

October 2013

# The . Insights Review

## Financial Services Edition

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Featuring:

- General Strategic Interest
- Retail & Business Banking
- Corporate & Institutional Banking
- Wealth & Asset Management
- Insurance

- Strategy & Transformation
- Corporate Finance/M&A
- Regulation & Compliance
- Human Capital
- Finance & Risk

- Marketing & Customer Experience
- Operations & Change
- Strategic Analytics
- Technology

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## About this Report

*The Insights Review – Financial Services Edition* by ICG presents timely abstract reviews of the most relevant ‘open published’ perspectives and research reports from the world’s leading branded management consulting firms.

This publication 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 review of interest and wish to access the full report, simply follow 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.

Links are current at time of publication.

## 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 & Co.
- Capgemini
- Deloitte, Touche & Tohmatsu
- Ernst & Young
- FMCG
- IBM
- KPMG
- McKinsey & Company
- Oliver Wyman
- Promontory
- PWC
- Roland Berger

## GENERAL STRATEGIC INTEREST

### ***“Building the Bank of 2030 and Beyond” – EY***

[View PDF \(44 Pages\)](#)

IA neatly packaged PEST to 2030 with wise CEO-speak paragraphs to top and tail it. Inside this sandwich is a mixed bag that repackages *Globaloney* and re-resurrects one of our favorites, the *Johari Window* for retail banking.

Those developing their own 2030 picture will use this ‘filling’ as a useful checklist. We suggested you start with Trade Flows and decide how hungry you are.

### ***“The 2013 Value Creators Rankings” – BCG***

[View PDF \(14 Pages\)](#)

BCG’s annual attempt at a ‘Good to Great’-style analysis. Start at the appendix with Exhibit 1 and 2, which reveal that banking and insurance have underperformed relative to the majority of other industries. Exhibit 2 points to sustained margin compression as the most likely culprit.

The broader report is part advertorial, part North American anecdote-style management text. The highlight is the multiples analysis – it empirically identifies factors that drive a company’s valuation (see Page 21).

## **KAR – Best Practices in Relationship Management**

Best Practice Relationship Management across Financial and Non-Financial Services • 113 pages.

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## ***“Why Philanthropy is R&D for Business” – McKinsey***

[View PDF \(3 Pages\)](#)

Conant, the ex-CEO of Campbell’s Soup, makes a bold call for a philanthropic portfolio of speculative market based innovations. Most of the articles in this field simply argue for alignment to strategy to maximize pay-off; this one suggests shareholders trust the idea that making their CEOs and employees feel good through philanthropic spending is in fact a growth strategy rewarded by customer karma.

## ***“What Role can Banks Play in the Internationalization Process Of European SMEs?” – Roland Berger***

[View PDF \(8 Pages\)](#)

Investigates the clever idea that SMEs are the backbone of most economies, and that internationalizing these SMEs is the best way to grow this critical sector of the economy and them as banking clients.

The insights include a somewhat confusing laundry list of ideas for commercial banks that point to third-party relationships and organization overlays as a big part of the answer.

### ***“Global Payments 2013: Getting Business Models and Execution Right” – BCG***

[View PDF \(31 Pages\)](#)

A quality article that contains a number of useful frameworks and insights. BCG offers recommendations on how participants can achieve an industry leadership position looking in turn across three separate segments:

1. Wholesale transaction banking: As banks increasingly look to attract transaction deposits from their corporate client, BCG presents an overview on best practices in sales management and pricing.
  2. Merchant acquiring: This is probably the retail banking sector under greatest risk of disruption, and incumbents must act quickly to stay relevant. BCG’s article is a call to action, and includes a list of “no regrets moves” that should be part of any acquirer’s business strategy.
- Cards issuing: An assessment of challenges facing issuers due to intensifying competition and eroding margins, arguing that issuers need to increasingly segment and understand their customers in order to identify growth opportunities. Includes a useful framework setting out 5 levels of segmentation mastery. The “cube” decisioning model is less convincing.

### ***“World Payments Report 2013” – Capgemini***

[View PDF \(60 Pages\)](#)

Capgemini’s payments report contains 60 pages of insights, analysis, case studies and deep dives covering recent trends across the global payments industry – not light reading, although packed with value for the payments specialist.

Highlights include:

- Detailed figures on growth of non-cash transactions showing strong acceleration across all regions;
- A detailed review of regulatory and industry initiatives by region, showing that regulators are focused on improving payments security and also on improving innovation.
- A particularly insightful deep-dive on rapid innovations taking place across the payments acquiring segment. Several case studies are included, highlighting successful innovations in origination, acceptance and capture, data security, and value-added services.

## **KAR – Digitisation of Retail Banking**

A comprehensive review of recent strategic thinking around the impact of digitisation on retail banking • 138 pages

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## *“The Way Forward for Digital Currencies” – Promontory*

[View PDF \(12 Pages\)](#)

Digital and “crypto” currencies are now in the public eye, largely due to the rapid growth of Bitcoin. These new forms of currency are enabled by the digital economy, and serve as a peer-to-peer payment system that is not backed by any government body, enabling users to conduct transactions online without requiring any financial intermediary.

