

ICG

Internal Consulting Group



Financial Services
December 2012 -
January 2013

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.

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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

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Financial Services: Industry Economic Context

General

“2013 Banking Industry Outlook: Moving Forward in the Age of Re-regulation” – Deloitte

[>> VIEW PDF \(12 PAGES\)](#)

This article makes a solid attempt to conceptually map the big issues for banks post GFC (See Page 2). After cross-checking your laundry list of key trends with Deloitte's Big 10, you might be similarly inspired to upgrade to a framework driven approach. The four quadrants are: Return on Capital; Industrialised Operations (a term we like); Asset Protection and Delivery Transformation. This is a shortish article but the content is overly advertorial.

“Trends in the Global Banking Industry 2012” – Capgemini

[>> VIEW PDF \(20 PAGES\)](#)

While other firms invest heavily in break out insight development (or break out curated content – ICG), Capgemini continues to underwhelm with selection and modest elaboration of obvious key trends.

This article covers:

- Capital Adequacy and Basel III
- The Adoption of Social Media
- Convergence of Mobile and Online
- Big Data and Customer Data analytics.

If these topics are new to you this article will provide a useful preliminary introduction, if not, other Insights Review articles will better reward your time.

“Challenges for Central Banks – Wider Powers, Greater Restraints: The Financial Crisis and its Aftermath” – EY

[>> VIEW PDF \(60 PAGES\)](#)

A weighty and very wordy white paper co-authored with the OMIF (Official Monetary and Financial Institutions Forum). The conclusions won't surprise many readers: The crisis has permanently changed the role of central banks; this new role will come with some loss of independence; and there is a lot of consulting work required to upgrade central bank capabilities to meet these challenges. What will surprise, (and impress) is the depth of the issue analysis and the who's who of contributing interviewees. Many of the chapters make for fascinating reading (despite their titles, eg. 'Macroprudential Supervision is no exception')

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KAR Digitisation of Business Banking

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Financial Services: Industry Categories

Retail & Business Banking

“Customer Loyalty in Retail Banking: Global Edition” – Bain

[>> VIEW PDF \(60 PAGES\)](#)

This insightful article highlights the importance of strengthening the loyalty of existing customers, especially at a time when many other growth routes are constrained.

Although worth reading in full, insights include:

- Loyal affluent customers bring \$10,000 more in lifetime NPV vs. detractors
- Online and mobile channels provide a bank’s best chance to create a “wow” factor and build loyalty – however it will not be long before mobile banking features become standard
- Affluent customers tend to give lower loyalty scores than mass-market segments.

Bain recommends that banks become ruthlessly efficient at targeting low-value customers in order to be able to provide high-margin services for more valuable customers. This will involve a redesign of the channel experience – to reduce routine transactional costs while enhancing high-touch service features.

“2013 Retail Banking Industry Perspective” – Booz

[>> VIEW PDF \(5 PAGES\)](#)

Booz’s annual letter on the key issues in retail banking commences with the bleak forecast that industry profits will grow only 1-2% pa in the next 5 years.

What follows is a light run through of key levers for “grinding out profits” in a low growth environment, most of which are covered in more depth elsewhere. These include: clarity of focus, lean methodologies, partnering with non-banks, frontline sales focus and ruthless performance management. On a positive note, banks can target new revenue streams taking advantage of digitisation and other new technologies.

“Global Trends in the Payment Card Industry 2012: Issuers” – Capgemini

[>> VIEW PDF \(12 PAGES\)](#)

This latest installment in Capgemini’s series on “Global Trends in the Payment Card Industry” has a narrower scope than usual, focusing on the ongoing rise in card fraud committed by highly sophisticated and organized fraud rings, and the measures taken by leading retail banks to respond.

Two issues are covered:

1. Migration from in-house to enterprise fraud management systems and
2. Importance of maintaining high security standards for mobile payments.

“Rebooting the Branch: Reinventing Branch Banking in a Multi-channel, Global Environment” – PWC

[>> VIEW PDF \(5 PAGES\)](#)

There have been an abundance of articles in recent times predicting the re-invention of the traditional bank branch network and the evolution of the “branch of the future”.

