ICG

Internal Consulting Group

ICG Industry Insights Review

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About this Report

The ICG Industry Insights Review presents timely abstract reviews of the most relevant 'open published' perspectives and research reports from the world's leading branded management consulting firms.

ICG's Review ensures that executives and consultants are exposed to the widest range of high quality ideas, techniques and methodologies developed across the management consulting industry globally.

Relevant insights are identified and classified once only, either in a general category or by topic alignment to an industry segment or a functional area using our proprietary taxonomy.

Access to Full Reports

If you find an insight of interest and wish to access the full report, simply click the link beneath the title. Where possible, this will take you to the full report. Occasionally, the publisher may require the user to complete a registration or payment process prior to accessing the report.

Insight Sources

ICG sources candidate insights for review from the best and most relevant material published openly by (at least) the following branded consulting firms:

- Accenture
- AT Kearney
- Bain
- BCG
- Booz and Co
- Capgemini
- Deloitte, Touche & Tohmatsu
- Ernst and Young
- FMCG
- IBM
- KPMG
- McKinsey and Company
- Oliver Wyman
- Promontory
- PWC
- Roland Berger

Contents

Financial Services: Industry Economic Context

General

"The Business Case for the European Union" – Booz

>> VIEW PDF (6 PAGES)

The author's key message is that the crisis has been a catalyst for positive change in Europe. To illustrate, they highlight that European Patents are now almost certain; 6 of the world's top 10 most innovative countries are from Europe; and the Europeans are working together to solve their problems and are promising to be fiscally retrained next time. However, this article is unashamedly European PR from people we expect more from. For the business case for Europe, you will need to selectively delve into the full white paper or turn to McKinsey's excellent recent first attempt at this question (reviewed in our July 2012 Edition).

"Dealing with Financial Crisis and Public Debt" – Roland Berger

>> VIEW PDF (28 PAGES)

Part of Project 2012 – an attempt by RB to produce deeper, Global Institute-like analysis for broader consumption and public good.

The chosen topic though is late to market and the article covers much of the same territory as BCG's serialisation of crisis solutions with a lot less depth. This, however, may be its strength, for it does clearly and mostly crisply summarise the highest level causes, effects and solutions to the crisis. One insight we haven't seen depicted graphically before is Figure 8: No developed country meets both the Maastrich Criteria of Public Debt below 60% and Deficit of less than 3%.

So, good for those who missed the rash of Insight Reviews on the crisis earlier this year and for those looking for a light and easily digestible overview.

Financial Services: Industry Categories

Retail and Business Banking

"European Payment Processing" – Roland Berger

>> VIEW PDF (31 PAGES)

A PowerPoint report of the opportunities and challenges from more centralised payments processing – potentially helpful input to the design of surveys, interview programs, and likely report outcomes for those Internal Consultants exploring B2B payment opportunities.

"The Future of Exchanging Value" – Deloitte

>> VIEW PDF (24 PAGES)

An engaging and well-written article that is more journalistic and case-driven rather than deeply analytical.

Deloitte provide a briefing note on the central issues of exchange, where most of the focus is on two areas: the increasing separation of the payment from the physical store and the growth and issues of complementary currencies (think moving from points plus pay to just pay for micro transactions and beyond in a whole range of currencies that can be earned and bought). It is this second section that contributes the most new material for our readers, though the article will feel unnecessarily Australian for non-Australian readers.

"Collections 3.0™ Bad Debt Collections: From Ugly Duckling to White Swan" – Deloitte

>> VIEW PDF (16 PAGES)

No longer being able to rely on house price growth, lenders have had to diversify away from a credit collections strategy based on security.

This article draws on recent client casework to publish a nicely coherent blueprint for collections that includes a very detailed capability trajectory across all of the major business model components in the function.

Very useful input to Internal Consultants embarking on transformation exercises, target operating model design, benchmarking or improvement target setting.

"Setting a New Course: The Customer Experience Challenge Facing Central Europe's Retail" – Deloitte

>> VIEW PDF (90 PAGES)

This long report contains insights at two levels.

