

Retail Bank - United Kingdom

Customer Characteristics

Type

A mid-sized UK financial institution

Assets

\$50 Billion USD

Customer Accounts

5 million

Current Accounts

2.2 million

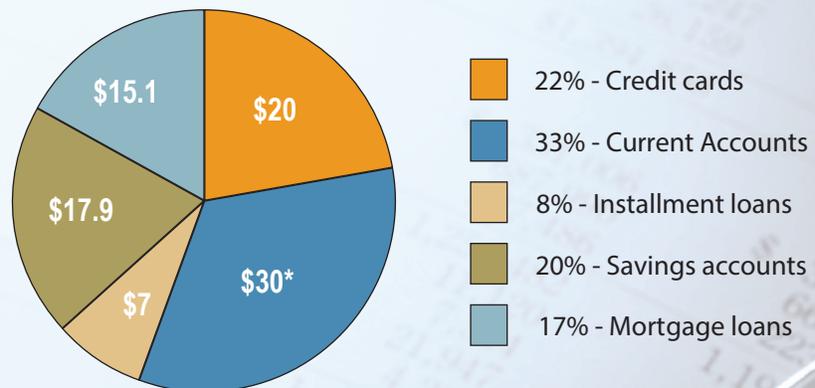
Engagement Objectives

- Restructure costs, products and pricing to improve net earnings
- Generate ideas worth \$6 million USD within an 8 week time frame

OVERVIEW

The Bank is based outside London with a heavy consumer customer base brought about from its history as a mutual building society. Earnings growth had not met expectations and management had several projects underway to restructure costs, products and pricing to improve net earnings. PROFIT INSIGHT® was engaged to generate ideas focusing on current accounts and installment loans. These ideas needed to generate \$USD6 million within an 8 week time frame.

Types of Strategies



Financial Impact

For every \$1 billion USD in ...	PROFIT INSIGHT® strategies increased revenue by ...
Current account credit balances	\$USD2.65 million
Credit card assets	\$USD20 million
Savings account credit balances	\$USD0.85 million
Mortgage advances	\$USD0.5 million

OPERATING ENVIRONMENT

The Bank was using old 'in house' computer systems with operations supporting products in several different locations.

Systems had little flexibility and modifications took a long time to accomplish. Furthermore, the Bank has committed to a new installment loan system due for implementation approx 18 months after the commencement of the engagement. No changes are to be made to the existing system.

Product management staff advised they were about to raise fees on various products to meet revenue targets.

THE SOLUTION

PROFIT INSIGHT® assigned two managers to the project with a third senior manager on a part time basis. During the first two weeks these managers met with product management staff to understand the products and planned initiatives. They then spent several days at the operations and systems areas to take a detailed look at the product, procedures and systems capabilities.

PROFIT INSIGHT® studies concentrated on an analysis of the Banks products and procedures and how they are applied to their customers accounts. The findings were compared to the PROFIT INSIGHT® checklist of 'best practice' ideas and strategies developed, where applicable, to enhance revenues.

After three weeks, PROFIT INSIGHT® identified the majority of the strategies. Within one month of entering the Bank, PROFIT INSIGHT® validated 10 strategies and presented them to the Banks Management committee. In the next 4 weeks, a further 12 strategies were validated and proved for presentation to the committee.

ENGAGEMENT EXTENSION

As the initial 8 week engagement was drawing to a close the Head of Marketing and Product Management indicated he was very pleased with the work that PROFIT INSIGHT® had performed and that he would like to extend the engagement to cover Savings accounts and Mortgage loans.

None of the strategies developed by PROFIT INSIGHT® resulted in increases in the interest rate or amount of fee. Rather the strategies enable the Bank to obtain more interest and more fees from their existing products while maintaining the same price to the customer.

Another 8 week engagement was undertaken to cover these areas. PROFIT INSIGHT® managers continued to work in a facilitating manner with Bank staff holding meetings to ensure that systems issues, operations matters and Bank culture matters were fully covered in their strategy recommendations. Subsequently, a third engagement was conducted for the credit card portfolio.

THE RESULT

As a result of the extended engagement, PROFIT INSIGHT® was able to provide 66 strategies with a first year annual value of \$USD90 million.

These strategies were organized into five different categories:

	Number of strategies	Value (\$USD million)
Current accounts	17	30
Credit Cards	5	7
Installment loans	19	20
Savings accounts	10	17.9
Mortgage loans	15	15.1

The Bank assets included in these studies amounted to \$USD34 billion. PROFIT INSIGHT® provided strategies to increase revenues by \$USD2.65 million for every \$USD1 billion of Bank assets.

The affect of PROFIT INSIGHT® strategies on other areas of the Bank reveals:

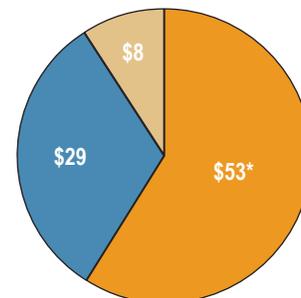
- PROFIT INSIGHT® strategies result in revenue increases of \$USD12 million for each \$USD1 billion of Current account credit balances.
- PROFIT INSIGHT® strategies result in revenue increases of \$USD20 million for each \$USD1 billion of Credit Card assets.
- PROFIT INSIGHT® strategies amount to \$USD0.85million increase in revenue for each \$USD1 billion of Savings account credit balances.
- PROFIT INSIGHT® developed strategies that result in \$USD0.5 million in additional revenue for every \$USD1 billion in mortgage advances.

SUMMARY

PROFIT INSIGHT® was able to bring to the Bank substantial revenue increases, substantially more than the Bank would have been able to generate from the proposed fee increases, which may have resulted in some customer 'backlash'.

During a preliminary review of strategies the Head of Marketing and Product Management commented that he was 'continually amazed at the ideas PROFIT INSIGHT® was able to identify'.

The \$USD90 million of strategies developed by PROFIT INSIGHT® comprised of increases in fee income, interest income and cost reduction.



- 59% - Fee income
- 32% - Interest income
- 9% - Cost reduction

* All values are \$USD millions



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