PWC provides a solid addition to this literature with an in-depth overview of the key themes. Some of the emerging branch models described include assisted self-service branches (high-function kiosks), in-store and corporate branches, full-service branches and flagship stores – and naturally a successful branch strategy may include a mix of branch types based on local market characteristics.

A highlight is the inclusion of a large number of detailed case studies indicating how several leading retail banks are looking to transform their branch service offerings.

“Optimizing the Credit Decision: Boosting Profits in the SME Market” – Booz

[>> VIEW PDF \(12 PAGES\)](#)

In this rare article on small business lending, Booz recognises the difficulty faced by banks in offering finance to this segment while continuing to meet profitability benchmarks.

Booz proposes a model under which banks could re-organise their credit processes in order to improve efficiency whilst optimising credit decisioning. Essentially this involves a much more rigorous segmentation of the relevant customer base, and the implementation of differentiated credit processes for each risk segment, together with the automation and standardisation of processes wherever possible.

The article fails to give due weight to the internal cultural challenges involved in overhauling credit processes.

“Payments: Building a Competitive Advantage” – Deloitte

[>> VIEW PDF \(8 PAGES\)](#)

Deloitte make the important point that security and risk management will be key areas of competitive differentiation in the upcoming battles for leadership in mobile payments. Successful organisations need to achieve the right balance in rolling out innovative, customer-friendly services, while addressing the specific risks relevant to this channel.

The article questions whether traditional FI risk management models will achieve this balance. Deloitte propose that FIs adopt agile risk management methodologies to identify and address high-risk areas through an iterative process, while still allowing rapid product release cycles. While these are compelling points, the article skimps on details as to the nature of the proposed changes.

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KAR Corporate Banking

Business Models and Product Innovation • 94 pages.

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“The Great Payments Transformation”

– KPMG

[>> VIEW PDF \(32 PAGES\)](#)

A comprehensive collation of articles on China’s payments industry, containing insights relevant even for those who aren’t actively involved in the Chinese market.

The report describes China’s rapid rise as an emerging payments superpower, driven by explosive growth in payments volume, and the extraordinary pace of transformation in the region. Less constrained by legacy systems than their Western counterparts, many of China’s and Asia’s leading payments organisations are able to leapfrog immediately to the most advanced systems and technologies.

Key themes explored include: rising regulatory considerations, game-changing competitive threats (especially from new market entrants) and dramatically shortened industry innovation cycles. As a result, flexibility and agility have become key success factors for industry participants going forward – both in China and elsewhere.

Corporate & Institutional Banking

“A World Awash in Money” – Bain

[>> VIEW PDF \(32 PAGES\)](#)

Bain’s article examines the abundant supply of global capital (which they kindly define) and extrapolates to 2020, suggesting a world of low interest rates, capital surplus, lower investment returns and the risk of more asset bubbles. This is a must read for those charged with investment decisions in the medium term or the management of a corporate balance sheet. “Capital abundance tips the power to those with good ideas”.

“2013 Capital Markets Industry Perspective” – Booz

[>> VIEW PDF \(3 PAGES\)](#)

This brief, three page primer on Capital Markets from Booz and Co. succinctly points out the five most important business trends they see in the sector in 2013. Specific, focussed and very useful for an Investment Banking executive plotting how to deliver this year’s revenue budget and spend what little R&D allocation they may have.

“Pricing: The White Knight for Wholesale Financial Services?” – BCG

[>> VIEW PDF \(3 PAGES\)](#)

BCG postulates that pricing of services, particularly fee based work, may be the lever to return large global wholesale banking into the black after the poor years of 2011 and 2012, particularly given opportunities for cost compression are close to exhausted. Price increases in a competitive marketplace is of course easier said than done, nonetheless it is worth reading this note to understand BCG’s high level take on how fee based businesses can successfully pull on the pricing lever.