Firstly, a surprisingly useful analysis of customer satisfaction and its drivers. The starting point is page 10 which is sobering reading for any senior retail banker, as it portends an even more rapid move away from branches to mass customised offerings which bake-in advice or usage guidelines. Similarly, the segmentation framework on page 17 identifies a segment we rarely see recognised: the people who switched from another bank but are still unsatisfied. The section on each country closes with analysis of impact drivers of satisfaction and the implications for strategy. A common project challenge for ICGs so a very helpful article.

Secondly, relatively comprehensive analysis of retail banking markets across Central Europe – Czech Republic, Poland, Romania, Hungry and Slovakia – that should be of use to those exploring international strategies or looking for country benchmarking candidates based on relative stages of evolution.

The article also adds to the recognised list of P2P payment providers: Prosper, Zopa and now Zaarly.

“Keeping Small-business Banking Customers Loyal” – Accenture

>> VIEW PDF (12 PAGES)

Blatant advertorial with very little content. Page 8 contains a sensible laundry list of modular project components so only worth a look for those tasked with configuring a small business segment performance improvement program.

Corporate and Institutional Banking

"Investment Banking Outlook Summer 2012" – Roland Berger

>> VIEW PDF (12 PAGES)

Roland Berger provide a helicopter view on the IB industry, commenting on participants' recent financial performance – by product, region and firm – and forecasting what might lie ahead. The optimism drawn from an upswing in sector profits in Q1 2012 – concentrated around fixed income and EM – is offset well and truly by their forecast that up to 75,000 global jobs remain to be removed from the industry over the coming years.

We like Roland Berger's approach of breaking Investment Banking into five distinct segments as a means to find some meaningful patterns. That said, trends are hard to find, other than that all segments and parties within the segments are exposed to single digits ROEs, further business rationalisation, cost reduction and capital efficiency – with the resultant human cost attached.

"TARGET2 – Securities: Are you on Target? (Part 1 of 3)" – Accenture

>> VIEW PDF (8 PAGES)

Accenture provides an update on the status of "T2S", a pan-European, DVP settlement system for central bank money transactions and securities which carry an ISIN number. Accenture also pose and address five important questions regarding how this initiative will improve things for all parties and what it means for existing banking models. This is a "must read" for anyone involved in, or responsible for, the processing of European securities settlement as value-chains are being significantly re-engineered. Implementation of TS2 is, apparently, approaching the "halfway stage" of a multi-year plan. It is complicated by the multitude of private sector and governmental parties that are required to "buy in".

“Global Debt Sales Survey 2012” – KPMG

>> VIEW PDF (32 PAGES)

Everybody likes a good “Survey” and in this case KPMG jumps in and attempts a survey of the global market for debt (loans) sales. This document, which we would describe as a primer for non-specialists and industry observers, generally skims across the top of the debt trading industry pointing out, for example (no surprises here) that Spain, Ireland and the UK have ≈600 billion of distressed loans to be sold in the near term and that the USA is likely to be a source of capital to buy these loans. KPMG digs a little deeper when considering the drivers for loan sellers and buyers to come together, exploring the “gaps” that may exist which may prevent transactions closing and deriving generalised quotes on hurdle IRRs. A more detailed (and useful) report might have produced regional lists of distressed loans and their “bid” prices – information readily available from the always-eager-to-talk loan broker community – drawing out the sectorial trends in more detail.

Wealth and Asset Management

"Revolutionizing the Research Practices of Investment Management Firms"
– Capgemini

>> VIEW PDF (16 PAGES)

A lighter weight overview of the trends and considerations for outsourcing the research function (partial models appear more prevalent).

Absent analysis, it is a journalistic summary of the trend and steps to achieving an optimal internal/external business model.

The references look very useful to any Internal Consultants embarking on this question.

Insurance

"Investment for the P&C Insurer: What Investors Think of your Strategic Investment Policies" – Towers Watson

>> VIEW PDF (4 PAGES)

An incredibly helpful article covering a topic we haven't seen analysed this way before. Based on online surveys from 16 equity analysts covering the P&C sector, Towers Watson outlines the investment postures most favoured by the analyst. The majority supported a moderate level of risk, providing both liabilities risk and balance sheet strength support it. The other key messages are matching and diversification (both classes and geographically).

