middle market into size-tiers and by industry

Revamped sales organisation

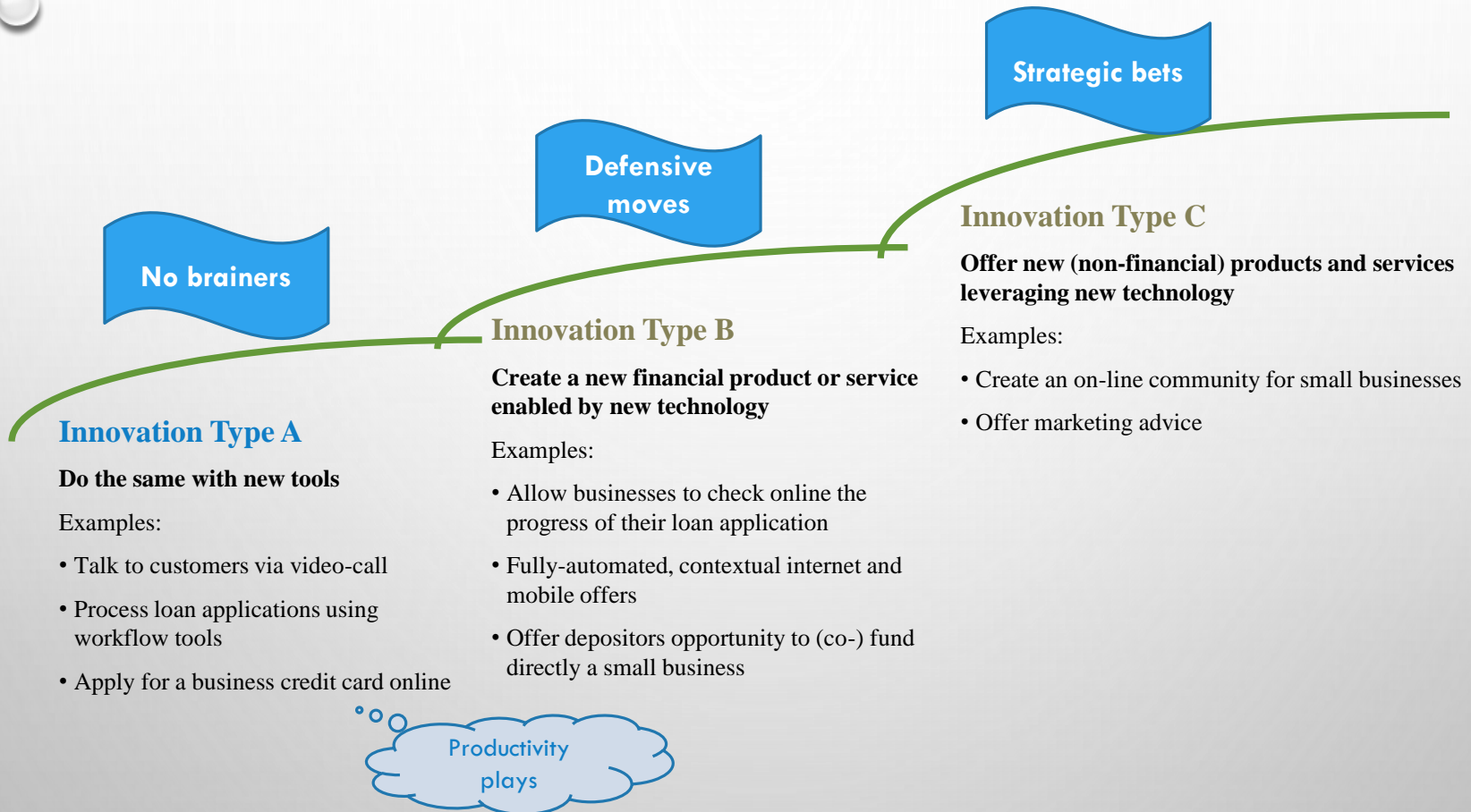
- Embrace relationship managers from both commercial lending and cash management, matching their expertise to the customer segment
- Reward RMs for cross-selling cash management products (both initial sale and continued use)
- Credit cash-management sales personnel with the full value they create
- Find economical ways of leveraging product specialists for smaller middle-market customers

World-class account planning

- Invest in account-planning tools and the underlying systems
- Use a robust, centralised lead-generation database











