Bank Marketing International

June 2006 Issue 190

MARKETING TECHNOLOGY

HSBC awards global customer decisioning deal to Experian-Scorex

HSBC has selected customer management technology from Experian-Scorex, the global decision analytics business of Experian, to support the bank's lending decisions around the world.

The contract relates to the UK-based vendor's Strategy Management software tool and will result in all of HSBC's global businesses implementing Strategy Management in a conversion process to be completed by 2009.

The financial terms of the contract were not disclosed, but in an interview with *BMI*, George Lennox, senior manager, group credit and risk at HSBC, agreed that describing the move as a "multi-million pound, multi-year global deal" was a fair summary.

According to Lennox, the system – chosen after an extensive vendor evaluation that led to HSBC's incumbent primary provider Fair Isaac being displaced – will enable the bank to implement bespoke decisioning techniques and strategies for individual customers when they apply for new accounts or credit. Initially, the bank plans to use the solution within its new business decision environment, but over time it will deploy the software to help it manage existing customer relationships.

Strategy Management offers banks the ability to consistently deploy scoring models, portfolio segmentation, decisions and actions to control and manage customer relationships and improve the quality of risk management. HSBC itself said it expects the software to set appropriate strategies that help to manage every aspect of the customer/product relationship.

Keith Gabriel, head of marketing at Experian-Scorex, told *BMI*: "As new or existing customers of the bank apply for a new credit facility, the solution will enable HSBC to grow its portfolios while controlling the level of risk. Banks want new customers, but they also need to make sure that the customer applying for the product will adhere to the terms and conditions."

Use of Strategy Management will enable the bank to score data characteristics, such as demographic data and financial history information, to determine the correct strategy to be taken with a customer. Depending on the specific profile of an applicant, the bank may be able to offer a product at a certain rate of interest or, if the level of risk is deemed too high, decline an application.

Gabriel added: "Banks like HSBC are very focused upon delivering customer benefits so customer service initiatives such as cross-sell, up-sell and other promotional activities will be a key focus for them."

He summarised the principal benefits of Strategy Management as "enabling the bank to balance the needs of [its] business – increasing volume, controlling credit risk and reducing operational costs – with the needs of the customer: timely and appropriate product offers and effective customer service".

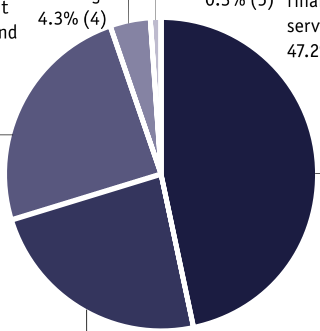
Lennox said that this type of solution has become an integral part of an organisation like HSBC. "Fast, effective and safe decisioning means that customers will get a decision in real time," he said.

As for benefits accruing to the bank, Lennox stated that the new software, in combination with scoring and business analytics, "can make the solution work well for us. We are in the process of lending money and if we can do this safely and keep bad debt to a minimum, we are keen to take on customers."

He added that HSBC is optimistic that the ▸

GLOBAL RESULTS

HSBC – profit before tax by customer group, year ended 31 December 2005



Notes: (1) \$9,904m; (2) \$4,961m; (3) 5,163m; (4) \$912m; (5) \$26m
Source: HSBC

DIRECT BANKING

Citibank Direct proves a huge hit with US consumers

Charles Prince, CEO at Citigroup, has revealed that Citibank's new direct banking operation, launched just two months ago (*see BMI 188*), has proved to be a huge success for the US financial giant. Citibank Direct has raised some \$3 billion in deposits over the first eight weeks, two-thirds of which is new money.

"In the first two days after launching, we had ten times the volume we predicted," he said at a presentation on 1 June, adding that the \$3 billion raised so far is the equivalent of opening 23 branches.

Citibank Direct forms part of a growth-oriented restructuring of Citigroup's operations, which includes expanding its branch and electronic distribution networks, significantly growing its international business and concentrating on cross-selling through better divisional integration and more efficient marketing.

Customers who sign up to Citibank Direct must have both a deposit and a transactional account with Citibank already. "You cannot just have a deposit relationship – we want a full relationship with customers. This is not a traditional internet bank," Prince added.

Citibank Direct account holders are able to access their account at Citibank's near 1,000 branches and over 3,000 ATMs.

Prince said that Citibank Direct had been helped by Citibank's existing, successful online retail banking service (www.citibank.com). It was ranked last month by comScore as the US online bank with the best cross-sell ratio (*see BMI 189*).

Some 40 percent of customers who open accounts via www.citibank.com live outside of the bank's branch network areas. Through its new internet bank, the bank said, it hopes to reach many more customers.

Prince stressed that Citibank Direct further strengthens Citibank's overall standing in the online market, a market that is growing in importance as the role of the branch changes in the distribution mix.

"We are better positioned for the ultimate move to online banking. Eventually, online banking will become the dominant way of doing banking," he said. ■

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investment will provide a healthy return. "Our head of IT made it clear that he wanted to see a proper tracking of the benefits [of the new software] and the ability to say that we have made a decision because of Strategy Management."

The bank expects to be able to calculate additional revenue accrued as a direct result of implementing the solution. "The cost of making decisions will come down as we make more decisions and [there is] a fixed price in place for the first five years.

"We have the option to continue year-on-year thereafter. If in, say, ten years we find something better, we convert. It keeps Experian on their toes. We will spend analysts' time tracking the benefits [of the product]," added Lennox.

Consistent tool across the business

The new software will be implemented within all HSBC businesses. "It's policy," said Lennox. "[We now run] common software across [HSBC Group] businesses. We like to run standard technology. We introduced a new strategy in 2000 [and] since then we have used consistent tools across our businesses. As staff move [within the bank] they inherit the same technology."

Emphasising the global nature of the deal, Lennox confirmed that any business subsequently acquired by HSBC would be required to implement Strategy Management.

The conversion to Strategy Management provides the bank with a major logistical challenge. "Two businesses have been converted already, one in the UK and one in the US, and ten more are ongoing. Conversion across all of our businesses will not be completed until 2008 to 2009," he said.

Once fully implemented, HSBC expects the software system to make more than 50 billion customer decisions annually. What Lennox termed "scalability" was a crucial factor in the bank choosing Experian-Scorex.

"We looked back about ten years to see how many decisions the old system had made. A comparison was made with the number of decisions now being made each year. With an increasing number of customers and an increasing number of decisions per customer to be made, scalability is so important," he added.

Tough evaluation process

Lennox and Gabriel both agreed that the vendor evaluation system and bidding process was extremely thorough.

HSBC had been utilising Fair Isaac's StrategyWare system since 1996 and it was in place within HSBC in 42 countries. "We had a good relationship with Fair Isaac," said Lennox. "HSBC and Fair Isaac had done a lot of work together and perhaps we had been hypnotised into thinking Fair Isaac's systems were the best in the marketplace."

The reason for the vendor evaluation and, ultimately, change of supplier was, according to Lennox, down to Fair Isaac intimating to the bank that its StrategyWare system was to "be sunset" – which he explained as meaning that no updated versions of the technology would be released by the vendor. "So we embarked on the vendor analysis," he added.

"We tried to do it properly and did not rush. We contacted all of the companies in the market we knew, eight in all, and received from them their RFI [request for information]. Three vendors were shortlisted: Fair Isaac, Experian-Scorex and CGI/AMS. We may only change this sort of technology once every ten years so this was a key decision. We spent hundreds of thousands of pounds over the course of a one-year period going through this evaluation process."

Part of the procedure involved the three shortlisted vendors spending two days in each of the three main regions in which HSBC operates: the UK, North America and Asia-Pacific, presenting to the bank's main IT and business user groups.

HSBC also visited banking clients of the three vendors already using the software solutions on offer. "We visited ABN AMRO in the Netherlands who had a Strategy Management system in place."

HSBC assembled a forum of 60 staff to evaluate the three shortlisted systems. "They met for two days and to assist them, because we are analytical, we scored every product in a number of ways. For example, adaptability, ease of use, robustness and ability to run on different platforms," said Lennox.

At the end of the two days, the 60 forum members were unanimous in choosing Experian-Scorex's Strategy Management solution. "It was very unusual that such a decision was unanimous. It was a complex group [of people] and I was quite surprised someone did not disagree. The reason however was obvious: Strategy Management was clearly better," concluded Lennox.

Andrew Jennings, vice-president at Minneapolis-based Fair Isaac, told *BMI*: "The process by which HSBC evaluated their various options was rigorous and fair. Fair Isaac has no dispute with the outcome or the way by which it was reached.

"The relationship between HSBC and Fair Isaac is still strong and they continue to purchase solutions core to the bank's future success from us. We continue to support StrategyWare for HSBC and our other users, and the decision to continue with that support lies entirely with the bank." ■

Douglas Blakey

CARD MARKETING

GE Consumer Finance teams up with eBay

GE Consumer Finance (GECF) and eBay, the world's largest online auction site, have launched a credit card under eBay's well known online payments brand PayPal.

The new PayPal Plus card is a MasterCard credit card featuring a rewards programme exclusively for PayPal users. PayPal Plus customers receive extended purchase protection for purchases made using PayPal, access to special financing offers and integrated online account management and alerts.