“2013 Capital Markets Outlook: It’s the End of the World as we Know it” – Deloitte

[>> VIEW PDF \(12 PAGES\)](#)

This is another in a long line of articles devoted to assessing the current state of the global Investment Banking and Capital Markets business and suggesting a way forward. Consistent with other consultant papers on the subject Deloitte outlines how and why the industry is changing fundamentally – more regulation, transparency and capital. These authors find little to smile about and suggest the restructuring process will be long and slow and possibly result in the privatisation of investment banking activity. Not a read for optimists.



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Wealth & Asset Management

“2013 Wealth & Asset Management Industry Perspective” – Booz

[>> VIEW PDF \(4 PAGES\)](#)

A short and relatively sweet piece focused on two key topics. The first, technology enabled advice, through tablets, social media enabled benchmarking, and technical advice is a reminder of just how much impact digitisation has already had. The second, price realisation, offers a general step by step project plan for those who have allowed discounting and stagnant pricing to get out of hand. Booz suggest that price realisation can produce the cash flow to catch-up in the digitisation arms race.

ARTICLE OF THE MONTH

“Bridging the Advice Gap: Delivering Investment Products in a Post-RDR World” – Deloitte

[>> VIEW PDF \(20 PAGES\)](#)

Essential reading for the post-commission world. Based on UK data and regulation (Retail Distribution Review and Adviser Charging) this powerful article is a wake up call for all sectors hit (or soon to be hit) by transparent charging regimes. The numbers are shocking – up to a third opting out and even more high value customers reducing usage. The article is well-written, beautifully presented and not all doom and gloom, as it shines the spotlight (with innovative but clear supporting analysis in Figure 7 and 8) on four disaffected segments: disenfranchised wealthy; mass affluent and mass market orphans; and tech savvy savers.

A deserving winner of our article of the month award.

Insurance

“Life and Pensions: Competing for a Future” – PWC

[>> VIEW PDF \(28 PAGES\)](#)

This article kicks off with a solid STEEP analysis for the global life industry. PWC provide a well-articulated set of implications for many digitising financial services businesses.

Sections 2 and 3 are short and contain key reminders like that customer expectations are now being set outside the sector – so well worth a skim.

The highlight of the article is an image of the “Body Area Network” of the future (Figure 9) – which transmits information from body monitors to medical specialists, suppliers and databases.

“Mobile Insurance: Are You Well Positioned for this Emerging Channel?” – Capgemini

[>> VIEW PDF \(12 PAGES\)](#)

This high quality article highlights the relative under performance within the GI industry in relation to its use of mobile technology.

In a welcome departure from Capgemini’s standard 3 key trends format, this article is chock full of mini case studies and examples of new functionality. A particular favourite is one-time use insurance (eg. skiing or golf) that safely allows providers to open up a new channel without fear of conflict with advisers.

Figure 4 provides a framework for better deploying mobile in any sub-sector and Figure 8 provides a very helpful summary of possible future developments in mobile technology.

“The Mass Affluent Market: Changed Perspectives” – Deloitte

[>> VIEW PDF \(12 PAGES\)](#)

A largely graphics based survey analysis of 1500 US Mass Affluent wealth customers (250K-1M of investable assets) and their post GFC attitudes.

Salient global benchmarking for local survey designers. Perhaps the most interesting finding the article posits is that ~60% of US customers have some or strong interest in a bundled wealth/banking offer, a much greater number than many previously predicted for the US market.

“Optimizing and Balancing Corporate Agility for Insurers” – EY

[>> VIEW PDF \(28 PAGES\)](#)

Incorrectly titled, this article details a step-by-step methodology to formulate a corporate strategic risk assessment. It deploys a simple but powerful driver tree approach based on five levels: Value Drivers; Value Levers; Key Uncertainties; Agility Factors; and Supporting Risk Management Components.

The idea is that an agile company can respond to realised risks, and that the above process will effectively identify the risk management capabilities required to be agile when needed.

The authors correctly point out that almost all companies have a strategy yet few have a risk assessment. The article posits that application of this process should bring about beneficial changes to the strategy, making it more robust and subsequently making the company more agile to potential risks.