THREE TYPES OF INNOVATION






Technological innovation can come in three flavours, but all three have the potential to be quite disruptive



Source: ICG analysis

PRODUCT AND SERVICE INNOVATIONS BY COMPANY

Financial Institution	Product/ Service Name	Overview
	Business Advice Centre	Connect small businesses with local experts and guarantees a response within 24 hours.
	Breakthrough	Hybrid online community and competition for small businesses.
	Experian	Businesses can monitor creditworthiness of corporate customers and send invoices at the right time.
	CEO Mobile	Comprehensive mobile service offerings for mid-sized businesses.
	Civilised Money	Online, peer-to-peer, start-up allows individuals to transact, invest, donate, lend and borrow money with each other at fair and transparent rates.
	GlobalIVCard	Virtual MasterCard app for B2B payments that requires no cards but ensures convenience, control and security.
	Google	NFC technology lets businesses to collect payments from customers using Google Wallets.
	Global Connections	Online competition for small businesses to win lending opportunities, cash prize and networking event.
	PingIt	Mobile payment system that requires only a phone and account number.
	Mission: Small Business	Grant competition for small businesses that allows consumers to virtually vote.

Financial Institution	Product/ Service Name	Overview
	Project Re:Brand	Helps small businesses refine and articulate a clear branding message.
	Small Business Online Community	Online community for small businesses to connect and receive advice.
	SoMoLend	Online and mobile community that links investors with businesses virtually and locally.
	SquareUp	Mobile applications that allows businesses to accept payment through their smartphones or tablets, via a card reading device or entirely virtually.
	Straight2Bank	Streamlined service offering to small and mid-sized businesses through an online and mobile platform.
	#SmallBizFridays	Twitter hashtag that connects small businesses with experts.
	The Small Business Hub	Wide-ranging advice for businesses delivered from professionals and experts and community-building through its LinkedIn group.
	Connect	Comprehensive online advice platform for small businesses that's fully integrated with social media.
	Visa Business Network	Peer-to-peer online community centered around advice and achieving goals.

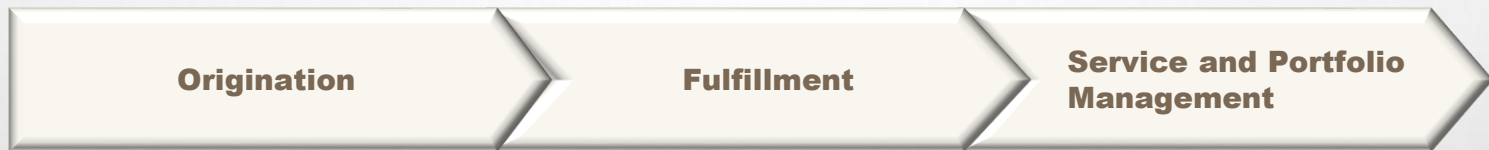
Source: ICG analysis

PRODUCT AND SERVICE INNOVATIONS BY TYPE OF SME FINANCIAL NEED



According to Accenture, most innovation is happening in origination and fulfillment. Both directly affect the role of the Relationship Manager or Business Banker

INNOVATION ALONG THE BUSINESS BANKING VALUE CHAIN



- New value-based and needs-based segmentation models
- Offer SMEs variable pricing and service options across products
- Support through multiple channels
- Adoption of more light-touch relationship manager models – including remote relationship managers available via online messaging tools

FOUR CASES OF INNOVATION BEST PRACTICE

5. Digitising
business banking

Accenture showcases four instances of innovation best practice in SME banking: virtual RMs, faster loan approval and automated e-invoicing, digital (non-banking) advice and support services, and sponsoring social communities

VIRTUAL RMs

One UK bank already offers its customers a choice of 'instant access' virtual RM, available by telephone or instant messaging, or a face-to-face relationship with an RM, available by appointment.

ADVICE & SUPPORT

One mid-sized UK bank offers its customers access to a tiered range of advice and support offerings, from basic credit control templates, online business management tools, and newsletters, through to HR, Health & Safety and legal advice tools, discounts on business software, and representation to local, national and European Government.

The flexibility of such a system is a key factor driving uptake. As businesses grow, the level of support available grows with them, rendering the difficult transitioning phase from small to medium, or medium to large less likely to result in a switch away to a competitor.

FASTER DECISIONING / eINVOICING

Numerous companies offer rapid online loan decisioning through greater use of STP and automation. In the same vein, several major UK banks are offering e-invoicing services, which alleviate working capital issues by enabling business customers to draw down funds more rapidly.