Cardholders also benefit from exclusive access to ongoing promotional financing offers from sellers on eBay, including deferred interest and no payments for a specific period of time, by paying using the PayPal Plus card.

The PayPal Plus credit card is part of a new multi-year credit agreement under which GECF also plans to launch an eBay-branded credit card.

NEW MARKETING

smile is the latest bank to start podcasting

smile.co.uk, the online direct bank run by Co-operative Financial Services, the highly ethical UK financial services group, has become the latest bank to publish podcasts in an effort to communicate with, and attract, customers (*see BMI 188, 186*). The bank has signed a deal with leading London-based GCap Media's radio station Capital Radio to become the first sponsor of Capital Radio podcasts.

The initiative, which was planned by digital media agency i-level, includes ten-second bumper ads, online advertorials, promotional homepages and e-mail campaigns to Capital Radio's VIP club members.

Podcasting is the method of distributing multimedia files, such as audio programmes or music videos, over the internet for playback on mobile devices and personal computers. People can listen to a podcast either on a computer or a mobile audio device, such as Apple's iPod.

INCENTIVE MARKETING

UOB offers cash rewards to customers

United Overseas Bank (UOB) has rolled out an incentive deposit campaign offering cash to new customers in an effort to grow its business. Up until 31 August, Singapore-based UOB will reward customers with cash for placing fresh deposits into a UOB FlexiDeposit Account. The cash rewarded is proportionate to the amount deposited: S$8,000 ($5,000) gets a S$50 bonus; S$15,000 gets S$150; while S$50,000 gets S$600.

Tay Han Chong, regional head of UOB deposits, investments and insurance strategy, said: "The deal is aimed at rewarding customers, as well as encouraging those who are not yet our customers."

The bank is organising UOB Bonus Cash Deal roadshows at selected shopping malls, train stations and UOB group branches.

ADVERTISING

HSBC rolls out global Swings TV advert

HSBC has launched a new global ad campaign based around its substantial golf sponsorship programme. The campaign complements the bank's larger and primary global advertising campaign, Different Points of View (*see BMI 183*). Called Swings, the new initiative celebrates "the eccentricities of golfers' swings and the fact that no two are the same", said the bank.

HSBC said it will use the ads to support its position as a worldwide sponsor of golf, which extends from the professional game right through to the grass roots level of the sport. It will also drive traffic to HSBC's proprietary website, www.hsbcgolf.com.

Swings launched on 8 June 2006 on a huge Jumbotron television screen outside Madison Square Garden in New York, helping to build awareness of the HSBC Women's World Match Play Championship at Hamilton Farm, New Jersey (6 to 9 July). It will be launched internationally on global channels such as CNN and BBC World in the build-up to the HSBC World Match Play Championship at Wentworth, UK (14 to 17 September) and the HSBC Champions tournament in Shanghai, China (9 to 12 November).

CARD MARKETING

BofA offers bespoke 'pets on cards' service

Bank of America (BofA) is following the trend for card personalisation (*see BMI 189*) by giving its customers the opportunity to put a picture of their pet on a new credit card. The card will also gather reward points for pet-related expenses and donations to participating animal shelters.

BofA and Hill's Pet Nutrition, a pet food manufacturer, are teaming up to offer the PetRewards Visa Card. Consumers can customise their card using an image of their pet by sending in the picture by mail or submitting a digital photo online at www.mypetonmycard.com. They may also choose from three stock card designs.

Cardholders get two reward points for every dollar spent at participating veterinary clinics, major pet retailers, farm and feed stores, and neighbourhood pet stores. They also receive one point for every dollar spent on other purchases. Cardholders receive 500 bonus points with their first purchase and can earn up to 100,000 points annually.

SEGMENTATION

BBVA launches third new baby loan

Spain's BBVA has launched a third loan campaign aimed at mothers who have recently given birth to, or adopted, children. The loan is intended to help cover the costs associated with a recent addition to the family. The main features are 0 percent interest, no fees, a €3,000 ($3,770) maximum loan and a three-year repayment period.

The bank hopes to make 10,000 such loans during the latest campaign, which will last until 30 September. In the two previous campaigns, it granted a total of 19,351 loans worth €58.1 million, approving 98.8 percent of applications. Moreover, the system of risk analysis was modified to favour access by poorer segments, said the bank.

About 90.5 percent of borrowers in the previous campaigns were Spanish and the remaining 9.5 percent came from Latin America, Africa, Western Europe, Eastern Europe and Asia (in descending order).

Women aged between 28 and 35 years old made up 49 percent of applicants. Another 26.5 percent of applicants were aged between 35 and 40, 12.8 percent were between 40 and 45, and only 4.1 percent were aged over 45. Some 38 percent of applicants earned less than €900 a month and 48 percent earned €900 to €1,800. Only 13.2 percent earned more than €2,500.

CORPORATE SOCIAL RESPONSIBILITY

Smith Barney launches green campaign

Smith Barney, the brokerage unit of Citigroup, and the National Arbor Day Foundation, a US non-profit organisation, have launched a co-marketed promotion called Plant a Tree/E-Delivery, a nationwide effort to encourage a switch to online statement delivery among Smith Barney clients. The initative seeks to raise environmental awareness by planting trees in national forests.

For each client who enrolls in the firm's E-Delivery service, Smith Barney will make a donation in the client's name to the National Arbor Day Foundation which will be used to plant a tree in one of three national forests, including the Huron-Manistee National Forest in Michigan and the Ocala National Forest in Florida. ■

SECURITY

Barclays offers anti-virus software

Barclays, the UK's third-largest retail bank, says it has become the first UK bank to offer anti-virus software to its customers free of charge.

Barclays customers are also being offered a text message service notifying them of new payees on their online account, helping, says the bank, to potentially cut occurrences of fraud attacks.

Barclays is offering its online customers F-Secure's anti-virus software, which the bank describes as one of the more effective products of its kind, one which has the fastest response times as well as automatic hourly updates. It prevents viruses and worms from being downloaded to a computer, scans e-mails, protects users against spyware and comes with free 24/7 technical support.

The agreement with F-Secure allows Barclays to offer a free service to its online customers that would normally cost over £45 ($83) for two years.

A number of banks around the world offer reduced rates on anti-virus software: Barclays' arch UK rival HSBC offers a 30 percent discount on McAfee products, for instance (*see BMI 179*), while in May Atlanta-based SunTrust became the first bank to begin offering select customers free anti-identity theft software (*see BMI 189*).

In January this year, Barclays signed a marketing deal with Helsinki-based F-Secure, recommending the company's products to its broad customer base. As part of the deal, Barclays promoted the offer to its e-mail customers in January and it included details of the software and tips on secure online banking in the February issue of its customer magazine *Talk Money*.

"This [new] offer places Barclays in a different league to its competitors when it comes to keeping customers safe online," said Risto Siilasmaa, president and CEO at F-Secure, in a statement. "By protecting them online, Barclays is ensuring that, whether on bank business or not, its customers are given the best possible service."

Barclays customers using F-Secure anti-virus software will have the option to upgrade to F-Secure's flagship Internet Security product for a reduced price of £9.95 a year, giving them additional features including parental control, a personal firewall, spam filters and application control. ■

PRODUCT MARKETING

A green home from Westpac

Australia's Westpac has further emphasised its 'green' credentials (*see cover story, BMI 187*) by launching a new environmental initiative for its retail customers.

Called the EcoNomical Living Program, the marketing drive offers Westpac's mortgage customers discounts on a number of eco-friendly products and services for their homes (*see table*). The programme was launched at a special function on World Environment Day, 5 June.

The EcoNomical Living Program voucher booklet entitles customers to discounts on a range of products such as solar hot water heaters, insulation, solar electricity, rain water tanks, green electricity, and composting and recycling products.

Westpac director Carolyn Hewson said: "Westpac has spent a significant amount of time exploring potential 'green' product opportunities. We didn't want to create a stand-alone green product; rather we want to ensure that each and every mortgage offered by Westpac from now on gives our customers the opportunity to be green."

■ **DISCOUNT RATES**

Selected offers via Westpac's EcoNomical Living Program

Supplier	Category	Product offering
Solarhart	Solar hot water systems	A$400 cash rebate
Origin Energy	Solar electricity systems	A$500 cash rebate
Fletcher Insulation (Insulco)	Insulation	A$75 cash rebate
Tankmasta	Rainwater tanks	10% discount
Climate Friendly	Green power	10% discount
NECO	Energy efficient lighting and water saving products	10% discount

Source: Westpac

The voucher book, which offers around A$1,200 ($890) in discounts, also details various ways in which the bank's customers can cut their greenhouse gas emissions. ■

ADVERTISING

Chase launches its first Spanish ad campaign

Chase, the US retail arm of JPMorgan Chase, has rolled out its first television advertising campaign aimed at the significant Hispanic community in the US.

The ads are part of a broader new Spanish language campaign called Confia en ti. Confia en Chase (Confidence in yourself. Confidence in Chase), which includes print and radio ads as well as ads at bus shelters and other outdoor locations, aimed at what the bank describes as a "fast-growing customer segment".

The campaign includes a 60-second launch commercial and three 30-second spots, and features the song *Todo Se Transforma* (Everything Transforms) by Oscar-winning composer Jorge Drexler. The ads were developed by Chicago-based advertising agency Lápiz.