However, digital currencies remain little understood even by industry insiders. This article presents a much-needed primer on the nature of digital currencies – and as such is recommended reading for anyone interested in the rapid changes taking place across the global payments landscape.

The article contends that digital currencies have great potential to improve the financial system by reducing payment costs. However, prior to gaining mainstream and regulatory acceptance, digital currency providers must first act quickly to address AML risk.

The rise of an alternative currency platform represents both an opportunity and a threat to payment incumbents – these are briefly addressed, but we look forward to further exploration in future articles.

## *“European Retail Banking: Time for a Remake” – AT Kearney*

[View PDF \(11 Pages\)](#)

This article explores the changes taking place to branch networks in Europe as banks look to maximize channel productivity in a low-growth environment – and at a time when banks are spending significant amounts on digital enhancement and also on regulatory compliance projects.

Branch network reduction is already taking place in many countries across Europe, and a number of banks are in the process of revamping the branch format. This includes the rollout of a range of differentiated branch types, including flagship branches, full-service branches and convenience branches, each optimized for their local potential.

A good summary of a major transformation in retail banking distribution that will resonate across other geographies.

## ***“Building Societies Database 2013” – KPMG***

[View PDF \(48 Pages\)](#)

A report that focuses largely on economic drivers, with very little strategic commentary. This is one to skip unless you are working across the UK mutual segment.

It presents a picture of a sector slowly stabilizing following the challenges of the financial crisis. Asset growth for the year was flat, net interest margins remained steady, and arrears were well contained. With the UK housing market showing signs of recovery, building societies are well placed to benefit from increasing demand for mortgages.

## ***“Canadian Retail Banking Survey 2013” – EY***

[View PDF \(28 Pages\)](#)

EY’s survey has uncovered remarkably high rates of customer satisfaction across Canada’s retail banks. An impressive 70% of customers are very happy with their existing bank, and 71% have had their primary relationship for over a decade.

Surely this is close to global best practice, with potentially important learnings for other geographies? Frustratingly, the report provides little insight in here as to how such positive results were achieved.

Instead, EY explores how Canada’s banks could lift engagement still further – with emphasis on enhancing loyalty offerings, more personalized service, and delivering an improved cross-channel experience.

Useful, yes – but they fall short for the majority of readers who will hail from markets where satisfaction levels of 70%+ are a pipe dream.



### ***“The Wholesale Transaction-Banking Imperative” – BCG***

[View PDF \(5 Pages\)](#)

The part of BCG’s 2013 global payments report that highlights the well known benefits of entanglement and liquidity from transaction banking.

Importantly, it has two very helpful insights for readers: a simple, structured lifecycle approach to transaction banking sales, and a laundry list of pricing best practices.

Well worth a read.

### ***“Resource Revolution: Tracking Global Commodity Markets” – McKinsey***

[View PDF \(44 Pages\)](#)

McKinsey Global Institute’s deep dive into the surprising price changes in commodity markets. The executive summary misses the critical charts so we suggest that if you are not aware of the super cycle, you immediately turn to Exhibit 1 and 12 in the full report.

The key findings in the front section are not new (resources are an important input cost to other resources, and bio fuel substitution is growing marginally), but turn to Box 1 for a summary of the excellent reading list of the overlap between resources and financial markets.

Exhibit 7 is one of the most powerful internal consulting charts, so keep a copy as an example even if you don’t need the energy example.

### ***“The Mainstreaming of Alternative Investments” – McKinsey***

[View PDF \(38 Pages\)](#)

McKinsey provide an authoritative and well-researched analysis of the Alternative Investments industry ‘re-surg-ing’ after the plunge which happened in the wake of the Global Financial Crisis.

With growth far outstripping traditional asset classes, the article charts the shifts in asset manager strategies and business models needed to act on this ‘next wave of growth’.

The article develops the growth opportunity into a well laid out analysis of how Alternative Investments are becoming part of the investment management mainstream.

Good insights here for all participants in the investment value chain.

### ***“Shifting the Curve: Insight-driven Advisor Effectiveness” – Accenture***

[View PDF \(8 Pages\)](#)

The article centers around the importance of adviser quality to firm success and recommends a simple framework to achieve it: attracting the right type of adviser; developing their skills; and keeping them.

Light on content or supporting research, there is also not much in the way of ‘new’ answers to all-too-familiar issues.

Some interesting tools and techniques are presented, however, including behavioural profiling to determine preferred adviser attributes, and adopting fee-schedules to support adviser decisions on charging.

The overall context of acting in the client’s best interests is not touched on and consequently, the article appears somewhat out of step with regulatory shifts and the requirement for advisers to clearly align their value proposition with client needs.

## KAR – Commercial Insurance Innovation

The major sources of innovation in commercial insurance from around the world • 63 pages.

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## ***“The World’s 300 Largest Pension Funds – Year-end 2012” – PwC***

[View PDF \(46 Pages\)](#)

A comprehensive profiling of the world’s 300 largest pension funds, which together account for almost \$14 trillion in assets under management.

Useful for anyone seeking a quick overview of global trends in pensions and a breakdown of key attributes of the top 300 funds.