"Cutting Through the Regulatory Knot" – PWC

>> VIEW PDF (16 PAGES)

A helpful, but text-only article which summarises all of the major insurance-related regulations and their immediate implications. While it refers to pipeline, the article doesn't segment by timeline to implementation, a helpful tool used in other similarly titled insight articles.

The article is suited to non-risk and compliance professionals and board members looking for an educational, text-only overview.

Financial Services: Functional Categories

Strategy and Transformation

ARTICLE OF THE MONTH

"Cost Reduction in the European Banking Sector and Transformation" – Roland Berger

>> VIEW PDF (30 PAGES)

A thought-provoking PowerPoint presentation from Roland Berger, perhaps better titled "From cost reduction to cost transformation." The presentation has numerous insights for Internal Consultants and executives.

We especially liked the simplicity of the transformation program outline on the left side of page 3, the cost reduction programme benchmarking on page 10, the ABN Amro case study on page 20 and the non-traditional M&A-style solutions on page 21. However, we note that high-effectiveness, low-cost Adhocracy style models like ICG are yet to feature on their list.

Overall, a useful contribution to a much published topic and one that should be additive to anyone with an interest in the topic.

"How Strategists Lead" – McKinsey

>> VIEW PDF (7 PAGES)

A short article by Cynthia Montgomery, a senior but lesser-known strategy professor at Harvard Business School.

The article highlights three critical roles for the strategist, including: The Meaning Maker; The Voice of Reason, and The Operator. This is a short article that is ultimately very inspiring for those of us who strategise (don't be put off by the much weaker first section).

“A Chessboard Strategy for Russia’s Banking Market” – AT Kearney

>> VIEW PDF (7 PAGES)

A useful, worked demonstration of the application of AT Kearney’s surprisingly useful Chessboard Strategy framework to the Russian banking market. Helpful to those Internal Consultants considering its use for their own industry.

Corporate Finance/M&A

"Enabling PMI: Building Capabilities for Effective Integration" – BCG

>> VIEW WEB PAGE

M&A is an activity prevalent in some organisations, but very rare in others. The problem is that most deals are done by companies that do deals infrequently. While some have internal capabilities to integrate, poor processes and structures impede success in others.

The approach to PMI that a company adopts needs to be a balance between the imperative to have these skills available in house against the cost of maintaining such a capability.

The article points to two approaches that a company can adopt depending on its M&A strategy: in the trenches in a "learning by doing" approach; or a pre-emptive approach.

Whatever approach chosen, it is essential to focus on the drivers of value and ensure a learning and feedback loop assists the constant development of PMI capabilities.

"Plant and Prune: How M&A can Grow Portfolio Value" – BCG

>> VIEW WEB PAGE

BCG's 8th annual report on M&A activity comments that, despite volatility in equity markets and ongoing global uncertainty, leading companies are strategically preparing for the future now, evaluating the use of acquisitions and most importantly divestiture to prepare for the better times. Also, companies need to keep an eye on Asia as a source of momentum as Asian buyers increase inbound and outbound activity.

The report reinforces the empirical evidence that more shareholder value is created from divesting than acquiring and that acquisition of non-listed companies creates more value than listed company acquisitions.

Thus, as the pool of willing buyers increases, companies should be aware of opportunities to offload non-core assets – especially where there is unrealised value in current hands and divesting can increase shareholder value.

"The Peer Pressure Posed by Stock Splits" – Booz & Company

>> VIEW ARTICLE

This article reports that companies are more likely to divide their stock when peer firms have recently done so, and especially when their counterparts have experienced positive returns after the split.

However, following the crowd provides little financial benefit to companies, and is primarily evidence of the powerful effects of peer pressure on corporate decision makers.

The authors comment that this act is part of a broader finding which indicates that firms scrutinise both the choices that peers make more generally and the level of their achievement, before then emulating the winners.

A note for Australian readers: this research was conducted in the US on NYSE listed companies and does not necessarily reflect the actions of Australian listed companies.

"Venture Capital Firms Trim Their Wings" – Booz & Company

>> VIEW ARTICLE

The article finds that over the past decade, venture capitalists have cut down on riskier investments, significantly lowering their potential returns and diminishing their role in early-stage innovation.