The commercials will run until the end of the year in key markets for the bank, including New York, Chicago, Phoenix, Tucson, Dallas, Houston, San Antonio and El Paso. Chase has major bank branch networks in most of these markets.

The Spanish language ads complement Chase's new general-market advertising campaign, which also launched in May.

The general-market ads will air in TV markets nationally in the first countrywide advertising campaign since all 1,900 Bank One branches were rebranded Chase (*see BMI 187*). Branches in Michigan and Florida were rebranded in April, completing a year-long process that brought together 2,600 bank branches in 17 states under the Chase brand.

The Spanish market continues to attract US banks. Chase, for instance, also has bilingual ATMs, Spanish-language brochures, and multilingual bankers and tellers.

Rival institution Wachovia recently announced that more than 30,000 customers have signed up to receive bank statements and statement inserts in Spanish since Wachovia introduced this service in October 2005.

In March, MetLife, the largest US insurer, launched its first Spanish-language website. The company found that Spanish-language sites are the preferred channel among Hispanic online users: 69 percent of Spanish speakers visit sites in Spanish to buy and research products, and 49 percent are more likely to buy from a Spanish language site when shopping online (*see BMI 188*). ■

DIRECT BANKING

UK consumers return to traditional financial service providers

Online financial service providers in the UK are losing ground in the savings market, according to research conducted by market research group GfK NOP. For the first time in five years, more online savings accounts were opened with traditional providers (69 percent) than purely online providers (31 percent) during 2005.

GfK NOP's findings suggest that a narrowing of price differences has resulted in consumers taking comfort in the benefits of the multichannel approach – reinforcing the trend for the massive branch building programmes many banks are now under taking.

Additionally, the research revealed that 39 percent of the 3 million consumers who conduct their financial services online say that the internet is not their preferred method, but that they tolerate an online service in order to receive a cheaper product.

An additional 500,000 people are even more sceptical, stating that while they actively bank online, they are unhappy doing so.

GfK NOP asserts that these savings market trends provide lessons for the rest of the financial services market. Its findings suggest that consumers who are less willing to engage in online financial services are prepared to overcome their resistance to the channel if it means a better return on their money.

"It is clear that traditional players reversed the flow of savings money to online-only players by becoming more price competitive [and have traded] on the multichannel, good service and value message to win business back," said GfK NOP. "The remote providers will have to work hard to keep customers."

The results are in contrast to May's comScore US survey of online financial services (*see BMI 189*), which showed that nearly 40 million people logged into their online accounts during Q4 2005, an increase of 27 percent from Q4 2004 – though it did point out that growth in online banking adoption is slowing.

The big story in 2005, stated comScore, was the growth of the online, high-interest savings market in the US. ■

CARD MARKETING

Amex ends UK balance offers

American Express (Amex) has announced that it will no longer be offering balance transfer promotions to new card customers in the UK.

The debt-shifting facility, an established marketing tactic in the UK, permits customers to transfer a higher interest credit card balance onto a card which has a lower interest rate – though the process has been criticised over the past year for encouraging a lack of loyalty, turning cardholders who frequently shop around into little more than so-called 'rate tarts'.

The decision by Amex to abandon the balance transfer option for new customers may be an early sign that card firms are losing patience with card-switchers who move debt to avoid paying interest. The balance transfer offers being withdrawn for new customers include the Nectar Amex card which offered a rate of 5.9 percent life of balance and the Blue Amex card which offered a 6.9 percent rate life of balance.

"American Express will no longer be offering balance transfers for new customers from 13 June. However, we will continue to offer balance transfers for existing cardmembers," a spokeswoman for Amex told *BMI*. "We are focusing our efforts on attracting customers who primarily want to take advantage of our reward schemes, such as Nectar loyalty points and MoneyBack, and benefit from these."

The most recent Morgan Stanley Card Index concluded that the days of 0 percent credit card deals are coming to an end, following a trend of credit card customers favouring long-term low-rate deals.

Special introductory offers including 0 percent balance transfers can still be found in the UK market, notably from Bank of America-owned MBNA and Capital One.

Research by online comparison website uSwitch.com in June said that there were 40 balance transfer deals still available in the UK, the best being HBOS's Intelligent Finance 4.95 percent life of balance offer.

A PricewaterhouseCoopers study of the UK consumer credit card market, *Precious Plastic 2006*, estimates a loss of £600 million ($1 billion) in 2005 for UK card issuers attributable to heavily marketed cheap credit card offers. ■

LOYALTY PROGRAMMES

Lloyds TSB launches cardless UK loyalty programme

Lloyds TSB, the UK's fifth-largest retail bank, has launched a cardless reward programme targeting UK sports – in particular, football – fans.

The concept has been developed by Lloyds TSB's Cardnet card acceptance service, a joint venture between Lloyds TSB and US-based First Data, the world's largest card processor. Cardnet has teamed up with UK-based company Reward, one of Europe's largest sports loyalty companies, in a promotion designed to reward supporters for the loyalty they show to the football club they follow.

Credit and debit card customers who register for the service will not be required to carry a plastic loyalty card to collect reward points. To collect points, cardholders register their payment card details with their favourite football club and purchase goods wherever they see the Reward logo at a participating Cardnet merchant. The points are automatically collected when the transaction is processed.

For every £1 ($1.80) spent at participating retailers, cardholders can collect between one and 20 points. Points can then be redeemed with the football club for a range of rewards, such as a half-time penalty shoot-outs with players, signed memorabilia or a season ticket.

Kevin Coles, head of business enterprise at Cardnet, said: "This is a new and exciting development in the way customers are rewarded, giving them something of unique value that money cannot buy. The new process also avoids slowing down the payment process at the point of sale."

The loyalty scheme is initially being trialled with Scottish football club Aberdeen at the end of June, but will be extended to other clubs throughout the UK in August. UK football clubs already signed up include Birmingham, Portsmouth, Manchester City, Watford and 22 smaller clubs in the Conference League.

Reward has established a network of strategic retail partners including Dixons, The Link, The Automobile Association and Tesco.com, the UK's largest grocery home shopping service.

Gavin Dein, CEO at Reward, said: "Retailers who understand the passion that sports teams generate and the buying power of their fans now have the opportunity to attract new and loyal customers, [and encourage] their existing shoppers to shop more often." ■

Packaging the mass market

South Africa's Absa has developed a packaged banking product, FlexiSelect, aided by UK parent Barclays. The group is marketing the account at the mass market, claiming FlexiSelect will usher millions of South Africans into the financial mainstream. **Stafford Thomas** reports from Cape Town

Absa, South Africa's second-largest retail bank, is targeting the country's significant mass market with a new, packaged banking product akin to the Additions range of bundled accounts that its parent Barclays has established in the UK retail market (*see cover story, BMI 180*).

Speaking to *BMI*, Sonja van Vliet, Absa's Flexi Banking Services general manager, emphasised that FlexiSelect is not targeting the unbanked. "It is aimed at the banked, low-income mass market that the industry has viewed as a globular mass with possible potential in the future."

Van Vliet said that banks had failed to grasp that, correctly approached, the mass market offers great potential. This was highlighted by a study started two years ago by Finmark Trust, a non-profit organisation. Van Vliet said she was part of the Finmark team that undertook a detailed market segmentation exercise and a study of low-income families' uses of, and need for, financial services.

"The study showed that irrespective of income, people's financial services needs are universal," she said. In essence, these needs are transactions, savings, insurance and credit. However, in low-income markets affordability plays a key role, making it unrealistic to offer what van Vliet describes as an "all or nothing product".

From this conclusion, FlexiSelect was born. The account offers customers who have a monthly income of over ZAR2,000 ($300) a series of options which serve as building blocks to create a package of up to 16 financial services. In this respect, FlexiSelect differs radically from all-in-one packaged products such as Barclays' Additions, said van Vliet. She added: "The FlexiSelect concept actually originated prior to Barclays' acquisition of Absa, but they have provided impetus."

In its most basic form, FlexiSelect is a debit card-based product which offers customers fixed fee or pay-per-use options for transactions that can be undertaken in branches, stores or via an ATM, mobile phone or the internet. This basic account gives access, by choice, to other add-on services, some 'first world' and others reflecting the unique needs of South Africa's low-income market.

Among FlexiSelect offerings previously not available are overdrafts, mortgages, credit cards and vehicle finance. Access to these services will be based on an evaluation of a customer's "savings behaviour", said van Vliet.

Loan facilities would, for example, start at the micro-lending level where, she said, Absa's interest rates are the "market's lowest". At present, Absa's rates range from 25 percent to 38 percent per year, though the aim is to reduce these to the upper end of normal credit advances – about 18.5 percent. Responsible management of a FlexiSelect account could also entitle a customer to a maximum ZAR2,000 overdraft facility for "emergency needs", said van Vliet, and for some a credit card could be "a potential objective".

Cross-selling platforms

Absa will also use FlexiSelect as a cross-selling platform. Again offerings are basic and include household goods insurance with limited burglary cover, term life and permanent disability insurance up to ZAR50,000, and hospital insurance plans.