“Game on: How Information is Changing the Rules of Insurance” – PWC

[>> VIEW PDF \(12 PAGES\)](#)

This PWC article is a typically generous PPT deck that offers a lot of value on two key dimensions. Firstly it provides a structured update on the general state of data analytics. Secondly it provides significant value to internal consultants seeking frameworks and guidance on how to develop a plan or build capabilities in house (including some very good project outlines and best practice capability trajectories). The article closes with some specific examples of value created at insurance companies.

“Laying the Foundations for the Future of Insurance Reporting” – PWC

[>> VIEW PDF \(44 PAGES\)](#)

A comprehensive and well presented report on the unsurprising delays in Solvency II and IFRS Phase 2 requirements and the potential to use the delays and the overlaps between the two to create better capabilities (not just reporting).

The article is filled with insightful frameworks and tables that make it beneficial reading for teams and executives tasked with this responsibility.

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Financial Services: Functional Categories

Strategy & Transformation

“BCG Classics Revisited: The Rule of Three and Four” – BCG

[>> VIEW PDF \(4 PAGES\)](#)

The article revisits a former piece of work by Bruce Henderson (BCG) from 1976, in which the author asserted that an industry reaches competitive stability when it consolidates with three major players, each holding market share in a ratio of approximately 4:2:1 respectively.

Almost 30 years on, the assertion has been tested analyzing the market position of 10,000 over a long period of time. It seems that Henderson’s initial intuition is still valid today. Not only are industries with three larger players more stable, but players in these sectors are (on average) more profitable than those operating in other markets.

The rule does not apply to more dynamic or emerging industries such as consumer electronics and certain investment services, but works extremely well in more mature markets (eg. car rental).

This BCG article is well worth reading by those working with clients on industry evolution topics.

“The New Functional Agenda: How Corporate Functions Can Add Value in a New Strategic Era” – Booz

[>> VIEW PDF \(12 PAGES\)](#)

This Booz article outlines the change that functional organizations in major companies are now facing. As businesses are becoming more focused around capabilities they are demanding that leaders of functions play a more strategic role. With less stable environments and more intense competition in many markets, there is a premium on agility and flexibility, and increasing emphasis on performance results. These pressures are forcing many functions to boost operational excellence even further, usually while reducing costs.

The net result is a golden opportunity for HR, IT, finance, operations, R&D, marketing, sales, sourcing, and other functions and shared services. Instead of striving to be “best in class” in everything they do, functions can become “fit for purpose”: changing their portfolio of activities to focus primarily on those that are strategically important to the enterprise, or that add high value.

But given the day-to-day transactional needs of the business and the long-range in-depth efforts needed to build distinctive capabilities, how can a functional leader take on this new strategic role? The new functional agenda addresses this dilemma.

It has three elements:

1. Establishing priorities in line with the company’s overall strategy and the enabling role of the function,

2. Aligning the operating model to deliver value in line with those critical priorities, and
3. Allocating resources accordingly.

For functional leaders, this new role places a high premium on interpersonal skills and strategic insight – which can be a primary source of success not just for the function but for the enterprise as a whole.

Corporate Finance/M&A

“CFO and Beyond: The Possibilities and Pathways Outside Finance” – EY

[>> VIEW PDF \(68 PAGES\)](#)

This is the second in a series of documents produced from an Ernst & Young survey of 800 CFOs globally.

The article concludes that with the increasing corporate need for comfort and confidence, the capabilities of the CFO provide them with the most opportunities career-wise of any of the C-suite roles.

By providing data on the changing trends, this article is an effective tool for CFOs planning both their continued executive and non-executive careers.

Note: The first of the series is entitled “The DNA of the CFO”

“Is Your Bank Ready for Growth? A More Strategic Approach to Costs Can Help You Prepare for Growth Opportunities” – Booz

[>> VIEW PDF \(12 PAGES\)](#)

This article argues that sweeping cost reductions are not often the best platform for growth in banks. A delicate combination of cost cutting (or divestment) in non-vital and non-differentiating areas needs to be combined with strategic investment in competitive advantages and differentiating areas to position banks for growth.