## ***“Asia-pacific Wealth Report 2013” – Capgemini***

[View PDF \(18 Pages\)](#)

As Capgemini and RBC Wealth Management point out early in the report, Asia Pacific is expected to become the largest High Net Wealth Individuals (HNWIs) market in 2014, eclipsing North America.

The report delves into the size, structure, regional mix and growth outlook for this ascendant market segment.

The reporting also provides some interesting insights into trust and confidence levels for Asia Pacific HNWIs (significantly higher than the rest of the world) and good summaries of country-level HNWI preferences.

Groups targeting wealth management growth opportunities across the Asia Pacific region will find plenty here to inform their thinking.

### **“Aviva’s Cathryn Riley on Becoming a ‘Digital Insurer’” – BCG**

[View PDF \(3 Pages\)](#)

There may well be a story about how Aviva is becoming a “digital insurer”, however this interview with Cathryn Riley only manages to describe it in fairly general terms. It provides little detail how the quite different parts of Aviva – General, Life and Health – have been transformed.

One interesting aspect of the interview is the description of how various pilots and an internal trade fair were used to sell the idea that digital customer solutions had relevance to the insurance company. Despite this, it is difficult to become excited about the article as the company – and the broader industry – has been relatively slow to understand the relevance of consumer and technology trends.

While it contains some useful tips and sound bites on the digitization transformation journey for any COO, last month we mentioned two articles that offer better insights:

- (a) McKinsey’s article in the Harvard Business Review last month entitled *The Truth About Customer Experience*, which covers digital as part of an omni-channel strategy, and
- (b) *The Digital Insurer: Delivering Exceptional Customer Experiences* by Accenture.

### **“Global Trends in Life Insurance 2012: Claims Processing and Payout” – Capgemini**

[View PDF \(12 Pages\)](#)

To those outside the industry, it can seem astonishing that manual paperbound processes are still commonplace in life and pensions companies, especially in claims and payment functions. This is often explained by the high touch, low volume nature of claims and payments that have relatively low complexity in terms of supply chain management when compared with general insurance, let alone other middle and back office processes in other industries.

This is starting to change, and this article picks up on this trend. The challenge with it, however, is that the article lacks content; it finishes without offering much to the reader in terms of how a case management solution would help (for example, managing incidence or duration of claims, or creating a better customer experience). The result is that one would be better served asking for a demonstration from a software vendor such as Fineos or Guidewire.

Overall a disappointing piece of advertorial from Capgemini, useful only for its reading list on case management tools.

## ***“Shared Services in Life Insurance: Creating Highly Efficient and Cost-effective Operations Centers” – EY***

[View PDF \(4 Pages\)](#)

A short article on the business case and change management considerations for shared services operating models in life insurance.

Like other business trends (see the first article above regarding digital trends), life insurers have been slow to adopt shared services operating models.

The article is logical, to the point, but hardly innovative. It perhaps misses an opportunity to outline the pitfalls that other industries have experienced over the last 20 years, the strategic journey most firms experience, and the ways that the life insurance sector could leapfrog shared service “basics” and rapidly catch up.

Readers with a serious interest in shared services should look at ICG’s own *KAR* on this topic.

## ***“Reinsurance 2020: Breaking the Mould” – PwC***

[View PDF \(20 Pages\)](#)

PwC takes on some big topics in this report. While it concludes with a decent checklist of the qualities that will define leading re-insurers over the longer term, the paper does not provide either deep thinking or material new information.

The most comprehensive section is that covering emerging market opportunities, particularly those in the under-penetrated markets of South America, Asia, Africa and the Middle East (together these fast-growth regions make up what PwC refers to as ‘SAAAME’). The key challenge with this content is that it is conversational and lacks hard data or case studies.

The sections on “big data” and customer distribution almost finish before they begin; you will find these topics are covered far better elsewhere.

However, the call-out on Page 17 “Your fiercest competitor” provides a DIY guide to structure your next off-site around the idea of creating an identikit picture of your worst potential competitor.

### ***“Building New Boxes: How to Run Brainstorming Sessions that Work” – BCG***

[View PDF \(5 Pages\)](#)

A book promotion article that sets out five suggestions on the importance of ‘before and after’ session activities to improve value from brainstorming effort.

For those who are new to using this tool, it provides helpful tips to avoid smashing their thumb with the brainstorming hammer.

### ***“Seven Ways to Make Your Strategic Planning Relevant” – Booz***

[View PDF \(5 Pages\)](#)

Not the “Seven Habits”, but a list of principles to enable execution of capability-driven strategy – highlighting the areas of focus required, so as not to be diverted by traditional planning and budgeting practices.

A very quick read with not much more than a refresher of checklist items that your organization should be following. If it is not, then you may be advised to invest more time and effort on this topic.

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## ***“Bank Specialization New Strategies, New Risks” – Deloitte***

[View PDF \(16 Pages\)](#)

This paper highlights the current trend for banks to structurally realign towards specialization, driven by new regulation and performance pressures. It takes a risk perspective on this shift, noting that while complexity risks may decline, new concentration risks can become more prominent and these are likely to fall outside the historical purview of the risk function.