Another insurance product in FlexiSelect's line-up is one that is a focus of the vast majority of low earners: funeral cover. Absa's offering extends to customers and their immediate and extended family with cover ranging from ZAR6,000 to ZAR10,000. A policy that will provide bridging finance in the event of a breadwinner's death is also available. The products are underwritten by Absa.

Typical of packaged products, Absa has dangled a number of free services as an attraction. Worth ZAR22 per month, according to van Vliet, many have a typical South African slant and include emergency private medical evacuation, access to medical advice by telephone and a legal assistance helpline. A helpline and free counselling for victims of assault in which HIV infection is feared are also planned.

FlexiSelect was introduced to Absa branch staff in mid-May and, backed by a major television campaign, launched on 9 June to coincide with the start of the FIFA World Cup. In an intensely football-loving country, the campaign, backed by print media and radio advertising, is guaranteed to reach millions. Whether it will convince them remains to be seen. "It will not be an easy product to market," conceded van Vliet.

Emergency finance

Financial literacy constraints are among the challenges Absa faces. Many of FlexiSelect's offerings, particularly fixed deposit savings, compete with entrenched social traditions, the most popular of which are burial societies and *stokvels* (savings clubs), that evolved out of a need for emergency finance. In both, members contribute money in return for access to funds. Finmark's study found that 39 percent of fully banked, low-income earners belong to a *stokvel* and 22 percent to a burial society.

FlexiSelect's initial target market will be Absa's existing client base. This contains about 600,000 potential customers, around one-third of South Africa's total banked, lower income market, said van Vliet.

FlexiSelect is likely to face formal competition in the near future. "All banks are busy with their own version," said Colin Dorian, managing director of banking consulting firm Insightworx. The catalyst, he added, is the Mzansi Account, which was introduced in 2004 to provide the most basic banking facilities to low earners.

Dorian, who headed the Banking Association of South Africa's team that developed the Mzansi Account, believes the demand on local banks to offer more competitive products will grow and, in the process, "a lot of downward pressure will be put on fees and margins".

Scope for this pressure is evident in FlexiSelect. For its pay-per-use option, for example, customers face an industry standard ZAR3 fee for the first ZAR100 withdrawn at an ATM and ZAR0.90 for every ZAR100 thereafter. A debit order costs ZAR4.75 and depositing cash over the counter costs 1.05 percent of the deposit. FlexiSelect's fixed monthly fee options range from ZAR55 for five transactions to ZAR75 for 15 transactions.

Contrast this with a bank in a more developed country – Lloyds TSB's all inclusive, UK entry-level Select package at the equivalent of ZAR90 a month plus over ZAR250 per month in free add-on benefits – and the reason Dorian feels banking costs in South Africa must decline becomes apparent. ■

Land of opportunity

Ireland has attracted a significant number of skilled and non-skilled immigrants to its booming, fluid economy. AIB has begun to offer a dedicated service for the country's large Polish community – pitching itself against rival Bank of Ireland which has also picked out this segment as a growth opportunity

One year after rival Bank of Ireland started to cater for Ireland's growing number of Polish, Chinese and Russian immigrants through a dedicated marketing programme centred largely on foreign-language staff and product literature (*see case study, BMI 179*), AIB, the country's largest retail bank, has itself started to aggressively target Ireland's large Polish community.

The bank has set up a new Polish service desk at its direct banking call centre in Naas, Ireland, installed Polish-speaking staff in 12 branches and started to offer a range of marketing material in Polish. It has also set up a dedicated Polish section on the bank's website (www.aib.ie/polska) and, significantly, launched an online international payments remittance service.

The latter initiative is particularly central to the bank's plans. Customers who use AIB internet banking can make international payments of up to €5,000 ($6,297) per day, in Polish zloty, euros and a range of other currencies at a price cheaper than the standard branch paper system. In 2003, AIB customers made almost 6,000 payments to Poland; by 2005 this had risen tenfold to almost 60,000 payments, according to the bank.

Polish-speaking staff, contactable through in-branch telephones, have been trained to explain account opening procedures, registration for AIB telephone and internet banking, and the bank's international payments facilities.

In an interview with *BMI*, Grainne Clancy, head of customer propositions at AIB, said the move was simply a reaction to Ireland's changing demographics: around 300,000 immigrants now live in the country, a figure set to rise to 1 million by 2030.

The predominant foreign community is the Poles – there are currently around 120,000 living in Ireland – as skilled and manual expatriate workers have been drawn to the country's booming industries. The community is complemented by Polish newspapers and other media (including a dedicated television channel), and established Polish restaurants, pubs and shops. As in the EU, work permits are not required for Poles working in Ireland.

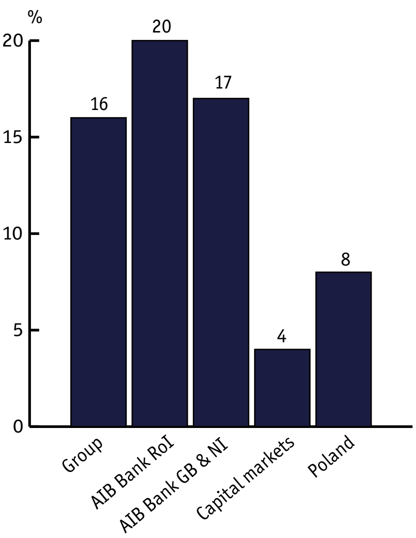
"Given the scale of this community and our strong affinity with Poland through our subsidiary BZWBK [Bank Zachodni WBK], AIB is very well placed to support their needs," said Clancy. Wroclaw-based BZWBK, in which AIB has a 70.5 percent shareholding, had total assets of PLN29.4 billion ($9.2 billion) as of 31 December 2005 and is Poland's fifth-largest bank.

This relationship will prove extremely valuable as competition for minority segments hots up. BZWBK has instigated local awareness campaigns in Poland flagging up the new AIB service and the two banks have established promotional internet links. BZWBK has also sent staff from Poland to help run AIB's direct banking desk.

AIB has supported the launch in Ireland itself through an extensive advertising and marketing campaign. According to Clancy, the bank has targeted three Polish language newspapers and magazines in Ireland, as well as the digital television channel. It has advertised in the Irish press – in *The Evening Herald*, for instance, which runs a regular, eight-page Poland-focused supplement in English.

GROWTH MARKET

AIB – deposit growth across business segments, 2005



Source: AIB

The bank has also used Izabela Chudzicka, a high-profile, Polish television celebrity, as the face of its marketing campaign – in a neat twist, Chudzicka used to be employed at BZWBK. To support the product launch, AIB also commissioned market research from Irish agency Amárach, which canvassed the Polish diaspora in Ireland.

A strong growth driver

Bank of Ireland, AIB's largest competitor in the country, has also invested heavily in the immigrant sector as a strong growth driver. Without giving away specific customer numbers, Catriona Brown, segment manager at Bank of Ireland, said that the return from its foreign language marketing had been "hugely successful, especially in terms of feedback from front line staff".

The bank has so far placed 40 bilingual staff across its branch network (made up of 280 branches) and operates a six-strong foreign language helpdesk accessible by telephones in branches. Brown said that the bank has not tailored specific remittance products for this customer segment as it has "similar needs to our overall customer base. [Indeed], Bank of Ireland is launching an upgraded online service, outlining further enhancements for the coming month which include the development of international payments for all customers."

At the start of June, Bank of Ireland was awarded the Retail Banking Excellence Award at the KPMG Financial Services Awards 2006 in Ireland, the second year running that the bank has won this category. Judging criteria included market performance, innovation, customer service, employer of choice and corporate responsibility. The judges highlighted the bank's customer service initiative – called Changing For You – particularly innovations such as dedicated services for migrant workers.

In its 2005 annual report, AIB said that its Republic of Ireland unit delivered a profit increase of 24 percent last year. Its AIB Poland division had a strong year too, as profits grew by 13 percent: BZWBK said its customer numbers increased by more than 100,000. ■

The hard sell

Cross-selling, driven by effective technology, has become the most important organic growth strategy for banks, according to a new report. Customer-facing staff and brand awareness are the other key factors, though, surprisingly, banks rank advertising as much less important in the marketing mix

A new report from professional services firm PricewaterhouseCoopers (PwC), entitled *Winning the Battle for Growth: Building the Customer-centric Financial Institution*, shows banks are putting enormous belief in their ability to cross- and up-sell products to both new and existing customers. Strong, effective marketing and branding is also seen to be critical, as is the role of customer-facing staff.

Over 250 senior executives in financial institutions across the globe were surveyed on the subject of customer-centric growth for the report, which was produced in association with the Economist Intelligence Unit.

Asked to identify the obstacles standing in the way of becoming more customer-centric, 48 percent of survey respondents pointed to problems with technology. Many firms are still unable to share customer data across products, business units or customer channels, depriving institutions of a single view of the customer and limiting the ability to cross-sell effectively.

Many of the leading financial services groups have been focusing on improving technology to maximise cross-group communication. In a recent presentation (*see page 1*), Charles Prince, CEO at Citigroup, for instance, put improved group communication via better technology as one of the key drivers for his company – "breaking down the technology silos", as he put it.

Cross-selling is ranked as the most important tool for organic growth over the next three years in the PwC report (*see table left*), and a bank's existing customer base is believed to be the prime target for cross-selling new products and services (*see also Santander, page 9*). Geographic expansion into new markets, a traditional strategy for organic growth, was placed fifth in the list.