Further, exits by IPO fell sharply, which is relevant as IPOs had substantially better returns on investment than M&A deals did. VCs doubled their money with IPOs, which produced an average return of 211.7%. By comparison, with M&A deals they barely broke even with the average return being 99.5 %.

The authors hypothesise that M&A deals could be increasing because companies have been more reluctant to go public since the passage of the Sarbanes-Oxley Act in 2002, while some argue that many of the industries that were nascent in the mid-1990s have matured, offering less growth potential.

"CFO Bonuses Soar When Earnings Numbers Are Met" – Booz & Company

>> VIEW ARTICLE

This paper reports that when chief financial officers manage earnings and expectations so that their firm's results meet or slightly beat analysts' targets, they receive about 40 % more in bonus pay than they do when their company falls short of the mark.

This highlights that the pay-for-performance trend that has come to dominate CEO compensation packages now extends to CFOs and the need for CFOs to sufficiently inform analysts such that external earnings projections are kept at achievable levels.

Once again this research is US-centric .

"Taking a Longer-term Look at M&A Value Creation" – McKinsey

>> VIEW WEBPAGE

Addressing many of the well documented shortcomings in measuring the long-term value of M&A, McKinsey conducted their own comprehensive analysis and found that companies with the right capabilities can succeed by executing a series of smaller deals, but in large deals industry structure plays as much of a role in success as the capabilities of a company and its leadership.

Companies that complete many smaller deals tend to be more successful than either companies that complete a few large ones or those that rely purely on organic growth. This strategy also proves to be less risky than avoiding M&A altogether.

This analysis reveals that:

- Larger acquisitions are more successful in slower-growing, mature industries, where there is great value in reducing excess industry capacity and improving performance, and a lengthy integration effort is less disruptive;

- The programmatic approach works across a variety of industries. Somewhat intuitively, the more deals a company did, the higher the probability it would earn excess returns; and

- Technology companies are more successful at applying the tactical approach – especially when used as part of an innovation and capability-building strategy – but it works across a variety of industries.

Regulation, Public Affairs and Governance

"Frontiers in Finance Consumer Protection: Much More Than Compliance" – KPMG

>> VIEW PDF (36 PAGES)

There are two central propositions in this 3-page article by KPMG. The first is that the much expanded consumer protection requirements in the US, UK and elsewhere will be met without a heavy additional regulatory burden if companies engage actively with their customers, treat them fairly, and provide them with products and services which meet their needs. The second is that the best companies recognise that doing the right thing by their customers – in other words, acting in customers' long-term interests – will yield competitive advantage.

All companies, but especially large and complex ones, need a framework for ensuring compliance with regulatory requirements. KPMG rightly highlight that effective consumer compliance will involve not just the compliance function, but many areas across the enterprise from product development and pricing, to distribution and marketing, to HR in setting compensation structures. We see these thoughts as already well-developed in most companies. Perhaps the most useful part of this article are the bullet points in the highlight box: "From compliance to business transformation: key questions for the C-Suite". We suggest jumping straight to those and skipping the rest.

"How Europe's Banks can Navigate a Regulatory Squeeze" – McKinsey

>> VIEW PDF (3 PAGES)

There are a few ideas in this article that make it worth a glance – unfortunately, the ideas are not sufficiently developed to do a lot with them. Putting aside the estimates which may be questionable given the assumptions made, McKinsey argues that much of the lost return on equity (RoE) in banks as a consequence of regulatory reform can be clawed back through: technical mitigation (improved data quality and risk management); capital and funding efficiency/optimisation; selective re-pricing; and business model re-alignment (largely through M&A). That is largely it for the article unless you are interested in McKinsey's estimates of RoE impact.

"Future Tense: What Two Years of Dodd-Frank may tell Banks About the Future" – Deloitte

>> VIEW PDF (12 PAGES)

Deloitte provides a refreshingly simple yet well-written article that aims to take stock of where Dodd-Frank has taken the industry to date, and to suggest ways for banks to turn the new regulatory environment to their advantage. While the article doesn't deliver on its first aim, it does provide some ideas on the second that, while not innovative, are well expressed and worth a read.

