

Asian Banker Research & Consulting

Building cost-efficient and interactive customer relationships in Philippine bank branches

20 October 2011

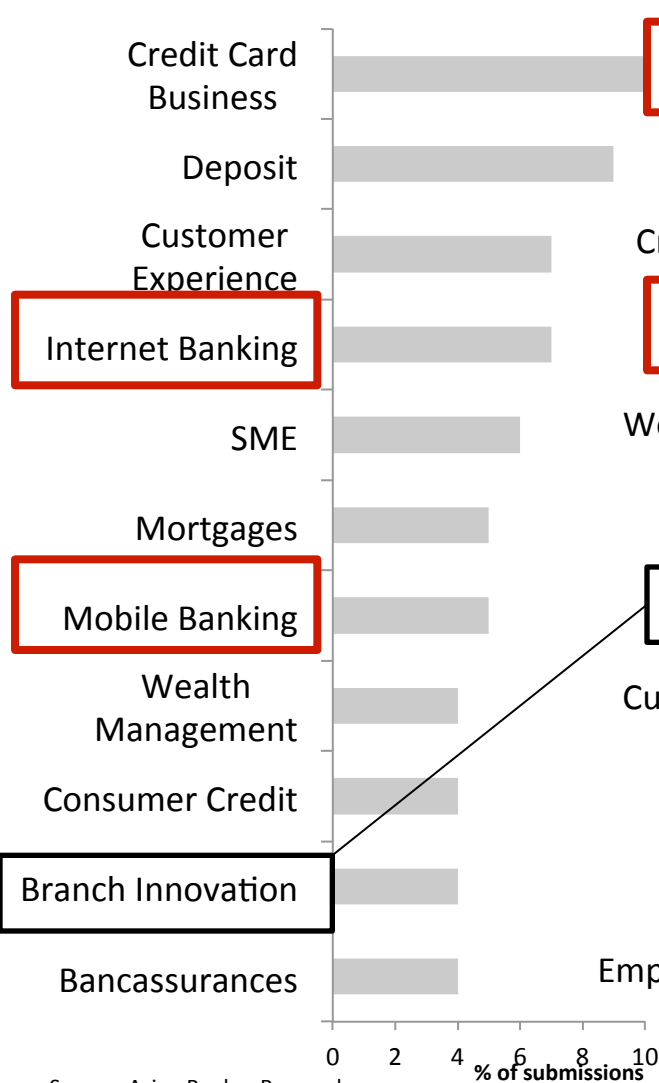
Manila, Philippines

Today's Agenda

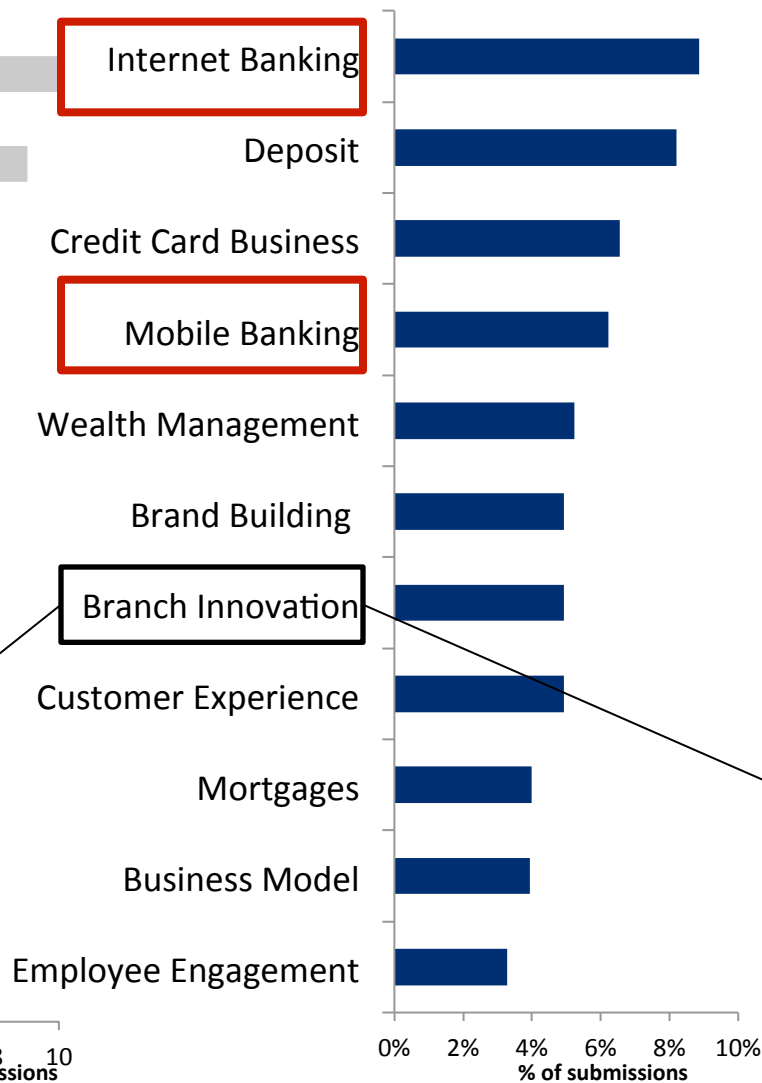
- Key focus areas in retail banking in Asia Pacific
- Key drivers to look out for
- Future focus in branch transformations
- Improving branch performance
- Integrating the branch – Where do we stand today?