This paper will be of interest to organizations (not only banks) and their advisors who recognise they are shifting towards specialization. It should provide an initial lens through which to view the specialization (Product/Service, Geographic, Customer) and the new risks associated with such a shift.

## ***“Shifting Retail Bank Pricing Models” – Deloitte***

[View PDF \(16 Pages\)](#)

A well set-out and reasoned argument to place customer-centric unbundled pricing back on the agenda of retail banks.

A succinct paper that firstly describes a framework for unbundled pricing – based on how essential a service component is and what it costs to provide – and secondly, important considerations for successful implementation, including thresholds and transparency.



### ***“Sharing Deal Insights – European Financial Services M&A – Data Card, September 2013” – PwC***

[View PDF \(4 Pages\)](#)

If you are looking for a quick summary of the financial services M&A deals done in Europe over the first six months of 2013, the big stuff is here. However, it is very thin on actual insight.

### ***“Insurance 2020: A Quiet Revolution – The Future of Global Insurance M&A” – PwC***

[View PDF \(20 Pages\)](#)

For readers looking for someone to put a stake in the ground on the future of insurance M&A, this article is nothing if not bold.

While most of the trends – lower investment yields, changing demographics, the power of data, etc. – have been raised before, the authors hypothesize as to the likely impact of the trends and suggest appropriate responses.

This article doesn't so much provoke thought as distil it to some scenarios worth considering.

### ***“Basel 4: Emerging from the Mist?” – KPMG***

[View PDF \(12 Pages\)](#)

Like early Christmas decorations, KPMG have beaten its competitors to market with its early rationale for Basel 4. Their reasons – restricting the advantages of internal models, requiring banks to meet a higher minimum leverage ratio, and ensuring greater disclosure – make a lot of sense, so why not start considering them now?

With some helpful implications and the suggestion of some parallel tracking, this article is a worthy read for those still busy with Basel 3.

### ***“Navigating Regulatory Risk” – Deloitte***

[View PDF \(8 Pages\)](#)

A helpful summary of the job description, reporting lines and key tools and processes needed to operate an effective regulatory liaison function.

## ***“Rethinking the Response: A Strategic Approach to Regulatory Uncertainty” – Deloitte***

[View PDF \(38 Pages\)](#)

An excellent insight from Deloitte.

While catalyzed by insurance regulation in Europe, its messages, frameworks and tools are equally relevant to any sub-sector facing a portfolio of regulatory evolution. Deloitte suggest that the volume and pace of regulatory change won't change, so recognize it as a major cost impact and treat it with a strategic lens, viewing it as a structural change to be dealt with rather than a short term regulator backlash to the GFC.

The article contains a generous number of frameworks for managing a portfolio of regulatory change. Some of our favorites include Rethinking the Response on Page 3 and Figure 5: *Four Capabilities Required for the New Regulatory Environment*.

If you are an insurer, or a banker facing regulatory change, you will value some of the ideas, messages and frameworks in this report.

*Article of the Month*

## ***“CFPB’s Consumer Complaint Database” – Deloitte***

[View PDF \(9 Pages\)](#)

The US regulator has built a database of all consumer financial protection bureau customer complaints; it now numbers over 100,000 entries.

This short Deloitte report analyzes this data and finds that the share of complaints closed in favour of consumers is dropping, suggesting misunderstanding and frustration are a large source of initial complaints.

Interesting, but likely of limited use outside the US.

### ***“Gender Equality in the UK: The Next Stage of the Journey”*** **– Bain**

[View PDF \(20 Pages\)](#)

For those readers with a genuine interest in this topic, this article is a well-written, fact-based (based on a survey of 800+ executives) articulation of many of the key issues affecting gender equality, using the UK as a case example (NB: it would not be a stretch to extend the key insights to other English-speaking Western countries).

The article shifts nicely from problem diagnosis to solution discussion, laying out a number of programs already at work that have been shown to positively impact gender parity.

Importantly, the article also draws a link between gender parity and NPS (Net Promoter Score), currently a hot topic in many circles.

### ***“Uncovering Talent: a New Model of Inclusion”*** – Deloitte

[View PDF \(20 Pages\)](#)

This article cuts to the heart of diversity issues by singling out the concept of ‘covering’, whereby members of groups with stigmatized identities go to great lengths to downplay these differences, using one of four methods to do so. The article is full of examples of how covering manifests itself in corporate life, which this reviewer found quite enlightening (and sometimes confronting).

The final few pages of the article, however, read more like a product brochure for Deloitte’s ‘Uncovering Talent’ model rather than a meaningful and actionable set of recommendations for how organizations can identify/isolate covering behaviour and then take steps to address the environment that is causing it to happen.

## ***“Frontiers in Finance: Embedding Real Culture Change and Managing Talent Risk” – KPMG***

[View PDF \(44 Pages\)](#)

NB: This is not a 44-page article on culture change and talent risk, rather a 1-page article (see Page 11 of PDF) within a longer newsletter that is easily digested.

The article begins with the premise that the Global Financial Crisis caused most financial institutions around the world to embark on significant change or transformation programs to reflect the new reality. However, the authors observe that the cultural piece of this effort is often given short shrift, when in fact it has a powerful impact on the ultimate outcome. The authors then outline a number of features of current transformation programs as well as a few suggestions on what else should be done to maximize effectiveness.