As banks seek to reduce the time it takes to deliver services, many may consider assessing real time account opening. Banks may allow customers to open accounts online, by partnering with key organisations such as utility companies or governments, that allow for rapid KYC (know your customer/know your SME) to confirm address and identity details automatically.

SOCIAL COMMUNITIES

There have been various social media ventures in recent years, where companies have allowed others to access their customer base with digital advertising.

Results have been mixed, but SME banks have a unique opportunity to use their online presence to market their own products and services as well as those of their SME customers.

Not only does this allow SMEs to reach new potential customers, but the idea could be leveraged further to offer exclusive deals and money saving vouchers.

INNOVATION CASE STUDIES

Banks risk being desintermediated in the emerging SME banking marketplace, pushed to the side as the unbundling of deposit, transaction and risk gathers pace

Company	Need	Offer
Square	Accept card payments on the go	Instant card payment utility for iPhone
iZettle		Tool enabling customers to accept credit card payments through swipe technology; includes feature that allows merchants to email a photo and receipt to buyers who can then upload details of their purchases to Facebook.
OCBC Bank		OCBC's app allows customers with Android devices to scan barcodes, obtain billing details, and make payments with merchant partners thanks to their "Scan & Pay" facility
BankInter	Provide anytime, anywhere access	Launched online video conferencing, 'Mobile Virtual Network', in partnership with Dutch telecoms operator KPN, using the Orange network to reduce customer's cost of data transfer. A Cisco case study claims this model delivered positive results with over 1,000 video calls
Leumi Bank		'Leumi V' delivers face-to-face contact for customers at their desktop and through mobile devices
Barclays	Learning and development programs for employees	Launched 'MyBusinessWorks' – a fee-based service for business start-up customers
HSBC		Launched e-Masterclass – a Global Knowledge Centre for SME learning – with free modules

EXAMPLE: IZETTLE

iZettle allows merchants to accept credit card payments through swipe technology; it includes a feature that allows merchants to email a photo and receipt to buyers who can then upload details of their purchases to Facebook

The image shows a screenshot of the iZettle website. At the top, the iZettle logo is on the left, and navigation links for 'Stories', 'About', 'Help', and 'Blog' are in the center. On the right, there are buttons for 'Request Invite' and 'Sign In'. The main content area features the headline 'Secure card payments. Anytime. Anywhere.' followed by the subtext 'Now anyone can take card payments. You and your friends. Your business. All you need is an iPhone or iPad and iZettle.' Below this is a 'Request Invite' button and a social media share icon for Facebook with 'Like' and '13k' counts. A video thumbnail is also present with the text 'Watch our video to learn more!'. The central visual is a tablet displaying the iZettle app interface, which includes a 'Product Library' with various food items, a 'Payment' section with a list of items (Cinnamon Bun for £2.00, Simethie for £2.50, and another item for £3.00), and a total amount of 'Total: £7.50'. A card reader device is shown in the foreground, with a gold card being swiped through it.

EXAMPLE: NEW ECOSYSTEM PI AND MERCHANT TERMINAL 'ALBERT'

Pi is the open source platform of 'Albert', a new portable, multi-functional merchant terminal. It will allow businesses to download, create and upload apps. While they wait for Albert to be launched in mid-2013, businesses can use Pi to turn their iPod touch and iPhone 4 into a payments platform by means of another device called 'Leo' (planned for Q4/12)

'Albert' terminal:

- 7" screen, portable, touch int
- Powered by Android v0.4
- Includes 5 MP camera for scanning
- Accepts EMV chips and pin transactions
- Wireless
- Inventory management app
- Loyalty and rewards programs
- Can integrate with the customer's electronic cash register
- Highly customisable
- Customers can install their own or third party apps
- CBA is encouraging the development of an ecosystem on the Pi platform (software development kit to be available later in 2012)



'Leo', based on iOS, functions like a mini-EFTPOS terminal (a cradle) strapped to the back of i-pads and i-phones to allow them to accept all forms of card payment with PCI-PTS 3.x security level:

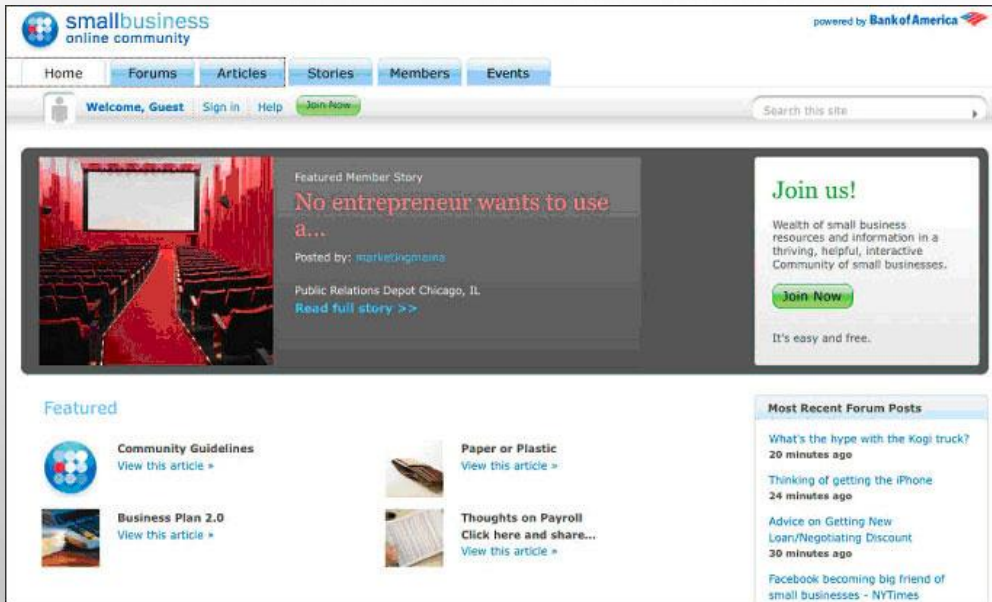
- Cards with EMV chips
- Cards with a pin
- Magnetic stripe ('magstripe') cards
- Contactless cards

It includes functions like:

- Purchase/Refund
- Tipping
- Split bill
- Reporting



EXAMPLE: BANK OF AMERICA ONLINE SMALL BUSINESS COMMUNITY



Users can subscribe for free and use the following features:

- **Forums:** discussion threads focused around business opportunities, tips for starting a business, financing tips, merchant services, managing employees and HR, technology and legal matters, etc.
- **Business Articles:** a series of articles on a wide range of small business management issues.
- **Stories:** this section highlights success stories of small business owners about how they started their business and tips to others about succeeding as business owners.
- **Events:** live webinars led by subject matter experts around key issues for small business owners.

Source: <http://smallbusinessonlinecommunity.bankofamerica.com/index.jspa>

IMAGINE A WORLD WHERE...

Nevertheless, for the moment, a lot of the technological innovation in the business banking relationship model is more imagined than actually realised



Online Scheduling: Imagine your small business customers' having 24x7 ability to reserve a time that is convenient for them to meet or talk with their banker or service representative. No more back and forth calls or emails, or waiting at the branch.



Seamless channels: Imagine allowing the customer to begin and finish opening an account or submitting a service request on any combination of channels (in the branch, online, over the phone or on a mobile device) without having to start over. Thus allowing them to return to the process and provide the necessary documentation how, when and where it is convenient for them.



Ask the Expert: Imagine sitting in the bank with your prospect and instantly bringing up via video conferencing an available treasury management or mortgage expert to aid in addressing customer questions. Being able to instantly check the availability of the "expert" and bring them up allows there to be a "face-to-face" connection, eliminates the need for an additional appointment and expedites the sales or service cycle.



Digitized Forms: Imagine there were digitized forms which allow for pre-populating customer data from CRM or other systems, eliminating inapplicable sections of the form in real time based on the service being sold and creating a digital record of information for further processing.



House Calls: Imagine using mobile platform support, digital signature capture, interactive forms and secure communications to reduce the customer's need to go to the branch.



Scalable Relationship Management: Imagine having a CRM system that guides and informs small business bankers in ways that promote relationship building and timely contact with their customers based on priority, "trigger" events or anticipated needs. This supports the banker's ability to focus on serving their customers when and where it is needed most.