While this is a helpful reminder of the requirements for growth, the author’s path of setting a strategy, reviewing operating models to transform end-to end processes to deliver customer value and implementing processes to encourage appropriate behaviours and build a culture of continuous improvement will be familiar to readers.

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Human Capital

“Leadership and the Art of Plate Spinning” – McKinsey

[>> VIEW PDF \(6 PAGES\)](#)

An interesting article from McKinsey that allows the reader to step back and appreciate common paradoxes prevalent in corporate life that can define the difference between good and great performance.

The paradoxes include:

1. Change and stability, whereby organisations need to take care that not everything is being changed simultaneously, rather, some elements of the ‘core’ are held stable;
2. Control and empowerment, wherein some companies need to exert significant top-down control in order to right past wrongs, but at the expense of creativity and innovation – a better approach is ‘freedom within boundaries’;
3. Consistency and variability; which refers to the paradox between companies trying to ensure consistency in their product but in doing so stifling new product development. In these cases specific actions need to be taken to re-foster communities of innovation.

Overall the article is helpful in identifying common paradoxes, mostly variations on the theme of too much control stifling new thinking lower down in the organisation. However, two flaws hold it back somewhat: first, the second and third paradoxes feel a little less ‘MECE’ than one might have

expected from this author and second, whilst the examples are helpful it is not always clear in the reader’s mind what they need to do next to address these paradoxes in their own organisation.

“The Global Gender Agenda” – McKinsey

[>> VIEW PDF \(11 PAGE\)](#)

McKinsey offers a detailed exploration of the representation of females in senior leadership positions. While targets and numbers provide some insight, the article pinpoints the heart of the issues by describing examples of leadership and cultures that improve diversity outcomes.

Some key ingredients for change include:

1. Increasing visibility of the program outcomes, as you would any other strategic projects;
2. Taking an analytical approach to the pipeline of women and increasing accountability for the results;
3. Increasing sponsorship;
4. Raising awareness of the desired behaviours and mind-sets needed for change.

The article provides some interesting benchmarks globally on females at senior levels, but takes a narrow view on diversity (representation) and the nuances by industry. Further, the success factors could equally apply to any large, business led program. This article is lacking discussion on what is unique about creating change in the diversity domain, and the broader benefits and goals of creating improved, more inclusive workplaces.

“Preparing for a New Era of Work” – McKinsey

[>> VIEW PDF \(8 PAGE\)](#)

A helpful McKinsey piece detailing fundamental shifts amongst a key segment of the workforce (of which we are all members): ‘interaction workers’ or professional knowledge workers.

In particular, McKinsey advocates:

1. Breaking jobs down into generalist vs. specialist activities, whereby talent can more easily be sourced;
2. Leveraging virtual working arrangements to save real estate costs and also appeal to other demographics (Gen Y, seniors, working mums etc.);
3. Embracing more flexible work arrangements, including having a mix of full time and temporary/contingent workers to help meet spikes in demand.

The article closes with some insightful implications for senior executives, wrapping up the various shifts and their implications under the banner of ‘change management’. The author succeeds in supporting her final point – namely, that those companies who quickly embrace these trends will likely benefit through reduced costs and enhanced employee value propositions.

“Reduce and Retain: Adjusting Work Forces for the New Reality” – BCG

[>> VIEW PDF \(7 PAGE\)](#)

The article opens with the key observation that whilst most companies today are facing cost pressure (with the largest cost line item often being personnel), on the other hand skills shortages and capacity gaps for critical roles still exist. BCG calls the management of these two seemingly divergent objectives “personnel adaptation”.

BCG goes on to identify six key success factors for personnel adaptation initiatives (which disappointingly read a little too high level to be useful), some common challenges (which serve as a good reminder) as well as a holistic approach to personnel cost reduction. In addition, the sidebar “What does it mean for an HR department?” also raises some good points to help HRDs adjust their department capability to support this type of program.