Although the ‘short and sweet’ content was good in its own right, this reviewer was left feeling like more could have been said on this important and timely topic (e.g. the link back to talent management).

### ***“CFO Survival in the Banking Industry: Delivering Value through Transformation and BPO”*** – Accenture

[View PDF \(24 Pages\)](#)

Accenture build from a hypothesis that the new normal of diminished profitability from a low growth environment and higher capital provides a challenge for CFOs that will be resolved through further use of Business Process Outsourcing (BPO). They provide some structure to considering the CFOs priorities and a planning roadmap for cost and BPO transformation. The value comes from an insight into the evolution (past and future) of BPO service and how a CFO should think about the value proposition for using or partnering with a provider. This is punctuated with Accenture case studies, where the message is that outsourcing is more than just a blunt instrument of cost control.

Thought provokers include a line about big data/little insight, drawing the observation that many organisations struggle to derive actionable business insights. A second is that use of a BPO service for a single short-term need is part of their value proposition.

The challenge in the article is whether their perception of the next generation capabilities of BPO service – of learning communities sharing best practice through social media – is a likely outcome given the potential leakage of competitive advantage through sharing (however modern the medium for sharing is).

### ***“Global Risk Management Study 2013: Risk Management for an Era of Greater Uncertainty”*** – Accenture

[View PDF \(40 Pages\)](#)

This is the third edition of an Accenture study or survey, the value of which is to remind us of the challenges that risk functions face. However, the challenges reported look very familiar, or at best have moved only slightly.

Risk functions are reported as having more to do in a few areas, including the provision of insight and developing actionable dashboards, and there is an expectation gap between current risk capabilities and the relative importance of the risk function as a means of achieving certain goals. Yet the conclusions say that the transformation of risk’s status in the organization is all but complete. This means that risk now has a seat at the table, but still struggles to meet broader organizational expectations.

The value in this article comes from the visioning or articulation of what a high performance risk organization looks like, and also the four common sense things risk should do differently.

## **KAR – Executive Team Best Practices**

Executive Team Best Practices across a number of key topic areas • 93 pages.

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## ***“Significant Others: How Financial Institutions can Effectively Manage the Risks of Third-party Relationships” – PwC***

[View PDF \(28 Pages\)](#)

PwC pose a rhetorical question of whether the use of third party providers is more trouble than they are worth, and then go on to expand on how to manage those providers. The trouble presents as the risk and incidence of data security breaches.

The article offers a good but high-level business case and some structured thinking for anyone wishing to push their own organization up the maturity scale of Third-Party Risk Management (TPRM) capability.

Insights are that we are reminded of the reputational damage and cost of customer churn following a data breach, and that third party providers are an increasing contributor to those breaches. This is a global phenomenon, even though some of the reference points are US centric.

## ***“Emerging Risks Report – Oliver Wyman/Guy” – Carpenter***

[View PDF \(36 Pages\)](#)

This report delves into three known but continuously emerging risks – Cyber, Climate Change and Space. All interesting insights oriented towards the community who underwrite insurance products in these areas.

The discussion on cyber risks makes a good case for firms to review their cover, the impact of a cyber attack and that the provision of better quality loss data will allow insurers to better understand them and place cover for those risks.

The climate change discussion is not for sceptics, with a message that the severity of “atmospheric perils” is increasing – not sure what is new here, but a salient reminder of the risks.

Space risk discussion, for the uninitiated, is a fascinating walk through the main orbital regions for satellite deployment and the message that while space may be endless, there is an increasing concentration risk for expensive assets running into something. The more interesting message is the impact of extreme solar events, and how easy it is to conceive the potential for a very significant outage given the connections and interdependencies in our modern economy.

Worth reading, even if you think your exposure to these risks is small... and you might then change your mind!

### ***“Act Now! Triple Your Direct Marketing Effectiveness” – Bain***

[View PDF \(4 Pages\)](#)

Bain looks at the benefits of using an approach called ‘experimental design’ as a means of measuring/improving the performance of direct marketing campaigns and compares it to the more classic A/B testing method.

While the article provides case studies and refers to DM, email and online campaigns, this approach also logically extends to SMS and mobile marketing. In addition, it introduces a range of downstream benefits to organization learning, customer understanding, segmentation and CRM effectiveness.

In real terms, ‘experimental design’ involves setting up a series of versions of a live campaign with a range of differing variables across the offer, delivery mechanic and creative execution. It then involves conducting regression analysis to understand which variables (or indeed sets of variables) drove improved response rates. As such, this approach is most applicable to larger organizations (banks, utilities, telcos) with established customer bases and developed marketing analytics capability.

### ***“Intimately Engaged: A Lifelong Commitment to Meeting Customer Needs” – Accenture***

[View PDF \(8 Pages\)](#)

Can your company meet and exceed the increasing expectations of this newly sophisticated wave of customers that emerged in the marketplace?

If not, as Accenture explains, it is time to change and connect with these demanding customers that can affect your company’s future growth.