RELATIONSHIP MANAGEMENT KEY ACTIVITIES AND POSSIBLE INNOVATIONS

We can imagine a world where a number of new technologies are leveraged to transform quite substantially the way a relationship manager performs his/her key activities. Some of these are already starting to happen



Key Activities

- | | | | | | |
|--|---|--|--|--|--|
| <ul style="list-style-type: none"> • Prospect identification • Competitor/ industry research • Product- and service-need planning • Call strategy creation | <ul style="list-style-type: none"> • Prospect cold calls • Initial customer calls • Preliminary needs identification and qualification • Meeting scheduling | <ul style="list-style-type: none"> • Presentation material creation • Specialist consultations • Credit analysis and underwriting • Process, pricing and terms coordination and approval • Closing document management • Business or industry learning | <ul style="list-style-type: none"> • Sales calls • Meetings and presentations • Proposal negotiation • Sales closure • Informal relationship building/ networking • Re-negotiation of product terms and conditions | <ul style="list-style-type: none"> • Solution implementation • Customer problem resolution • Collection of additional materials • Review of customer's business • Credit portfolio monitoring | <ul style="list-style-type: none"> • Training sessions, • Coaching from manager • Internal meetings • Credit committee review • Admin and reporting tasks |
|--|---|--|--|--|--|

Examples of possible innovation

- | | | | | | |
|--|--|--|---|---|---|
| <ul style="list-style-type: none"> • Sophisticated analytics • CRM tools • Internet search • Automated alerts • Leverage of third party info services | <ul style="list-style-type: none"> • Identify and make contact with customers in online social forums | <ul style="list-style-type: none"> • Assisted presentation development tools • Calendar sharing for ease of scheduling various product specialists | <ul style="list-style-type: none"> • Video (conf) calls with RM and product specialists • Real time pricing and approvals | <ul style="list-style-type: none"> • Automated product and service delivery • External info providers | <ul style="list-style-type: none"> • Online training • Online coaching, instant messaging helpdesk service • Real time, voice-input database updates |
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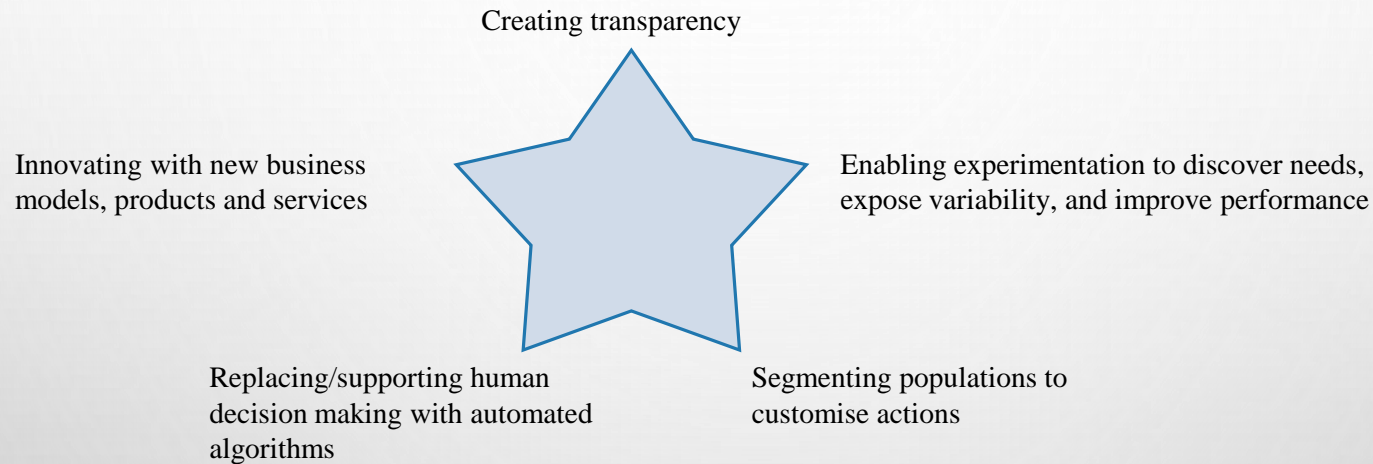
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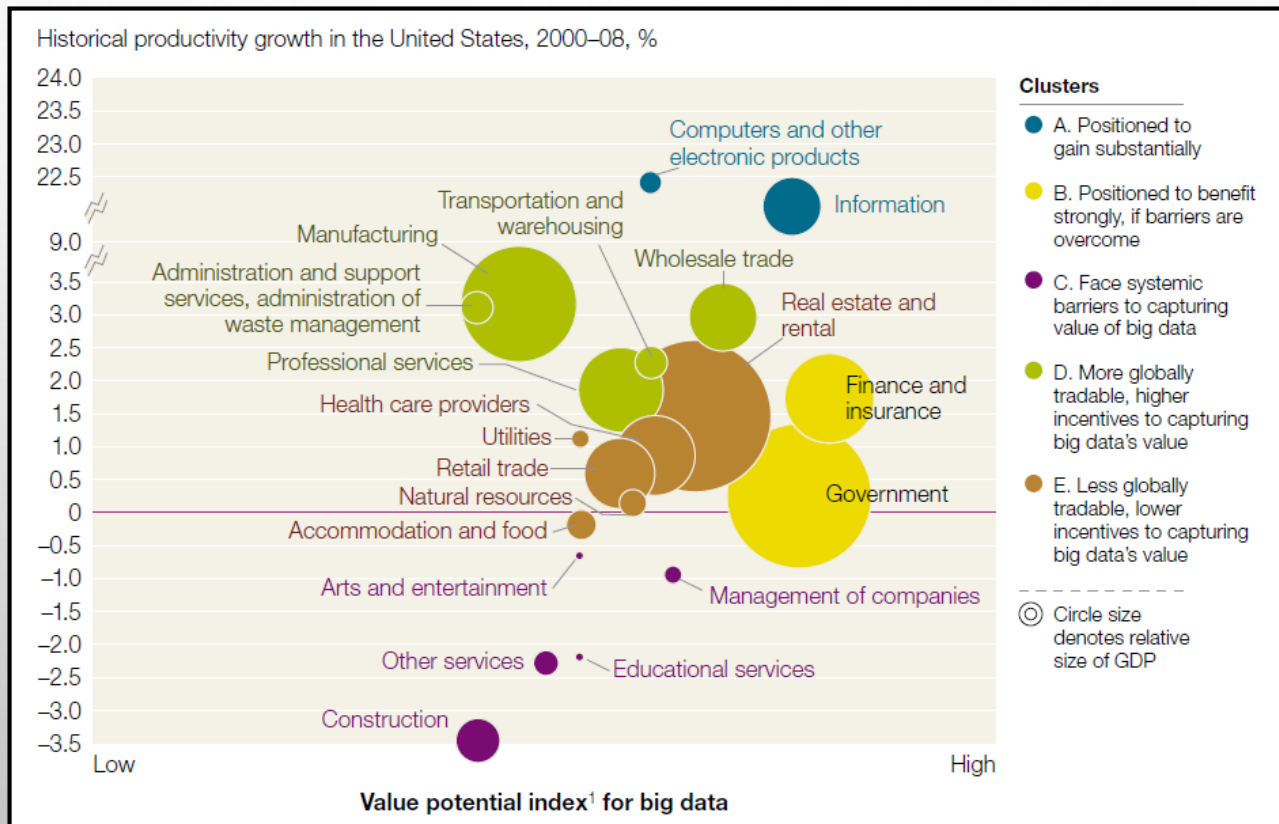
McKinsey identifies five ways in which 'big data' can be leveraged that offer transformational potential to create value