Sixty-seven percent of people questioned for the PwC report said improving information technology systems is the top strategic priority for the next 12 months as companies aim to retrieve relevant customer data in real-time and analyse customer behaviour in order to anticipate and meet their needs.

GROWTH

What are likely to be your organisation's top three sources of organic growth over the next three years? Select up to three responses

Existing customer penetration (cross/up-selling) with new products/services	57%
New customer acquisition with existing products/services	52%
Existing customer penetration (cross/up-selling) with existing products/services	50%
New customer acquisition with new products/services	35%
Geographic expansion into new markets	33%
Changes in channel and distribution strategy	25%

Source: PwC

CUSTOMER LOYALTY

What are the factors that attract new customers to your organisation?

	Critical ⟵		⟶		Unimportant
Level of importance	**1**	**2**	**3**	**4**	**5**
Quality of service and staff	67%	26%	6%	0%	0%
Underlying brand strength and awareness	43%	36%	16%	4%	1%
Recommendations from existing customers	42%	35%	16%	4%	2%
Product or service differentiation	42%	36%	16%	4%	1%
Financial performance	20%	37%	22%	11%	8%
Targeted advertising and marketing campaigns	17%	41%	25%	10%	5%
Performance of intermediaries	13%	29%	29%	11%	14%
Product packaging	10%	30%	29%	14%	15%
Special promotional offers	10%	22%	21%	17%	27%
Mass-market ad and marketing campaigns	6%	18%	35%	18%	22%

Source: PwC

Quality staff and service

When asked what factors attract new customers to an organisation, the most popular answer was the quality of a bank's service and its staff. The underlying brand strength and brand awareness was second, while recommendations from existing customers was a close third. Surprisingly, perhaps, advertising featured down the list, and mass-market advertising and marketing campaigns ranked the least critical (*see table above*).

Throughout the survey, respondents kept returning to the importance of the quality of customer-facing staff. Some 65 percent of respondents said well-trained, responsive staff are likely to make their existing customers spend money with them. Just over two-thirds of respondents also said that the quality of service and staff would attract new customers to their organisations.

However, many institutions have been better at the rhetoric of customer-centricity than the practice, with 38 percent of respondents agreeing that their organisation is structured around products, not customers, and 33 percent citing a lack of good information on customer satisfaction and expectations.

When asked where they had invested the most effort over the past three years to improve human capital performance, nearly 50 percent of survey respondents said they had invested the most effort into product and service training for staff; 43 percent plan to continue doing this over the next 12 months.

Jeremy Scott, chairman, global financial services group at PwC, said in a statement: "Currently, only 11 percent of survey respondents have a customer service head in charge of the customer experience. There is perhaps something to be learned from some of the successful retailers who have grown their profits by putting the customer at the heart of their operations." ■

Talking to the customer

Spain's Santander is six months into a comprehensive marketing campaign aimed at growing market share and increasing cross-sell ratios among key customers. The bank has supported the project with a substantial advertising roll-out, including sending personal letters to existing and potential customers

Since the start of the year, Santander, Spain's largest retail bank, has been running a comprehensive customer acquisition and cross-sell campaign, using incentives such as discounted fees to draw in new and old customers (*see BMI 186*). The three-year initiative has a simple, definable, trackable goal: to grow mass individual market share by two percentage points by the start of 2009.

The campaign, called We Want to be Your Bank, has initially targeted Santander's 2.2 million retail customers in Spain, looking to raise the number of products per customer (ppc) by eliminating fees on a range of services for people who already hold a Santander mortgage, payroll deposit account, pension deposit account or pension plan.

Banesto, Grupo Santander's other Spanish brand, is not involved in the campaign and is instead strategically running its own customer acquisition programme (*see BMI 182*).

At the time of the launch, Santander said its goal was to become the premier financial institution for retail customers, with a focus on the quality of service and variety of products. "The We Want to be Your Bank plan is not a campaign product, but a new relationship model with no expiry date for current and future customers," said the bank.

Under the initiative, Santander has eliminated administrative and service fees on current and savings accounts, domestic transfers and money movements within the European Union up to €50,000 ($63,000), cheque deposit and issuance, balance consultations, movements and cash withdrawals through all of the Santander network's ATMs, and on the issuance and renewal of debit cards.

Fees, in particular, were proving a bugbear with Spanish consumers, said Santander: some 17 percent of complaints in 2005 to Banco de España, the country's central bank, concerned fees. The elimination of these fees would cost Santander €82.5 million, the bank estimated.

In a presentation at the launch of the campaign in January, Santander said that in 2005 it had increased the number of what it calls 'linked', or active, customers by 4 percent, to almost 3 million customers. Linked customers have an average number of 5.17 products and generate annual revenue of €1,007. In contrast, 'standard' customers have an average of 2.38 products and generate annual revenue of €297, while so-called 'inactive' clients have an average of 1.48 ppc and revenue of €51.

The bank added that mortgages and transactional business have become the primary drivers of cross-selling, and, on average, customers who have mortgages have seven products.

Seven commitments

Santander detailed seven commitments for 2006, driven mainly by the We Want to be Your Bank campaign. These are: an improvement in market share; more cross-selling and linked accounts; an improvement in customer satisfaction indicators; diversified loan growth of over 15 percent; customer funds growth of around 12 percent; improvement in efficiency of 2 percentage points; and maintaining credit quality risk.

The bank has supported the marketing campaign with a significant advertising blitz, using the agency McCann for creative work and Arena, the local arm of media planning group MPG, for the media execution.

Santander has targeted all media channels, particularly television, plus direct mail and radio, and has placed a significant amount of marketing material in branches. Of the budget for television, 33 percent has gone to the dominant broadcaster TVE, 32 percent to Telecinco, 29 percent to Antena 3 TV and 6 percent to Television Cuatro – all the main general television broadcasters.

Santander has also advertised in most of the major Spanish publications, national and regional, dailies and weeklies, including *El País*, *ABC*, *La Razón*, *El Mundo*, *Expansión*, *Cinco Días*, *El Economista*, *La Gaceta de Negocios* and the weekly *Actualidad Económica*. Tag lines complementing the advertising include not only 'We want to be your bank' but also 'We are starting over' and 'We are rethinking everything we do for customers'.

The bank has also made good use of direct mail, arguing that the medium allows it to announce, from one day to the next, that its fees are being eliminated on a range of services. Santander used the direct mail concept to its fullest, writing to all 2.2 million customers and any potential customers affected by the changes detailing what the new campaign would mean to them.

Asked by *BMI* how the campaign was progressing, Santander said in a statement in June that "customers as well as employees have responded positively". It added that the plan includes not only the elimination of fees and the advertising campaign, but also a new focus on customer service that includes performance objectives and new methods for dealing with customer service issues.

"This directly addresses the perception that, as a large bank, we aren't as close to our customers as the local savings banks try to be," said the bank.

In its Q1 2006 results, Santander reported that it had recorded a "moderate" increase in revenues due to the impact of We Want to be Your Bank, adding that a very positive quarter for the group as a whole "makes us optimistic about surpassing our initial expectations for the whole year". ■

Tracking the value of sports sponsorship

Measuring the value and return on investment of sports sponsorship is notoriously hard. ***BMI*** talks to Ron Schneier of New York-based Nielsen Ventures about the company's Sponsorship Scorecard measurement product – a tool which attempts to do just that and more

It is tough, admits Ron Schneier, general manager at Nielsen Ventures, to estimate the value of sports sponsorship as a whole, let alone track the value and effectiveness of individual deals. He offers, when pushed, an estimate of around $7 billion for the US. "The main thing is that an awful lot of people, an awful lot of advertisers, spend a great deal on sponsored placed media in the stadiums, whether it's the US Open or NASCAR, and they have no idea what they're getting."

Nielsen Ventures, a division of Dutch media group VNU, saw an opportunity in the market and launched its Sponsorship Scorecard product at the end of 2004. "We were getting feedback from the US market that there was very little accountability in the sports sponsorship arena and that particularly the teams and the leagues felt pressure from their sponsors that they needed to demonstrate what [the sponsors] were really getting for the their money," says Schneier.

"The pressure was coming down from the CEOs and CFOs, and they were saying to the marketing officers 'Why are you spending $25 million on major league baseball… what am I getting in return!' The days when the chairman just wanted good tickets and nice seats, those days are over."

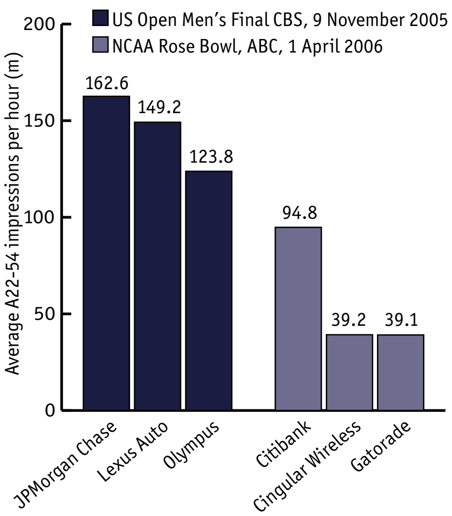
Based on Nielsen's established television advertising and programme tracking technology, Sponsorship Scorecard involves digitising televised sports games and using 'decoders' – human beings – to measure the time and placement of all sponsored media. Nielsen Ventures then matches time and occurrence to the company's own local television ratings.