After a short introduction on the necessity of a meaningful relationship, Accenture presents four important customer-focused steps that help companies meet the requirements of this “new customer-led marketplace”. Every step comprises a simplistic real life example from well-known corporations, together with some action points that can be implemented by the companies.

1. Adapt to customers’ dynamic and unforeseen needs.
2. Establish a trust-based relationship with customers.
3. Leverage the customers’ entire network.
4. Align business strategy with customers’ values.

Accenture closes the article stating that every department in a customer centric organization needs to be committed to delivering an excellent customer experience. It also goes a step further and presents its own customer-centric operating model framework that aims to deepen the commitment, place customers as an intrinsic part of the business, and answer their non-stop demands and future needs.

It doesn’t take much to see the “sell” embedded in the latter part, but otherwise a short, insightful read with practical application.



## *“The Truth About Customer Experience” – McKinsey*

[View PDF \(4 Pages\)](#)

In a time when positive touchpoints are crucial to a good CRM policy and employees' rewards, McKinsey and Company present a great article showing the distorted picture that touchpoints can create, and then announces the necessity to focus instead on the end-to-end customer journey.

By using real industry examples throughout, McKinsey correctly points out that a simple focus on perfecting customer touchpoints is not enough, since customers can be happy with a single touchpoint and unhappy with the cumulative experience.

The solution presented is to look at the entire journey. The article states that companies need to incorporate the customer journeys into their operating models in four ways: identify key journeys from a top down and bottom up evaluation; understand the journeys' current performance; redesign the experience and engage the front line with the use of cross-functional teams and inside-out ideas; and provoke cultural change and continuous improvements that sustain the initiatives.

The article concludes with advice to create appropriate and tailored metrics based on the overall journey and the accountable employees.

As a side text (for the sceptics), McKinsey uses hard data to explain the impact that a better journey has on competitive advantage and overall growth.

This is an excellent piece – well worth a read.

### ***“Creating a Business-integrated Services Company: An Interview with UniCredit’s Paolo Cederle” – McKinsey***

[View PDF \(8 Pages\)](#)

Paolo Cederle, the CEO of Milan-based UniCredit’s new multiservice company, shares his experience while having been on a journey to transform the large, Italian-based bank. His objective is to make IT and operations work in tandem with the bank’s business divisions to improve the customer experience and achieve ambitious bottom line benefits.

The article describes in a useful way the strategic intention, challenges and benefits of the multi-phased transformation journey. Over the last 14 years, the bank’s transformation journey followed a three-phased approach:

1. Centralization of IT & Operations, Property and Procurement functions by country;
2. Establishment of cross-country Shared Services Functions;
3. Implementing a Six Pillar Transformation Strategy around Flexibility, Agility, Time to Market, Innovation, Transparency and Cost Efficiency.

The interview concludes with Paolo Cederle’s honest remarks that, whilst he communicated and interacted with staff and stakeholders a lot, one can never do enough of it.

### ***“Insurance Investment Management: Middle and Back Office Outsourcing” – PwC***

[View PDF \(4 Pages\)](#)

This short, pithy and well written article is a great starting place for every insurer or asset manager considering moving from a vertically integrated investment management function to one which is provided (in whole or in part) by the marketplace.

However, as purely a ‘conversation starter’, this article doesn’t delve very deeply into the more challenging strategic and sustainability questions regarding sourcing; these are appropriately posed as bullet point questions at the end of the article.

Simply stated, all functions and businesses must have a compelling reason for how they will succeed in the marketplace, and what business processes and operations support this source of competitive advantage, and how they must perform to enable advantage to be established, maintained and sustained over time (i.e. you must have an operating model).

Further, the article is light on detail on what the implications and challenges of sourcing core business functions that, while hygiene in nature (not differentiating), are critical to your success.

Key questions to answer include:

- How will performance of the vendor be measured, managed and maintained?
- Where will internal skill sets and processes need to be shored up to control commercial and operational aspects?
- How will you integrate the vendor and its management into your planning cadence?