HOW 'BIG DATA'* CREATES VALUE



The finance and insurance industries are likely to benefit strongly from digitisation and ‘big data’ if barriers are overcome

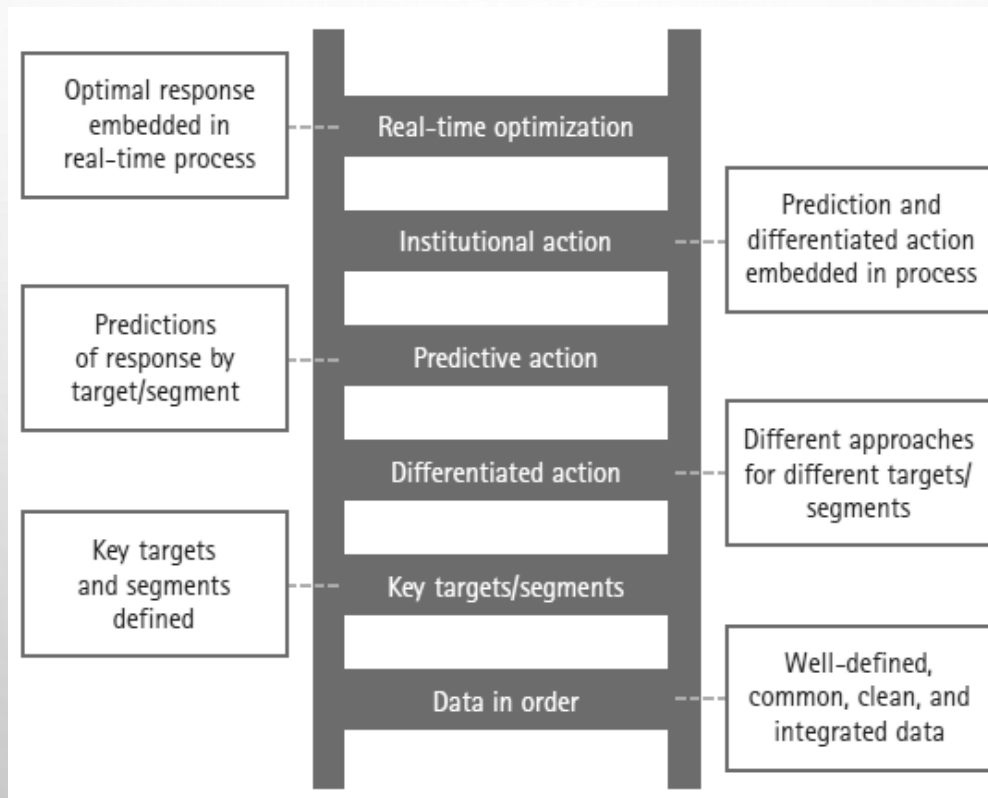
BENEFITING FROM ‘BIG DATA’*



Harris & Davenport ladder of analytical capabilities is now a classic. It says that data analytics capabilities progress along a “ladder” where sophistication and value increase as companies proceed up each rung

THE LADDER OF ANALYTICAL CAPABILITIES

CONCEPTUAL



Source: Jeanne Harris and Tom Davenport, *Analytics at Work: Smarter Decisions, Better Results* (Harvard Business Review Press, 2010).

“Few banks at this point have really developed capabilities to exploit data as a corporate asset”, Brian Johnston, Principal, Deloitte Consulting LLP

CURRENT STATE OF DEVELOPMENT OF DATA ANALYTICS IN BANKING

Forces pushing the development of data analytics capabilities:

- **Regulatory reform:** Dodd-Frank Act; more and more timely data is being requested by regulators
- **Systemic risk:** requirement to develop a ‘living will’
- **Customer analytics:** banks are focusing on customer segmentation, pricing, profitability and how to grow and enhance the customer relationship over time

Where are banks right now?

- **Creating data strategies**
- **Developing data roadmaps and governance modes**
- **Appointing a data czar**

EXCELLENCE IN BIG DATA AND ANALYTICS

Banking & Payments Asia has not attributed the award for excellence in data analytics. Instead, awards were given for customer experience and service innovation. The Editor's Special Award 2012 for the Most Innovative Bank in Asia Pacific was given to OCBC Bank (Singapore)

	Nominations categories	Awards
Product excellence	Prepaid payment Credit card Debit card Mobile payment e-wallet e-commerce P2P payment Payment innovation	Bank of the Philippine Islands (Philippines) and Beam Money (India) Siam Commercial Bank (Thailand) <i>Special Commendation: RHB Bank (Malaysia)</i> KASIKORNBANK (Thailand) <i>Special Commendation: OCBC Bank (Singapore)</i> Security Bank (Philippines) - Bank Mandiri (Indonesia) CIMB Bank (Malaysia) Maybank (Malaysia)
Channel Excellence Awards	Branch Internet Mobile Social media Multi-channel integration	OCBC Bank (Singapore) <i>Special Commendation: Bankwest (Australia)</i> OCBC Bank (Singapore) <i>Special Commendation: Bank of the Philippine Islands (Philippines)</i> DBS Bank (Singapore) <i>Special Commendation: Bank Commonwealth (Indonesia)</i> DBS Bank (Singapore) -
Service Provider Excellence Awards:	Payment processing Customer data management Core banking Big data/analytics Virtualisation Risk management	Customer experience: Citibank (Singapore) Special Commendation: Maybank (Singapore) Service innovation: Standard Chartered Bank (Singapore)
Strategy Excellence in Business Innovation	Business model innovation Financial inclusion	ICICI Bank (India) Special Commendation: KASIKORNBANK (Thailand)

Gartner launched its BI Excellence Award in 2005. So far three banks have been distinguished