"Essentially, what you have for the first time, is a currency, a metric," says Schneier. "Somebody can say, 'OK, I paid $25 million or $5 million for this sponsorship, I know what I paid, I can divide my dollars by my television impressions and I can look at the cost per thousand and how that compares to my normal, traditional media spend.'"

How do you measure the effectiveness of this?

■ **CHAMPIONSHIP EVENTS**

Who got the most impressions?



Source: Nielsen Ventures

Comparative analysis

The company has just upgraded Sponsorship Scorecard, rolling out a new tool called Comparative Analysis on 5 June this year. The analysis tool, which is based on Sponsorship Scorecard, looks to compare the top three sponsors in major sporting events (*see graph left*) and also determine which in-stadium locations and poster positions provide the greatest number of impressions during events.

JPMorgan Chase, the number one sponsor of the US Open Men's Final, for instance, achieved 162 million impressions per hour during the event, while Motorola, the Super Bowl's top sponsor, achieved nearly the same at 157 million impressions. In the case of the US Open Men's Final, JPMorgan Chase's brand appeared on both end court and arena stadium ads; however, the end court ad location generated more impressions than the arena stadium ad (461 million versus 7 million), according to Schneier.

To date, Sponsorship Scorecard has been bought by a number of sports teams, leagues and stadiums – the "sell side", as Schneier calls it – but has been less popular on what he calls the "buy side", the actual advertisers. Moreover, despite the significant sums of money spent by financial services companies on sports sponsorship, no banks have yet signed up. Major clients include drinks manufacturers Coca-Cola, PepsiCo and Gatorade.

"We're predominantly heavy on the sell side and are now moving much more aggressively into the buy side. We haven't done the best job of talking to financial services companies – we have spoken to Wachovia and Bank of America. Bank of America was very close to doing something last year," he says.

Moreover, it is active only in North America, though Schneier says that it is looking to expand overseas as sports sponsorship continues to be a major marketing tool for banks in Europe and Asia. "We have been asked about overseas, but we're looking for more support before we start the service because the market size has to be big enough – it's quite expensive. The Formula One people have indirectly spoken to us through their advertisers but we're still focused on the US [for the time being]."

One area Nielsen Ventures is getting more involved in is helping companies design the best advertising to use in sports stadiums to maximise the adverts' impact on television audiences. The company is conducting a trial later this year to test different types of advertising hoarding to gauge which work the best.

Schneier says: "Some of the creatives out there are terrible. We're seeing that advertisers spending huge amounts of money are thinking about the audience in the stadium and not the much larger television audience. Are you using the right colours, the right fonts?" ■

Planning ahead

Retirement financial planning has become a key market for banks across the world. One of the more visible marketing tools major financial services companies are now starting to use to increase their knowledge of – and recognition of their brand in – the marketplace is commissioned surveys

Of all the segments promising growth opportunities, one of the most high-profile has been the world's retirement financial planning market. Over the past decade, as equity markets have become volatile and governments and companies increasingly shift the burden of pension planning onto the individual, financial services companies have begun to target retirees and the retirement segment as a lucrative growth market.

This trend has been flagged up by the increasing number of commissioned surveys by banks on retirement financial planning – research often then used by the banks in their marketing and communication, advertising, product development and forward planning. Indeed, while 'retirement' has become a big market for banks, market research and surveys have become equally visible marketing phenomena.

Citibank, HSBC, Merrill Lynch, Axa and Aviva, five of the world's largest financial institutions, have all recently published substantial market research on the subject.

Aviva, the UK's largest insurance group, for instance, has just rolled out a Retirement Index under its Norwich Union brand. The Norwich Union Retirement Index has been compiled by the Centre for Economics and Business Research, one of the UK's leading economics consultancies and commentators on trends in the UK and global economy. The index tracks changes in pensioners' incomes and household spending.

What the world wants

HSBC has released details of its second global retirement study – *The HSBC Future of Retirement: What the World Wants*. In conjunction with research group Harris Interactive and charity Age Wave, and through a newly announced five-year strategic alliance with the Oxford Institute of Ageing, the 2006 research involved some 21,000 consumers and 6,000 employers in 20 countries and territories, including Brazil, China, Germany, India, Indonesia, Japan, Russia and the US.

The UK bank says that, overall, the study concludes that people want to abandon traditional models of retirement in favour of self-sufficiency and a mix of work and leisure. Given a choice, a higher number of people (36 percent) think their government should enforce additional private savings, rather than increase the retirement age (23 percent), raise taxes (12 percent) or reduce pensions (12 percent). Nearly one-half (43 percent) of individuals worldwide expressed a desire to fund their own retirement either through savings or by working later in life, perhaps part-time.

The research reveals that individuals in most countries want to be primarily self-sufficient when it comes to funding their retirement. However, a 'confidence gap' exists as one in three people worldwide believe the government should bear their costs in retirement, compared with around just one in five (21 percent) who believe they will.

Harris Interactive also helped Merrill Lynch with what the bank described as its "groundbreaking study that uncovers a startling disconnect between how Americans and their employers view retirement" – *The Merrill Lynch New Retirement Study*. Some 5,111 adults were surveyed across all age ranges and additional sample groups surveyed online included affluent people aged 25 to 70 and 613 sets of spouses aged 25 to 70. Over 1,000 US companies which have 100 employees or more also participated in telephone interviews in January this year.

The Merrill Lynch study concluded, among many other things, that paying off debt was ranked as the single most important thing to do towards securing a financial future in the coming year (33 percent). This was followed by saving more (21 percent). More than one-half (53 percent) of the individuals surveyed were concerned about the amount of debt in their households, yet most (63 percent) expected to have less debt when they retired and expected to be eventually debt-free (74 percent).

Like a piece of Swiss cheese

At the start of April, Citigroup released the findings of its *2006 Retirement Confidence Survey*, the 16th such survey on sentiment in the US. The 2006 survey, said the bank, showed many Americans' retirement expectations are "like a piece of Swiss cheese – full of holes. Many [people] have accumulated only modest retirement savings, underestimate the share of their pre-retirement income they are likely to need in retirement and have made no estimate of how much they will need to live comfortably once they retire."

The survey was sponsored by US-based Employee Benefit Research Institute and survey research firm Mathew Greenwald & Associates, and was based on telephone interviews with 1,252 individuals aged 25 and over in the US, conducted in January. It found more than two-thirds (68 percent) of current workers said they and their spouses have accumulated less than $50,000 in retirement savings. Some 88 percent of workers aged 25 to 35 have less than $50,000 saved for retirement, compared with 52 percent of workers aged 55 and older.

Nearly six in ten current workers (59 percent) said they hoped to have a retirement standard of living equal to or higher than in their working years. However, when current workers were asked if they had calculated how much money they will need to retire comfortably, nearly six out of ten said no.

In addition, like the HSBC survey, the *2006 Retirement Confidence Survey* found strong support for automatic enrolment in employee pension plans. About two-thirds of employed workers (69 percent) favour automatic enrolment. About one-half of all workers said they received employer-provided retirement education; of those, almost one-third (29 percent) reported modifying their retirement planning as a result of the material they receive.

At the end of April, France's Axa published a huge survey of global retirement trends, *Axa Retirement Scope 2006*. The research involved 6,915 interviews of working people and retirees in 11 countries, including the US and Japan. Axa itself is investing a great deal in the retirement industry: on 14 June, the company announced it had entered into a definitive agreement with Credit Suisse to acquire its Winterthur Life unit for CHF12.3 billion ($10 billion), a move which will lead to Axa becoming an even stronger player in the global pensions market. ■

SPORTS SPONSORSHIP

Barclays extends golf sponsorship to Asia

Barclays, the UK's third-largest bank, has increased its support of world golf by signing a five-year agreement to become the title sponsor of the Singapore Open. It is Singapore's largest sponsorship agreement, with an initial annual prize fund of $3 million increasing to $5 million by 2008.

The deal marks the company's first major sports sponsorship in Asia. Barclays has made golf a key part of its international sports sponsorship programme, as shown by the six-year (2005 to 2010) sponsorship of the Barclays Classic in the US and its promotion of the Barclays Scottish Open since 2002.

The Singapore Open ran from 1961 until 2001, but a lack of sponsorship support resulted in the tournament not being held between 2002 and 2004. The tournament was revived in 2005 and the Barclays deal provides a major boost for the organisers, which will market the event as the Major of Asia. The 2006 Singapore Open will be competing with the Canadian Open – which has a $5 million prize fund and runs from 7 to 10 September – to attract the world's top golfers.

PRODUCT INNOVATION

Lloyds TSB launches 'no strings attached' regular savings account

Lloyds TSB, the UK's fifth-largest retail bank, has launched a 'no strings attached' regular savings account. The Lloyds TSB Monthly Saver account will pay 8 percent interest on deposits of between £25 ($46) and £250 per month for two years.