Some of the highlights in the article are:

- Identify ways to speed up and simplify compliance by leveraging regulatory requirements from other major initiatives, such as the Foreign Account Tax Compliance Act (FATCA) and anti-money laundering/"know your customer" compliance;

- Develop an overall data governance program and view regulatory reporting databases (such as consumer complaints) as a rich source of insights that could be used to improve the business through, for example, enhanced customer analytics, segmentation, loyalty, and pricing; and

- Replace phrases such as "What do we have to do to satisfy this requirement?" with "How can we use this requirement to our advantage?"

Human Capital

"Becoming More Strategic: Three Tips for any Executive" – McKinsey

>> VIEW PDF (7 PAGES)

This article argues that the vast majority of executives are less strategic than they would ideally like. Many have risen to the C-suite on the basis of functional expertise or perhaps reputations for flawless execution, meaning that strategy is often left to the CEO or chief strategist to articulate (or perhaps no one at all, in cases where corporate strategy is simply a concatenation of divisional plans). The authors offer three helpful tips for executives to enhance their strategic capabilities.

First, better understanding what strategy really means in one's industry. Most strategic frameworks learned in MBA programs tend to be generic and applicable across multiple industries – and therein lies their fault. Rather, executives need to practice strategy day-in and day-out within the context of their own industry, developing a deep understanding of its particular economics, regulations and even psychology. Specialist training programs are often available, as are new techniques such as wargaming.

Second, the authors suggest becoming experts at identifying potential disruptors. This can be interpreted as a call to transform a company's competitive intelligence function from periodically reviewing competitor financials to a function that proactively scans for emerging new technologies and identifies nascent or less-conventional competitors. Furthermore, executives themselves need to take ownership for this type of thinking, embedding it into their daily routines and priorities – for example, engaging in 'reverse mentoring' relationships with junior staff to learn about new technology, or mystery shopping in retail outlets to observe consumer behaviour in real time.

Finally, the authors advocate investing effort in developing effective communications that enable strategic insights to cut through the clutter, even if it is at the expense of another round of analysis. The argument is that making strategic insights accessible to 'everybody' increases their inherent power. The authors suggest using experiential exercises as one way to improve strategic communications, as well as enabling executives to push on data and its implications "in the moment" using interactive technologies.

“Managing the Strategy Journey” – McKinsey

>> VIEW PDF (7 PAGE)

In a 2010 survey of 2,000+ executives globally, McKinsey found that the annual strategic planning process was the primary trigger to make decisions around business unit strategies (followed by dealing with issues as they arise). McKinsey argues that this is actually a suboptimal approach; rather, getting senior teams together more frequently (e.g. 2-4 hours every 1-2 weeks) to engage on strategic dialogue leads to higher quality decision making.

This article goes on to use the disguised example of a global bank to outline three suggestions for managing this strategy journey more effectively, including:

1. Involving the top team in revisiting corporate goals and making adjustments required by global forces at work inside/outside the company;

2. Creating a rigorous, ongoing management process (leveraging seven distinct modes of activity) for developing the initiatives needed to close the gap between current trajectory and strategic aspirations; and

3. Integrating the strategic management process with financial planning (e.g. rolling forecasting and budgeting) processes to ensure initiatives are converted into operating reality.

Finance and Risk

"The New Importance of Risk-weighted Assets Across Europe" – Accenture

>> VIEW PDF (14 PAGES)

Consider this a "taster" – Accenture's article is a quick introduction to current debate around measurement of Risk Weighted Assets (the denominator in capital adequacy). However, it may leave you unsatisfied. A more full discussion comes from reviewing their bibliography – especially Vanessa Le Leslé and Sofiya Avramova's IMF Working paper Revisiting Risk-Weighted Assets: "Why Do RWAs Differ Across Countries and What Can Be Done About it?" (March 2012).

In summary, differences in RWAs are identified as resulting from differences in "bank business model, risk profile, RWA methodology and supervisor practices". The paper contends that "even if RWAs are not perfect, retaining risk-sensitive capital ratios is still very important, and the latter can be backstopped by using them in tandem with unweighted capital measures" – e.g. more standardised approaches (abandoning IRB) or promoting the Leverage Ratio.