Overall a good article with some helpful points and reminders on how to approach personnel cost reduction programs.

“Talent Tensions Ahead: A CEO Briefing” – McKinsey

[>> VIEW PDF \(11 PAGE\)](#)

A broad-ranging article from McKinsey that focuses on the depth and breadth of the global talent market and the looming pressure points within our economically linked labour pools. For many companies the opportunity for low-cost labour sources have translated to cost advantages and increased productivity, while emerging economies have benefited with GDP growth, employment and improved wages.

The article provides an in-depth look at the looming education imbalances that threaten the established assumptions of the global labour market. McKinsey look towards 2020 and suggest four key trends that should be noted for future workforce or human capital planning. China, with a move to more highly specialised and skilled industries, will require 23 million more graduates than it can supply; India may have too few jobs for low and high skill workers, and not enough for mid skill workers; Young developing countries, such as Bangladesh, Morocco and Nigeria will face shortages of mid skill people with an oversupply of low skilled workers; and advanced European economies will have too few college educated workers.

The article provides some useful analysis, although the long-range forecasts require the assumption and models to be tested over time before policy or business decisions are made. The trends reinforce the need to create analytical workforce planning capabilities within organisations, not only to adapt to looming talent wars but (in some cases) to spot opportunities for commercial and social benefits.

Finance & Risk

“New Light on Old Truths: Consumer Protection and Good Business Sense” – KPMG

[>> VIEW PDF \(16 PAGE\)](#)

The fall out of the global financial crisis has resulted in a range of consequences, one of the more obvious being a reappraisal of the level of protection consumers have in markets around the globe, and how consumer protection not only makes good business sense but is critical to ensuring that the effects of possible future crises are avoided.

The report provides context of the regulatory initiatives around the globe to strengthen customer protection. It should be stressed that whilst all regulatory reform is given coverage the report is primarily focused on European and US development.

A key takeaway of this report is enunciation of 10 core principles for conduct risk. Conduct risk, as a subset of broader reputational risk, is likely to have increased scrutiny from regulators and the general public.

“An Inflection Point in Global Banking: Risk Report 2012-2013” – BCG

[>> VIEW PDF \(28 PAGE\)](#)

The 2013 edition of the annual BCG Risk Report examines risk and value creation in the equity and debt markets and the regulatory landscape, and captures the outlook for 145 institutions in the US, Europe and South East Asia.

Reliably well-written and comprehensive, the report concludes that from a risk return perspective global banking remains in the red on a risk adjusted profit perspective.

The prognosis for the future also points to there still being significant red ink to flow as the cost of doing business will remain high for both equity and debt markets due to the wind back of the availability of ready funding sources and the underlying cost of equity.

All the risk, value and market drivers need to be taken in the context of Basel III and US regulatory rules that make doing business harder, with a very clear expectation that too big to fail is no longer the case.

The resultant effect of the changed market and regulatory conditions point to a market that will face tighter margin pressure coupled with more conservative risk appetites.

“Smart Implementation: Reining in Risk and Cost of Regulatory Change in Banking” – PWC

[>> VIEW PDF \(20 PAGE\)](#)

PWC provides context to the range of regulatory programmes and also a means of assessing the interconnected nature of these undertakings. The article addresses how these challenges require effective delivery of complex change across a business.

PWC lay out an intelligent project portfolio approach to strategic regulatory change, with a focus on higher quality management information and standardised delivery processes. From the study conducted they project savings of up to 24% on the cost of implementing regulatory change.

In the wake of an increasingly broad array of regulatory standards with which banks strive to keep pace, PWC point out efficiencies to be gained from having a single approach to regulatory change management. This report contains some real methodological detail that many practitioners may find useful to compare against.

“Inside the Valuation Nexus: Strengthening Your Valuation Program to Help Limit Losses, Reduce Costs, and Deliver a Positive Customer Experience” – PWC

[>> VIEW PDF \(22 PAGE\)](#)

PWC’s highly-regarded US Consumer Finance Group continue a series of excellent publications on retail operations. The article explores the risk and reward trade-off as it applies to property valuation and help limit losses, reduce costs, and deliver a positive customer experience.

