



# The High Value Retail Customer

## Lessons in Channel Engagement

East has been piloting significant research across the higher value retail customer markets in response to client bank appetite for cross sell and multi-engagement around the edges of business banking. Clearly there are demographic segments in retail of more interest to bankers than others; this work is focussed on customers with:

TABLE 1	Customer Value (A\$ million)
Own home	1.60
Second home	0.74
Equities	0.29
Cash	0.10
TOTAL	2.73

TABLE 2	Product Engagement (Products/Customer)
ANZ	4.49
CBA	5.12
NAB	4.70
SGB	5.14
WBC	4.59
Regionals	4.95
Internationals	5.65
TOTAL	4.81

Engaging with an average of 2.53 banks in what tends to be specific products, the key challenge for banks with these customers is – how to attract, service, retain and grow higher value relationships in a profitable manner. Central to this is getting the mix balanced between the engagement channels banks are deploying and those which customers value.

### Channels Being Engaged

As displayed in Table 3, of the four major pipes to customer acquisition and retention in retail banking, only one is being

TABLE 3	% of HVR Customers Using					
	ANZ	CBA	NAB	SGB	WBC	TOTAL
Internet Banking	63.3	71.3	60.9	75.5	74.6	66.9
Branch Visits	17.2	22.0	16.4	9.4	13.9	17.5
Telephone Banking	7.6	4.4	14.8	5.3	7.0	7.7
Personal Banker	11.9	2.3	7.9	9.8	4.5	7.9

TABLE 4	Satisfaction Ratings Reported					
	1 – 2 – 3 – 4 – 5 – 6 – 7 – 8 – 9 – 10 (satisfied)			10 – 9 – 8 – 7 – 6 – 5 – 4 – 3 – 2 – 1 (dissatisfied)		
	ANZ	CBA	NAB	SGB	WBC	TOTAL
Internet Banking	3.31	3.16	3.85	3.00	3.21	3.37
Branch Visits	5.70	5.98	6.05	5.24	6.00	5.84
Telephone Banking	6.23	6.35	6.24	6.00	6.47	6.22
Personal Banker	2.31	2.59	2.40	2.03	2.55	2.42

used by a majority of this higher value demographic – Internet Banking – where two thirds (66.9%) of higher value customers regularly engage with their banks. Applications being used here are primarily information seeking and transacting but an increasing number of customers are looking to acquire product solutions and buy. Internet Banking has become the dominant means of customer interaction with this critical retail segment, 3 times as dominant as branches and nearly 10 times the density of contact of Telephone Banking or Personal Banker. Is it, however, the most effective?

### The Channel Experience

There are clear differences between individual bank channel concentrations that reflect differing strategies in addressing this important retail segment. Interestingly, there doesn't appear, however, to be a close correlation between where banks are deploying their channel investments and the experience retail customers are having (see Table 4 below).

Whilst Personal Banker as a customer channel is supply constrained both in terms of talent availability and profitability, it is being used by less than one in ten HV retail customers, yet it represents by far the best experience for those customers. The second best channel experience is Internet Banking which also happens to enjoy greatest engagement by customers.

### Where To?

A structured combination of just two channels into this market – Internet Banking and Personal Banker – may well represent the most powerful combination in the eyes of this retail segment. It equally raises questions regarding the return available from these customers by continuing to invest in the Branch network and Telephone Banking by banks looking for growth in HV retail. These customer neither use nor are happy with these two channels, both of which are not supply constrained and readily accessible.

In today's "credit moment" in banking informed, higher value customers are looking for safety and simplicity in their banking

relationships. Channel strategies based on differing solutions for different retail segments haven't worked, they are hard to implement meaningfully, nor do they particularly differentiate banks when most providers are behaving similarly. Perhaps now is the time to pull back from so called multi-channel, confusing distribution models and concentrate channel investment into customer-valued paths.

Source: East & Partners Monthly High Value Retail Banking Monitor 2009