"Where Do You Fit on the Risk/Capital Management Matrix?" – FICO

>> VIEW PDF (15 PAGES)

A light and easy to read article from FICO. This collection of vignettes of managing the related disciplines of risk and capital emphasises the interrelatedness of these disciplines. The article is structured around a classic consultant's 2x2 matrix but the conclusion is largely that wherever you are, you should be improving both risk and capital management, preferably in an integrated fashion.

"A Framework for Assessing Global Benchmark Rates" – Promontory

>> VIEW PDF (7 PAGES)

Coming on the heels of significant controversy over how LIBOR is set, Promontory Risk assess the functional requirements for an effective benchmark rate and then assess LIBOR against 6 alternatives, including OIS – now commonly used in pricing – and forward FX swaps.

They assess LIBOR as the only benchmark rate that fully meets the criteria, with OIS in the middle of the pack (falling down in its relevance to corporate unsecured lending) and coming behind forward FX swaps, which is described as a useful cross-check on other rates.

Given the outcome, options for the comprehensive reform of LIBOR mechanisms are discussed.

This paper is intelligently set out and easy to read and digest, though somewhat controversial in the relative disparagement of OIS given that it is set to replace LIBOR in many bank pricing frameworks.

"Strategic Insight Through Stress-testing" – McKinsey

>> VIEW PDF (18 PAGES)

This McKinsey working paper outlines a comprehensive strategic framework for scenario planning, stress testing, and management decision-making, highlighting how a disciplined approach can facilitate risk mitigation and strategic, financial, and operational responses.

A five-step process is outlined in detail, covering scenario generation through assessing impact on external and internal drivers to management actions and implications.

As a practitioner in this field, this reviewer could argue with the ordering of some of the core logic – principally, identification of core business drivers should precede scenario generation (otherwise how do we know which scenarios are relevant to model?)

The core of the paper, however, is about how to take stress-testing away from a purely risk-driven perspective (of interest, then, but not the main game) and re-develop it from the ground up to be an integrated part of financial management. Both practitioners and end-users of stress-testing will find this paper well worth the read.

"Own Risk and Solvency Assessment (ORSA): Unlocking Business Value Through ORSA Implementation" – Accenture

>> VIEW PDF (12 PAGES)

The EU Solvency II directive lays great stress on the Own Risk and Solvency Assessment (ORSA) as a key management approach. With most insurers now bedding down their approach, focus is shifting from the "how" (the internal mechanics – models and frameworks – of the ORSA) to the "why" (the management use of the assessment).

This Accenture paper tries to bridge the gap between the two, focusing (after a short review of ORSA requirements that might be useful to non-EU readers) on two keys: the operating model, and risk-adjusted performance measurement.

The key message seems to be to follow the KISS principle – for example to use scenarios rather than complex economic capital models – and to develop an incremental approach which re-uses existing inventory. But there is little doubt, given the workload pressure which Solvency II compliance is placing on insurers, that this may simply be preaching to the choir – and it is at odds with the final conclusion that companies which embrace the ORSA vision of an integrated approach to managing risk, capital and value will be better off for it.

"Focus on Transparency: Financial Reporting of European Banks in 2011" – KPMG

>> VIEW PDF (59 PAGES)

The article paints the ongoing bleak state of financial services in Europe, in which KPMG surmises that the business of banking is moving in a new direction and the idea of what constitutes 'normal' performance is changing.

In the review of Europe's 15 largest banks, only five recorded profit increases; 10 saw an increase in their cost to income ratio; and seven experienced a fall in total income.

There is a consistent view that along with strengthening liquidity and capital, the four strategic priorities are:

1. Focus on core businesses;
2. Control costs;
3. Build customer-driven businesses; and
4. Improve the return on equity.

However, high levels of uncertainty, increasing regulation, major one-off events and a lack of trust at the customer level will present the banks with significant challenges in achieving these goals.

“Bail-in Liabilities: Replacing Public Subsidy with Private Insurance” – KPMG

>> VIEW PDF (16 PAGES)

This paper reviews the broader impact of plans by the EU Financial Stability Board to extend the Bail-In liability reforms beyond “systematically important” banks to a wider group of banks and other financial institutions.