Property valuations have long been one of a residential mortgage company’s first lines of defense – now, as the housing market has rapidly transformed, property valuations have never played a more important role.

The issue of clarity of property valuation in major Australian markets is equally relevant.

PWC provides a means of understanding and systematically unlocking the value by outlining a holistic valuation strategy that:

1. Delivers true risk based valuations approaches
2. Is based on robust performance measurement and analytics
3. Has a proactive view in quality control and fraud management
4. All of which is underpinned by agile data driven technologies.

“Capital Management: Banking’s New Imperative” – McKinsey

[>> VIEW PDF \(20 PAGE\)](#)

The 2012 McKinsey’s capital-management survey of European banks is a thoroughly recommended read. Major findings from this article include:

- Regulatory capital remains the dominant capital metric, but the use of economic capital has grown – seven in ten banks surveyed now use it to complement to their regulatory capital calculations.
- Few if any banks fully exploit the insights their economic capital provides and mainly use it to meet regulatory requirements for an internal capital-adequacy-assessment programme.
- Most institutions have run risk weighted asset optimisation programmes for accuracy purposes and to boost capital efficiency, with substantial reductions in RWAs of 5 to 15 percent on average.

- A majority of banks surveyed have already begun to adapt their business models to Basel III, beginning with some operational, “hands-on” improvements such as greater collateralisation of banking business and a more capital-efficient product mix.

Most banks (about 80 percent) effectively use a well-defined risk appetite rather than simple risk-bearing capacity to derive limits and the capital available for allocation.

Actual allocation is still done as part of the yearly budgeting process, with few banks taking a through-the-cycle perspective.

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Marketing

“Banking 2016: Accelerating Growth and Optimizing Costs in Distribution and Marketing” – Accenture

[>> VIEW PDF \(15 PAGES\)](#)

A slick looking article heavy on colourful charts and infographics, with some good ideas which are unfortunately poorly detailed. After the obligatory exhortation to first “get the basic right” Accenture propose three alternate “Next Generation” business models to help banks reinvent themselves and return to growth. They are three different takes on how to leverage digital channels & technology to reinvent banking. Built on solid concepts – pervasive banking through analytics; relationship banking through social media and expanding the concept of banking to take in all adjacencies associated with payments. The last idea is the freshest but sadly gets lost amongst the convoluted and confusing explanations of the models and what they offer. The catchy one page infographic summary provides all you need.

“How to Approach Social Media Commerce” – BCG

[>> VIEW PDF \(2 PAGES\)](#)

Ignoring the awkward new term they coin in the title, this article provides a useful update on the evolving role of Social Media in ecommerce. While marketers claim to be pursuing all manner of strategies in social; consumers are mostly connecting with brands in search of deals. While happy to research and engage in social, consumers are still wary of purchasing in social channels. Companies should channel them away from social to websites to complete transactions.

Technology

“The New IT Agenda: How to Define and Deliver a Capabilities-driven Approach” – Booz

[>> VIEW PDF \(12 PAGES\)](#)

In this article Booz addresses the old question of “How can the IT function move from purely (and poorly) filling business demands to being a strategic enabler of the business who provides platforms which satisfy business needs?”

The question is even more important given the challenges in today’s business and IT environments, including budget squeezes, shrinking talent pools, emerging new technologies and an ever-growing pace of change.

The approach describes 5 archetypal role models to consider which should help in focussing and sharpening the IT function. Each role has different profiles in aligning to the business and providing value for the business.

Booz provides an interesting attempt of decomposing the problem space however it is still only a partial recipe to make IT function as “fit for purpose” today and tomorrow.

“Transforming the Business Model for IT Services” – BCG

[>> VIEW PDF \(3 PAGES\)](#)

The BCG authors provide an interesting “must read” for IT service providers. They describe ways to move out of the typical “your mess for less” business model into a more customer oriented and future proof aligned business collaboration model. A recommended read.