EXCELLENCE IN BUSINESS INTELLIGENCE

Winners of Gartner's Business Intelligence Excellence Award

	Global/EMEA	APAC
2005	Continental Airlines	-
2006	HypoVereinsbank	-
2007	Richmond Virginia Police Department	-
2008	n/av	-
2009	Tetra Pak	ICICI Bank (India)
2010	Komerční Banka	n/av
2011	UPS	Singapore's Land Transport Authority
2012	Medway Youth Trust	-

Source: Gartner

Komerční banka won the 2010 Gartner Business Intelligence Award. "Komerční banka stood out because it demonstrated in very clear terms how it was able to use technology for quantifiable business benefits. It showed that BI is not a one time investment but that transformation happened over several years." *Gartner*

BUSINESS INTELLIGENCE CASE STUDY – KOMERČNÍ BANKA (1 / 2)

Teradata: Enterprise Data Warehouse (EDW) requirements to turn a financial mess into banking success:

- Strong support from top management
- Rigorous application of metadata
- Clearly defined, business-essential, but incremental business intelligence (BI) projects
- Robust, flexible technology

About Komerční banka

Subsidiary of Societe Generale in the Czech republic, is one of the best run universal banks in Central Europe. It provides comprehensive services to clients in the areas of retail, corporate, and investment banking. The Komerční banka Group's 8,843 employees serve more than 2.7 million clients, who can use an extensive network of 398 points of sale throughout the country. Komerční banka currently operates 682 ATMs and more than 972,000 of its clients use one of direct banking channels.

BUSINESS INTELLIGENCE CASE STUDY – KOMERČNÍ BANKA (2/2)

- Integrated approach pairing an enterprise data warehouse (EDW) with a performance management system (initially, Oracle Financial Services tools for enterprise performance management (EPM))
- Step-by-step integration of this EPM functionality in an EDW from Teradata
- **Phase 1: Crisis Management.** Members of the BI team targeted three critical areas:
 1. developed reports to analyze sales performance, risk and revenue management
 2. developed key performance indicators (KPIs) across the organization (Consistent, comprehensive KPIs, backed by helpdesk support and well-understood metadata)
 3. work by the BI team enabled potential investors to conduct due diligence of the company's business and financial data necessary for a bank-valuation model, which led to 60% of the bank being acquired by Société Générale in 2001
- **Phase 2:** From 2002 to 2004, a newly created BI team rolled out BI applications for cost management, direct channels and sales support, winning fans with each targeted project.

DIGITAL TRANSFORMATION CASE STUDY —

5. Digitising
business banking

BNP PARIBAS

BNP Paribas has started on a multi-year digital transformation journey

Background:

- BNP Paribas grew rapidly in the past decade by acquiring banks in several countries. The firm is now aiming to solidify its international position, aligning processes globally
- Crisis, regulation and technology adoption by customers and employees are pushing BNP Paribas to consider digital transformation

Their journey so far:

- The first step of the transformation has focused on reach: creating a multichannel strategy that includes the web as well as emerging technologies such as mobile and social media
- BNP Paribas is today in a transition phase to reach the second step of the transformation: integrating transactions across channels and building a conversation with clients via an external CRM and analytics-based tools

CASE STUDY: PREDICTING POTENTIAL PROFITABILITY AND PRODUCT UPTAKE AT FIRST TENNESSEE BANK

“By transforming its approach to data and analysis, First Tennessee Bank has dramatically increased its marketing effectiveness. This is a bank that understands that measuring effective marketing must include realized compared with potential customer profitability as opposed to measuring just the number of new products sold. As every marketer knows, if you simply make an offer attractive enough, sales will follow. Many banks pursue this strategy to increase deposit rates — offering high interest accounts to bring in new business — but lose those customers as soon as a competitor has a better offer. Customers brought in by overly attractive offers are not only less loyal but also less profitable.

Using analytics effectively allows banks to manipulate offer attributes, in a very granular way, to achieve higher profitability from a growing customer base. First Tennessee uses models they have developed internally to **create profitability tiers with varying product attributes**. The bank has also developed **customer scoring models**, based on very granular data points, to determine each customer's likelihood to purchase potential offers. With these product and customer models, the bank can create profitability scenarios and use these to determine which product offers will generate the most value for the bank. The bank then uses this information to prioritize marketing programs and allocate resources effectively.

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