The account is available for new and existing current account holders, and customers have the option of making a deposit of £750 when the account is opened. Customers can access their money whenever they wish and vary the sum saved from month to month. However, if they make a withdrawal or miss a payment, the funds cannot be replaced.

The regular savings market in the UK has become very competitive as banks look to attract new customers and funds using headline-grabbing interest rates. HSBC's regular savings account, by comparison, also offers 8 percent on monthly savings up to £250 and is an option for new and existing account holders – but the rate is for a 12-month period only and withdrawals are not permitted. HBOS's Children's Regular Saver pays 10 percent, fixed for one year, for deposits between £10 and £100 each month.

AFFINITY MARKETING

MUFJ and JR East launch co-venture

Mitsubishi UFJ (MUFJ), Japan's largest bank, and East Japan Railway Company (JR East) have reached an agreement on the provision of financial services to JR East's Holiday for Seniors Club, a JR East club for senior citizens.

MUFJ group companies have already held seminars on asset management and contributed columns on financial topics to JR East's members-only magazine *Holiday for Adults*.

Following the new agreement, MUFJ companies will provide a number of new and preferential privileged services to club members, including better rates for Super Term Deposit accounts which have a term of more than one year and a minimum deposit of ¥5 million ($43,500). New customers requesting consulting services for securities at branches of Mitsubishi UFJ Securities will be presented with complementary copies of a book of shareholder privileges (effective start date is scheduled for 1 September).

In a joint statement, the two companies said they will consider broader business tie-ups related to the Holiday for Seniors Club in the future aimed at leveraging their respective products, services and expertise. New information delivery methods are also being considered, specifically websites.

BRANCH MARKETING

ABN AMRO opens lounge at Schipol Airport

ABN AMRO, the second-largest bank by assets in the Netherlands, has opened a lounge at Amsterdam's Schipol Airport, designed to cater for the needs of the bank's Preferred Banking clients (defined as customers who have investable assets of at least €50,000 and/or a monthly net household income of €5,000).

Since the bank introduced the Preferred Banking concept in late 2004, approximately 70 ABN AMRO branches throughout the Netherlands have opened Preferred Banking Lounges similar to the new lounge at Schipol.

Customers can conduct business or hold a preflight meeting in a designated conference room within the Schipol lounge. The new facility brings to nine the number of ABN AMRO branches at the airport.

PROMOTIONAL CAMPAIGNS

Bangkok Bank launches biggest-ever promotion

Bangkok Bank, Thailand's largest bank in terms of assets, has launched what it describes as its biggest-ever promotion. The bank is offering new credit card customers the chance to win gold in a promotion which has a total prize pool value of THB7.5 million ($195,000) during a five-month promotional period.

Every time a new Bangkok Bank credit card customer spends over THB1,000 in a single transaction, they will be entered automatically into the competition in an initiative designed to maximise use of the card.

There will be five draws each month from June until October 2006. Each month of the promotion, a first prize of THB1 million in gold will be awarded, plus ten runner-up prizes of THB50,000.

In 2005, Bangkok Bank's promotional offering to new card customers offered the chance to win one of 15 Honda Jazz cars (*see BMI 182*).

COMPETITIONS

Groupe Caisse d'Epargne sponsors prize for investigative journalism

Groupe Caisse d'Epargne, the largest French co-operative, has teamed up with French journalism school the Centre de Formation des Journalistes to launch a prize for investigative journalism. The Prix International de l'enquête CFJ-Groupe Caisse d'Epargne will form part of the journalism school's 60th birthday celebrations.

Separate categories for the written word and audio-visual work have been created and both awards offer a €3,000 ($3,800) first prize. Entries are invited from journalists aged under 40 who are working in the French language.

CUSTOMER COMPETITIONS

Scotiabank targets mortgage market and launches competition

Scotiabank, Canada's fourth-largest bank by assets, which has historically marketed itself as Canada's most international bank, has increased its focus on growing its domestic mortgage market. Scotiabank is the third-largest player in the domestic mortgage market and has a 17.3 percent share of the market.

The bank has upgraded its www.findthemoney.scotiabank.com website with a suite of home ownership and home finance tools, designed, as the bank said, "to help Canadians manage their home ownership needs".

The web campaign is being supported by the launch of a competition giving away a 42in plasma television every day until the end of July to Canada-based customers who visit the site. ■

Banking on service

Before Japan's Mitsubishi UFJ Financial Group can compete effectively with the likes of Citibank and HSBC on the international stage and become a top five global player, it is looking to cement its domestic retail banking business through a technology-led customer service proposition. **Titien Ahmad** reports

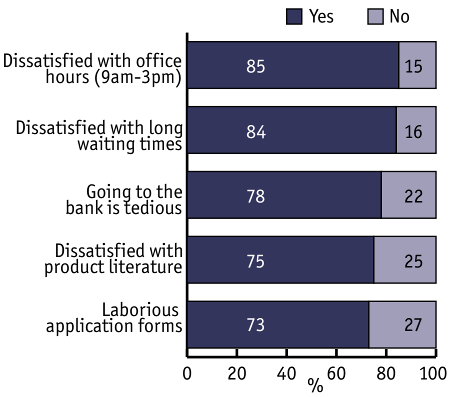
Nobuo Kuroyanagi, president of Mitsubishi UFJ Financial Group (MUFJ), has said his intention is to make MUFJ one of the world's top five banks in terms of market value by March 2009 – and he believes the path to expansion lies in retail. Retail currently contributes less than 20 percent of profits, but the target is to boost the proportion to 35 percent and increase retail net operating profit by around 2.5 times by March 2009.

Kuroyanagi believes MUFJ, the world's largest bank by assets, will have to be a strong local bank which has a large domestic franchise before it can expand overseas. MUFJ, formed from a merger between Bank of Tokyo-Mitsubishi and UFJ Bank in 2005 and formally launched on 1 October, inherited a strong retail banking business through UFJ.

Competition for retail business, however, is hardening in Japan. Mizuho, the second-largest player in the market, has implemented a bank-wide rewards system through its Mizuho Mileage Club programme, a platform for the bank to increase cross-selling by offering bonus points for transactions with the bank. Mizuho has almost doubled its sales staff from 364 in 2005 to 600 in early 2006 and has said it will continue to offer housing loan consultations during non-business hours.

Resona, the country's fourth-largest bank, recently said retail banking and better customer marketing were key factors in its goal to become the "bank of choice" in its markets. Shinsei Bank, the 14th-largest in terms of assets, is using innovative marketing, branding and products to rapidly gain market share (*see Campaign of the Month, BMI 183*).

CUSTOMER SURVEY
Customers' dissatisfaction with banks



Source: MUFJ

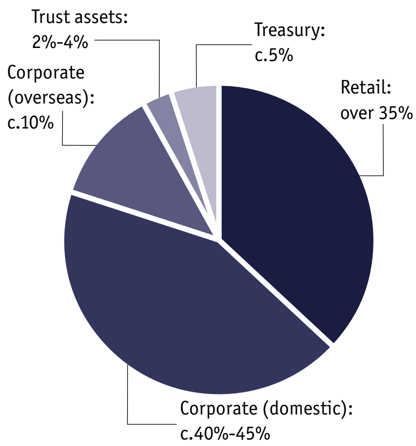
In a presentation at VRL's Retail Finance China conference in Shanghai in early May, Jun Kaneda, chief manager of the marketing strategy department at MUFJ, said: "It is only the beginning of our long journey because the biggest bank does not mean the most popular or supported bank. The challenge for retail banking is how we can efficiently treat our customers in the right way to minimise our cost and maximise customer satisfaction. Otherwise, there will be a vicious circle of customer dissatisfaction and problems with the bank."

A customer survey commissioned by MUFJ found that bank customers in Japan were dissatisfied with the short opening hours of bank branches and long waiting times. They also felt that going to the bank was a tedious affair (*see graph left*). The bank, on the other hand, was "caught up with clerical work at the counter and there was inefficient use of human resources at the branches", said Kaneda. The solution for the bank, he said, was to "expand business hours as far as possible with minimum increase in labour cost, using technology".

The UFJ24 project, started in 2003 by UFJ and now being used by MUFJ, seeks to enhance the efficiency of tellers and increase customer acquisition by expanding the channel reach and operating hours of the bank. UFJ24 involved the launch of 24/7 operational ATMs, 24/7 call centres and the roll-out of over 500 automated consulting and contract machines (ACMs).

Described as a remote-controlled bank counter, the machine offers a variety of functions which ATMs do not have, such as new account opening, foreign remittance and home mortgage applications, according to Kaneda. ACMs have a videophone, so customers can see, hear and communicate with bank staff. In addition, the machine is

GROWTH PLANS
MUFJ – profit by business segment, 2009



Source: MUFJ

equipped with a scanner to scan identification documents of customers and a fax to send through applications.

The volume of ACM transactions is comparable to about 1,000 tellers at the counter and about one in four ACM users transact outside office hours. Levels of use have been found to increase outside of office hours, increasing the profile of the UFJ24 project.

"ATMs and ACMs cover most of the clerical work so tellers can concentrate on sales activities," said Kaneda. "We are currently in the process of a trial of Super Convenient Branch by installing ACMs in ATM corners of specific branches."