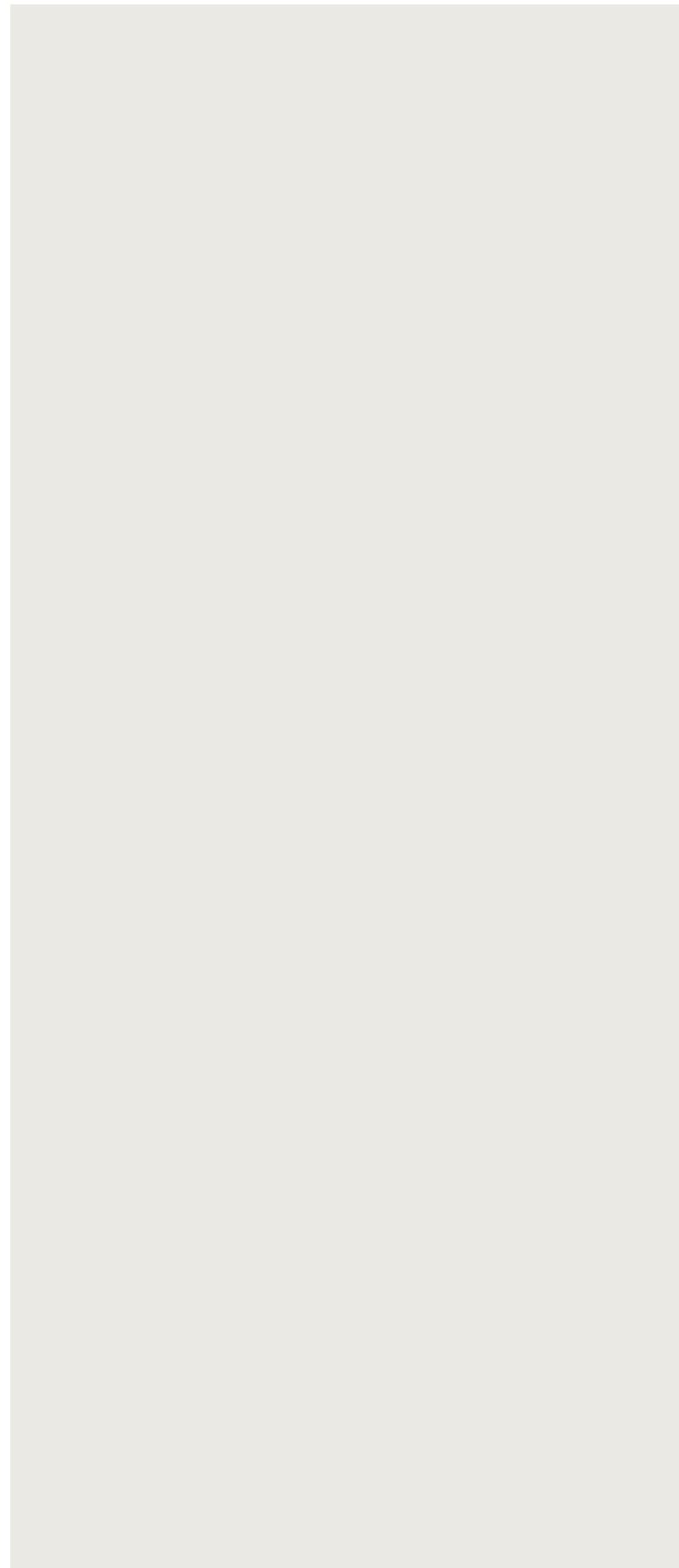
Each of these elements requires discipline, talent, and often cost that can partially offset the perceived benefits. To succeed, they should be considered upfront and be planned for the longer term.

## ***“Building the Resilient Bank: The Future of Credit” – AT Kearney***

[View PDF \(10 Pages\)](#)

The ATK article takes a helpful look at the future of banking, while putting up the hypothesis that in the light of the new regulatory environment, Financial Services organizations will need to become more innovative in order to maintain their franchises and financial performance.

The article identifies and critically discusses different levers for banks such as securitization, credit management services, corporate bonds and non-banking financing (e.g. crowd funding).



## **KAR – Best Practices in Shared Services**

Examined by function, benefits/pitfalls, best practices, trends and value creation sources • 128 pages.

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**I C G**

### ***“A Matter of Trust: Managing Individual Conflicts of Interest for Financial Institutions” – PwC***

[View PDF \(35 Pages\)](#)

Commendably, PwC raises the difficult subject of corruption within financial institutions, focusing on the all-too-common situation of executives operating under conditions of conflicted interests. These typically arise when actions by the executive in their legitimate role at the office have strong impacts on the personal interests of either the executive or of those in his or her inner circle.

Given the potentially emotive content, the treatment seems disappointingly dry.

A chance is missed to cast the reader in the role of corporate crime fighter or noble upholder of business ethics; in place of that, we are presented with the standard lecture about documenting policies, benchmarking and adopting best practices – bland advice which is generically applicable to any situation.

An opportunity well made, but ultimately lost through dull handling.

### ***“Analytics: The Real-world use of Big Data in Financial Services” – IBM***

[View PDF \(16 Pages\)](#)

IBM’s website asks readers to register for the privilege of learning that the use of information analytics creates competitive advantage in information intensive industries (News Flash: including financial services).

Not much detail is added to this big picture headline – unless one is enamoured of survey-based statistics, in which case the primary take away is that these benefits are felt by 71% of respondents within FS, compared with a relatively smaller 63% from other industries.

## TECHNOLOGY

### ***“Resetting Digital Strategy in Australia: Delivering What Customers Really Want” – Bain***

[View PDF \(8 Pages\)](#)

Based on a survey of 1000 Australian customers, this insight reveals findings which are at odds with the banks' own stated twin focus of 'building digital and they will come' and 'cross-selling, share of wallet' strategies.

Bain's key findings include: only large SMEs want to consolidate account holdings across providers; an older population haven't embraced digital; and customers of the financial services industry are almost always negative net promoters across all product types.

Short and punchy, with some insights relevant to any developed market.

### ***“World Quality Report 2013-14” – Capgemini***

[View PDF \(64 Pages\)](#)

Beautifully produced survey report based on an astonishing 1500 in-depth qualitative and quantitative interviews.

Builds on previous reports to be the go-to report for all things quality assurance in a technology environment.

The findings are clear and topical, even if questions such as the split between maintenance and transformation might suffer unrecognized bias.