The implications for new institutions captured include:

- Higher funding costs;
- Changes to the secured unsecured debt mix; and
- Additional constraints on the funding models.

KPMG note that by considering the cumulative impact of all regulatory reform initiatives on their strategies and business models, financial institutions can limit negative impact by:

- Optimising funding strategies and use of collateral;
- Reducing the cost of unsecured and uninsured funding by issuing more capital (a larger capital buffer will reduce the likelihood of other liabilities being bailed in); and
- Engaging with national and international authorities to ensure sensible and workable outcomes that preserve funding flexibility, avoid unnecessary and expensive restrictions on funding options, and recognise the case for trade-offs to reduce the overall impact of regulatory reform initiatives.

For investors, the impact includes:

- Lower return for equity investors as bail-in will increase funding costs and reduce profitability;
- Higher returns for unsecured and uninsured creditors who will seek higher returns to compensate them for the possibility of being bailed-in; and
- Increased systemic risk as the potential for concentration risk exists due to some creditors being unable to provide bail-in debt.

Marketing

"Recession Mentality Deeply Ingrained" – BCG

>> VIEW PDF (6 PAGES)

This is an important piece of research – but one that warrants deeper analysis. BCG's eleventh annual global survey of consumer sentiment provides somewhat bleak insight into the persistently low rate of consumer sentiment across developed markets. While the outlook in the BRIC markets is upbeat, in developed markets, the persistence of the current recession has created a profound crisis of confidence, most notably giving rise to significant fears around job security, retirement savings and outlook for the next generation. BCG notes three resulting mega-trends: investment in education, increased savings, and a hunt for value.

Their advice for marketers is classic "back to basics": deliver tangible value through innovation, segment to align strategy with needs, and watch price/value equation. Disappointingly obvious conclusions for a well-designed and important survey.

"Five 'No Regrets' Moves for Superior Customer Engagement" – McKinsey

>> VIEW PDF (7 PAGES)

The head of McKinsey's marketing practice pens an article that unsurprisingly puts marketers in charge of the new discipline of Customer Experience Management. Look beyond the territorial play and the creation of new jargon and these "five no regrets" moves make a lot of sense – adjusting the operating model to put customers at the centre of things. They are essentially that the organization should plan, govern, coordinate and invest in customer engagement. However, like many of these blog-style articles, the push for pithiness means superficiality. For example, engagement seems to be more about insight and communications here; product/service design and alignment are not covered adequately. A quick introductory read only – nothing here for the experts.

Technology

"Automating the Bank's Back Office – McKinsey

>> VIEW PDF (6 PAGES)

A superb article written by some of McKinsey's European practitioners, detailing and motivating the case for change to back office banking systems.

Drawing on two successful European case studies, the authors demonstrate that the old paradigm "Simplify, Standardise, Automate" can prevail over entrenched perceptions that the task is too hard, too risky, and too costly. The recommended path to success follows a holistic approach requiring top level executive support across the bank. New technologies and rapid prototyping can speed up and de-risk the implementation of higher levels of integration and automation between front of house and back office.

Watch that space. More and more banks globally are embarking on programs to renew their outdated, transaction-driven back office systems and processes. It will soon be seen how these initiatives are delivering the targeted benefits of increased customer satisfaction, greater operational efficiency and greater control over risk.

"Reference Data and its Role in Operational Risk Management" – Capgemini

>> VIEW PDF (24 PAGES)

A comprehensive article about the growing importance of correct reference data as a foundation for financial transactions and improved operational risk profiles – advice which is relevant throughout the finance industry.

Over 24 pages of theory and praxis, the authors describe the significant and compounding impact which dirty data has throughout the transaction chain, creating a burning platform for a financial industry increasingly dependent on electronic linkages – a situation which in turn is increasingly drawing the attention of regulators.

This article provides a few helpful takeaways for internal consultants: a set of useful recommendations, approaches on how to improve and manage the quality of reference data, and last but not least a useful library of reusable charts and tables revealing chains of cause-and-effect, and descriptions of key terminology and standards relevant to the value chains in financial services.

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Candidate insights are compiled by an expert team of researchers. Reviews are written by Partner-level subject matter experts from our industry and functional practices.

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