Revitalisation plan

MUFJ published the first update of its Revitalisation Plan as a merged entity in February this year. The plan, which stated that retail banking is a fundamental driver for the bank (*see graph above*), said that the group's retail business places its "highest priority" on the two aims of enhancing customer satisfaction and maximising profit.

The plan said that MUFJ intends to build a world-class retail brand through leveraging the highly complementary nature of the former Bank of Tokyo-Mitsubishi and UFJ groups. ■

BCB goes on the deposit chase

Bumiputra Commerce Bank (BCB) is Malaysia's second-largest financial services group after Maybank. Looking to cut the latter's lead, BCB has rolled out a number of marketing initiatives this year and is looking to expand its product range, turn branches into sales centres and focus more on segmentation

Bumiputra Commerce Bank (BCB) is battling it out in a domestic market dominated by Maybank, the country's largest financial services group. BCB, formed via various mergers and acquisitions over the past decade (most recently the merger with Commerce International Merchant Bank [CIMB] in 2005), has rolled out numerous marketing and product initiatives so far in 2006 as it looks to cut into Maybank's lead.

Raising the savings rates on key products has been an important strategy this year. At the end of May, the bank announced a range of increases on its fixed deposits for all tenures over 12 months, for instance. The bank's new rates range from 3.7 percent *per annum* for 13 months, up to 4.8 percent *per annum* for a five-year tenure. Peter England, BCB head of retail banking, said the adjustment of rates was in line with the bank's strategy to continuously review its product range. "We are constantly monitoring the changes in the markets and felt there was an opportunity to raise our longer term rates significantly."

For retail customers, England noted that, at 3.3 percent, the bank also has the best one-month rate in the market. "Now with the new two-year promotional rate, customers can enjoy the highest rate in the market for longer term deposits."

Dream Deposits

All retail fixed deposits also qualify for BCB's high-profile Dream Deposits campaign, through which customers stand to win a weekly prize of a 42in Panasonic plasma television and be entered into the draw for the grand prize of a Mercedes E200K.

Another recent launch was the No Tiers campaign. Previously, depositors were differentiated by their nationality and deposit amounts. Tier 2 interest rates, for instance, were applicable to Malaysians who had deposits of over MYR1 million ($27,231) and to foreigners for any amount of fixed deposit. According to England, there are no longer limits on the amounts that an individual customer can place in fixed deposits to qualify for Tier 1 rates.

This move, added England, is targeted at encouraging more high net worth customers to deposit with the bank. "We have enhanced this campaign further where we now include 12-month fixed deposits in this special promotion. This means we will pay Tier 1 rates up to 3.7 percent for any amounts placed in individual names in BCB for 12 months or less."

Marketing campaigns offering free gifts when new accounts are opened have been in place to reward customers depositing money at the bank. The most recent programme was the Dream Deposits campaign designed to increase the amount deposited with BCB among current customers.

The Dream Deposit campaign follows the recently concluded BCB Cash Attack contest which ran for six months from September 2005. Three winners of MYR500 were declared each week and the winners were then eligible to win MYR30,000 provided they maintain a specific account balance during the six months of the contest period.

Customers had to submit an entry form with the original deposit or ATM slip and were required to answer two questions about BCB. They then had to submit their most creative depiction of the phrase 'Show me the money'.

The bank's latest branding initiative, which ran between 4 and 16 May, involved it putting its brand to the biggest Asian debating championship. The All Asians Inter-Varsity Debating Championship boasted over 400 participants from 45 higher learning institutes from countries such as China, India, Thailand, Indonesia, the Philippines, South Korea and Japan.

Increasing share of wallet

As the second-largest bank in Malaysia in terms of assets, BCB has over 4 million customers and the challenge for the bank is increasing its wallet share of its existing customers. England has said the bank is more focused on building relationships with its existing customers than getting large numbers of people to make up its customer base.

BCB opens about 40,000 new savings accounts which have an average of MYR1,000 per account every month. In terms of current accounts, it opens about 1,000 new accounts which have an average balance of MYR10,000 monthly. The bank has reportedly spent MYR3 million on promotions, schemes and advertising to increase its retail deposits.

The goal for BCB is to increase the bank's market share in retail banking to 10.0 percent by the end of 2006, from 6.5 to 7.0 percent currently. Retail deposits are targeted to increase to MYR15 billion from the MYR13 billion that makes up 20 percent of its total deposit base. "We are targeting to grow our retail deposits by over 15 percent this year. BCB has 6 percent share of the retail deposit market," said England.

Branch network

Other elements of its business the bank has been looking to improve include simplifying the account opening process and extending branch opening hours, part of a range of changes focused largely on the bank's branch network. The bank has extended the opening hours of its branches, for instance, to 4.45pm instead of 4pm, and service kiosks located at shopping complexes now operate seven days a week from 11am to 7pm. BCB currently has 233 branches throughout the country, 37 service kiosks, 892 ATMs, 148 cash deposit machines, 220 cheque deposit terminals (CDTs) and 38 CDTs which have a scanner.

According to its 2005 annual report, BCB achieved profit before tax of MYR548.8 million compared with MYR304.4 million in 2004, an increase of 80.3 percent. The bank's profit before tax rose 219 percent to close at MYR572.7 million, compared with MYR179.5 million in 2004.

Writing in the report, Tan Sri Dato' Seri Haidar Mohamed Nor, the group's chairman, stressed the need to improve the cross-selling capability of the group. He said that, going forward, one of BCB's priorities is to continue to focus on retail banking by enhancing its risk management systems, creating segmented business models for target customer segments, growing its credit card portfolio and converting branches to sales and service units. ■

BRANDING

Europe's trusted financial brands

Generally speaking, European consumers value nationality, mutuality and/or state participation, and market size when judging the trustworthiness of banks, according to the sixth annual survey of Europe's most trusted brands by the magazine *Reader's Digest*. National institutions such as Crédit Agricole, PKO, Rabobank, Raiffeisen and Sberbank top individual country banking tables, as do insurers such as Axa and Allianz (*see table below*).

The biggest surprise, perhaps, is the UK: Lloyds TSB, the UK's fifth-largest retail player and a bank long believed to be a potential takeover target as it struggles to compete with larger rivals, such as HSBC, Barclays and HBOS, was voted the most trusted bank brand in the UK. Other similar surveys have either put HSBC (*see BMI 179, and BMI 181*) or Nationwide, the UK's largest building society, ahead (*see BMI 189*).

This is the sixth annual survey by *Reader's Digest*, which describes itself as the magazine with the largest circulation in the world. Research took place in 14 European countries, including countries in Central and Eastern Europe, between September and October 2005, and covered 20 different industries, including cars, cosmetics, kitchen appliances and mobile phones, as well as banks, insurance companies and credit card associations.

A total of 25,434 questionnaires was analysed and 317,339 votes were cast. Overall, 112,129 different brand names (or variations on a brand name) were mentioned. Respondents were drawn from the publication's customer database of 4.5 million homes.

Brand trust and choice

The survey's primary objective was to find out which brands Europeans trust the most and to investigate what trust means in terms of brand choice. Brands were rated based upon quality, value, image and understanding of customer needs, as well as the importance of trust when making a purchase. The June 2006 editions of *Reader's Digest* magazine across Europe carried a multi-page section summarising the results of the survey, meaning the winning brands received good editorial coverage.

Reader's Digest said that achieving 'trusted brand' status is especially valuable to brands because it "reflects the opinions and perceptions of the general public. It is not a measure of buying habits, advertising investment or peer group judgement. Without any prompt whatsoever, consumers in 14 different countries nominate the brands that they personally trust the most across a range of different product/service categories."

In terms of credit cards, Visa has again dominated the category. Across Europe, Visa, which gained an average of 44 percent of the votes, is considered by consumers to be the most trusted credit card brand in 13 out of 14 countries.

The credit card category has been included in the past four surveys and has been won by Visa each time.

In Europe, there are over 302 million Visa debit, credit and commercial cards. In the 12 months ended December 2005, those cards were used to make purchases and cash withdrawals to the value of over €1.13 trillion ($1.43 trillion).

Finland's most trusted bank, Helsinki-based Osuuspankki, officially rebranded at the start of June – its full name, OKO Osuuspankkien Keskuspankki Oyj, has been condensed to OKO Bank. The group comprises 236 independent member co-operative banks and its statutory central institution, OP Bank Group Central Cooperative.

BRAND STRENGTH
Winning financial brands

Country	Bank	Insurer	Credit card
Austria	Raiffeisen-bank	Uniqa	Visa
Belgium	Fortis	Axa	Visa
Czech Republic	Česká sporitelna	Česká pojišťovna	Visa
Finland	OKO Bank	Tapiola	Visa
France	Crédit Agricole	Axa	Visa
Germany	*Sparkassen*	Allianz	Visa
Hungary	OTP	Allianz Hungaria	MasterCard
Netherlands	Rabobank	Interpolis	Visa
Poland	PKO BP	PZU	Visa
Portugal	Caixa Geral de Depósitos	Fidelidade	Visa
Russia	Sberbank	Ross-gosstrakh	Visa
Spain	BBVA	Mapfre	Visa
Switzerland	Raiffeisen	Mobiliar Schweiz	Visa
UK	Lloyds TSB	Norwich Union	Visa

Source: Reader's Digest Trusted Brands Survey 2006

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