Perhaps due to the involvement of partners, this is a standout report from CapGemini.

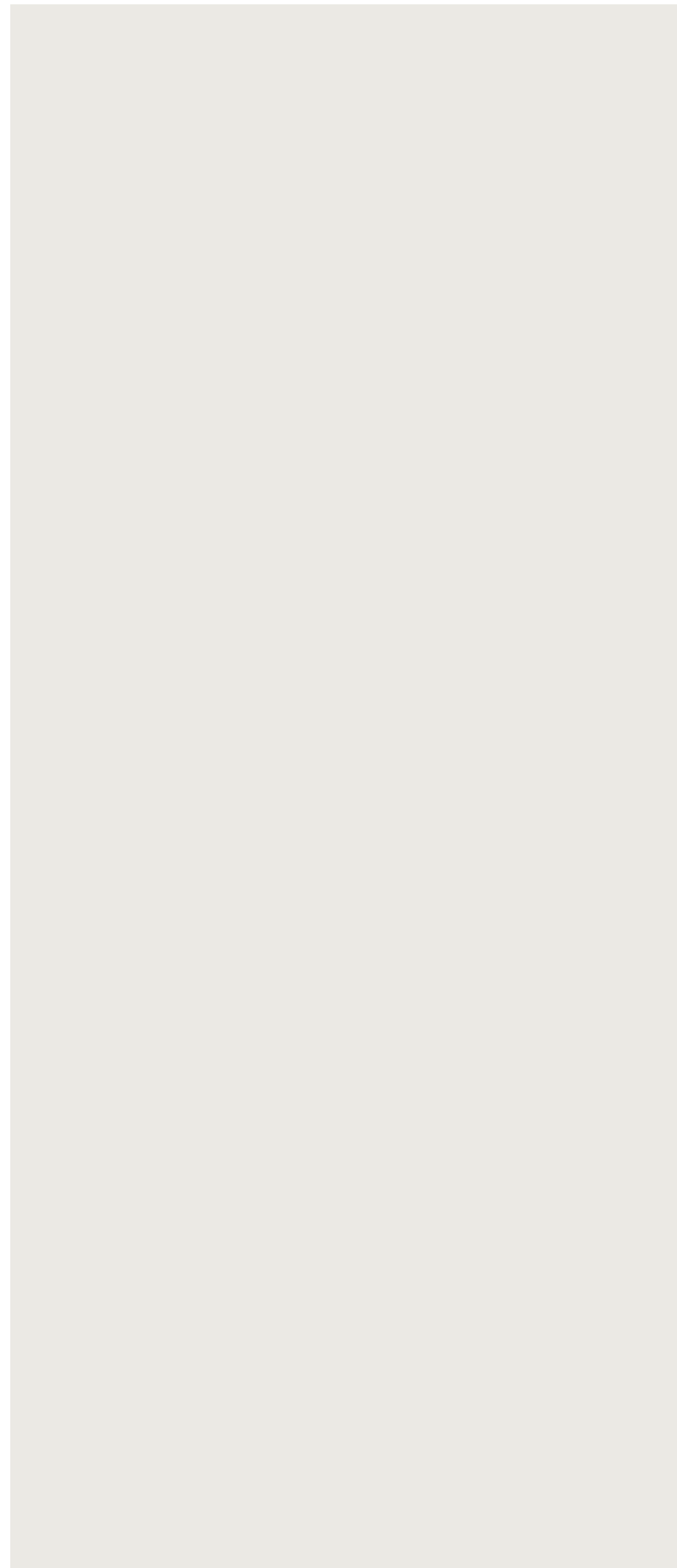
## ***“To an Analog Banker in a Digital World” – Booz***

[View PDF \(8 Pages\)](#)

The cry for attention from a digital evangelist writing a book on the digitization of financial services.

If you can get past the publication of internal Citibank data, you will enjoy the history of the Knights of the Templars establishing the world’s first multi-national bank – ended by too much sovereign debt (the king of France killed many of them off when he couldn’t repay).

The rest is digital bleating and can be missed.



## **KAR – Digitisation of Business Banking**

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# About ICG

## The ICG Business Model

ICG is one of the world's fastest growing consulting and project services firms. We operate unique talent hubs around the world, which unite the alumni of the world's leading consulting firms, universities and employers, along with subject matter experts and leading boutiques.

We are uniquely positioned to offer clients any permutation of expertise and experience in almost any field, with a level of competence and value that exceeds that of traditional consulting alternatives.

Our business model is consistent with future models of work: it brings together adhocracies (temporary project-based teams that capture opportunities, solve problems, and get results) and facilitates expertise and capacity augmentation. Our model is based on three key tenets: transparency to clients and affiliates; opt-in participation by all stakeholders; and a market-based model to ensure the very highest talent quality.

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- Unbundled Research Services – desktop reviews to detailed drill downs
- Unbundled IP and Methodology to support your projects – from templates to full how-to manuals
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- Reviews of all published articles by the leading consulting firms – our ICG Insights Review.

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## Mission & Vision Statement

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We maintain a full suite of detailed due diligence materials for those clients and partners wishing to explore major contracts with us.

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