“Data, Systems and Processes” – EY

[>> VIEW PDF \(12 PAGES\)](#)

The article addresses the impacts of recent regulatory decisions to further delay the implementation of Solvency II policies. The authors – who have a valid business interest in that matter – suggest CRO’s, CFO’s and CIO’s should not sit back but instead use the time to tackle the problem space more holistically.

There is obviously an argument to use this delay as an opportunity to create a systems architecture which addresses the accounting and reporting side of the problem space at the same time. However, most organisations will probably just sit back and stretch their investment agenda over a few more years.

“The First 100 Days of a New CIO: Nine Steps for Wiring in Success” – McKinsey

[>> VIEW PDF \(4 PAGES\)](#)

This article is well suited to upcoming CIO’s or senior leaders of IT functions. A hands-on 9 point check list of key areas to consider to get ahead of the game, position yourself as a leader, get the troops behind you and start executing and delivering visible results.

A highly recommendable read for all new and incoming leaders in IT (and business) functions.

“The Value of Our Digital Identity” – BCG

[>> VIEW PDF \(3 PAGES\)](#)

A very comprehensive (120 pages) and insightful BCG research report, which is well worth reading for everybody who operates in that field and needs data to better understand their customers needs.

The report contains a wealth of interesting and reusable statistics, graphics, projections and definitions from a consumer, enterprise and policy perspective.

Strategic Analytics

“Advancing Digital Commerce Capabilities to Drive Financial Value: Perspective and Benchmarking Framework” – Booz

[>> VIEW PDF \(16 PAGES\)](#)

A basic 8-slide overview of the key performance metrics used to assess the effectiveness of digital strategy. There is no real novelty or notable insights but fairly useful as a checklist when planning your own digital initiatives.

“Capturing Business Value with Social Technologies” – McKinsey

[>> VIEW PDF \(9 PAGES\)](#)

A brief survey-based piece that explores the idea that humans are social creatures by nature. McKinsey suggest that as our lives become increasingly digitised, social media platforms will proliferate and define our online experience.

Claims are made for productivity improvement, although the methodology underpinning these claims is not presented in any assessable form. One wonders if the article takes into account the readily apparent potential of social media to wastefully consume otherwise productive time.

A discordant note is sounded by some social media “bears” who are disappointed to discover that adding social media features to otherwise lacklustre digital offerings is not sufficient on its own to reverse declining fortunes.

“Battle-test Your Innovation Strategy” – McKinsey

[>> VIEW PDF \(5 PAGES\)](#)

Obvious ideas are presented over five short pages, urging readers to think about the potential counter-actions of competitors when developing their own strategy.

Operations

“Lean Services: A Primer for Success” – BCG

[>> VIEW PDF \(13 PAGES\)](#)

A high level article that attempts to explain why the application of Lean Principles and Techniques in service companies has not significantly progressed compared to manufacturing industries. The author highlights why lean principles are equally applicable to services as well as manufacturing industries, with one big difference – that the costs to be tackled stem from labour, overhead, and low customer satisfaction, not physical inventory. In order to be successful on the lean journey the author summaries 6 success factors:

- Identifying and mapping End-to-end processes
- Reducing complexity wherever possible
- Defining and standardising discrete work modules
- Harnessing the power of “Big Data”
- Setting and tracking performance metrics
- Cross-training to increase productivity.

An interesting article from BCG which provides a high level overview across basic lean success factors.

“Achieving Operational Excellence in Banking” – Capgemini

[>> VIEW PDF \(20 PAGES\)](#)

This article reads more like a list of ingredients for a financial institution seeking operational excellence than an authoritative set of recommendations based on the organisations position. Capgemini provide a set of platitudinous recommendations on the need for banks to evolve their operating model towards one of three hybrid models sitting at the intersections between product leader, utility player or distribution specialist.

This is an ideal read for those new to financial services, or those who have not been exposed to trends in operational excellence developing over the past decade.

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