Taiwanese retail banks have begun integrating their business lines

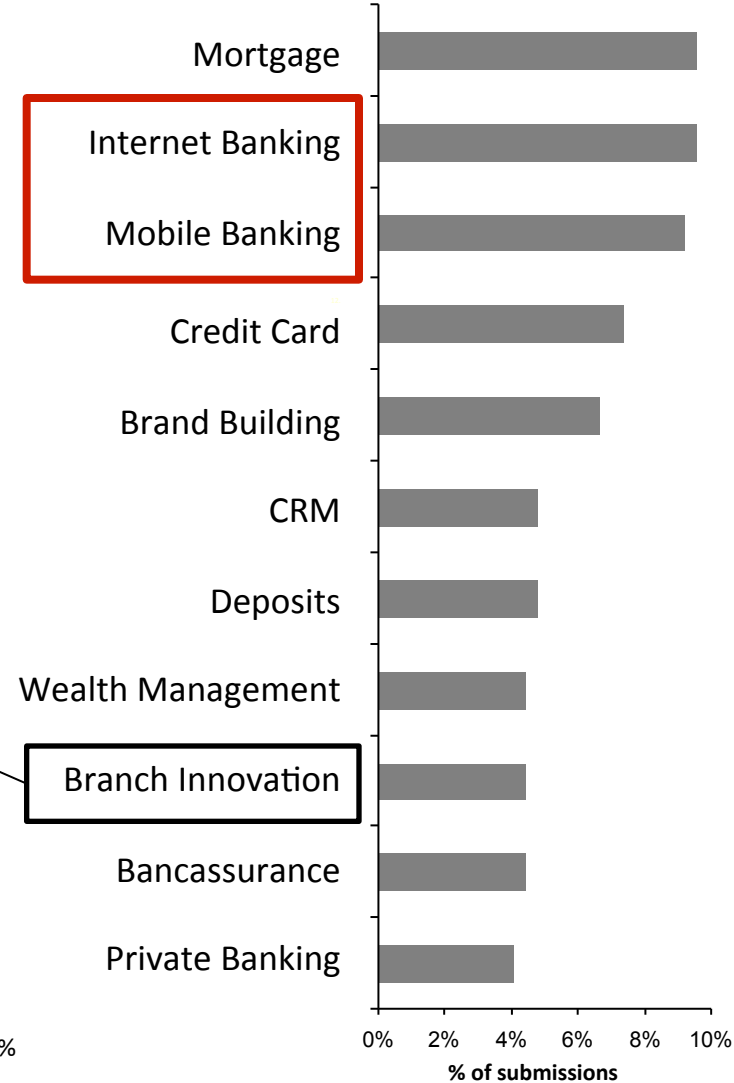
Top 11 Submissions 2009



Top 11 Submission 2010



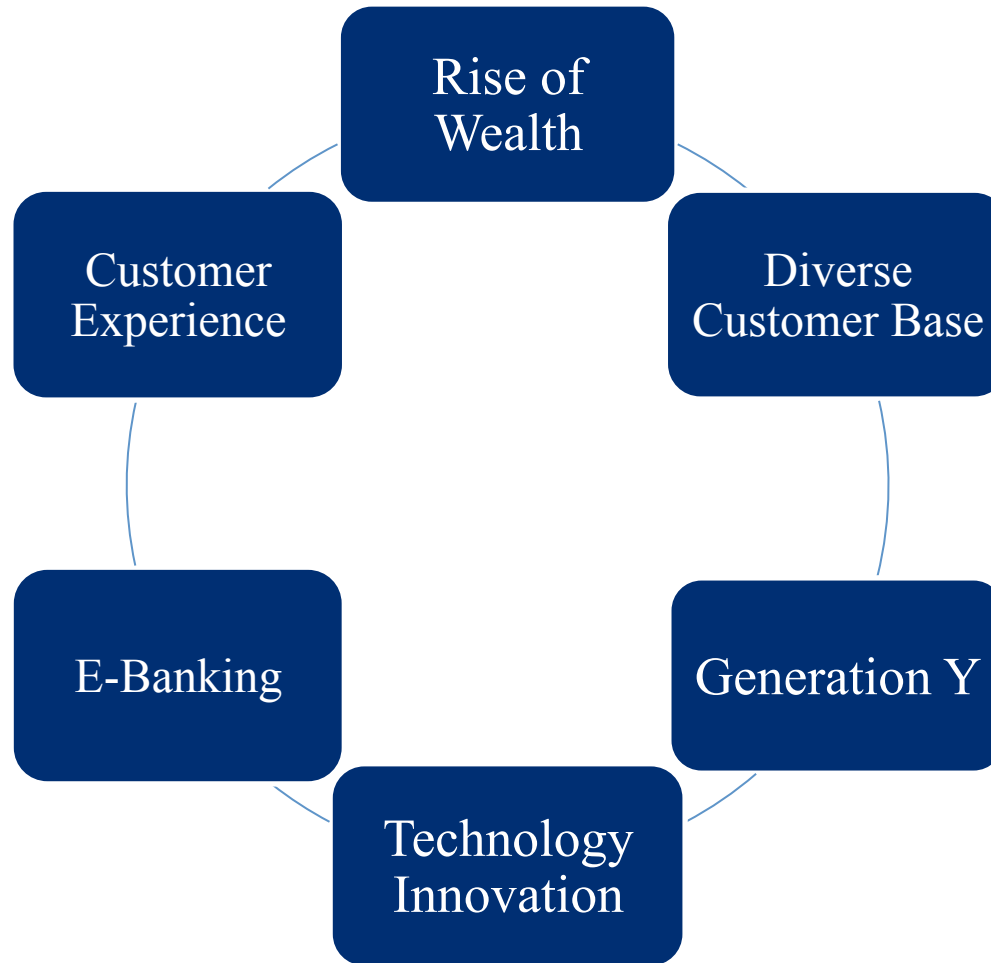
Top 11 Submission 2011



Source: Asian Banker Research

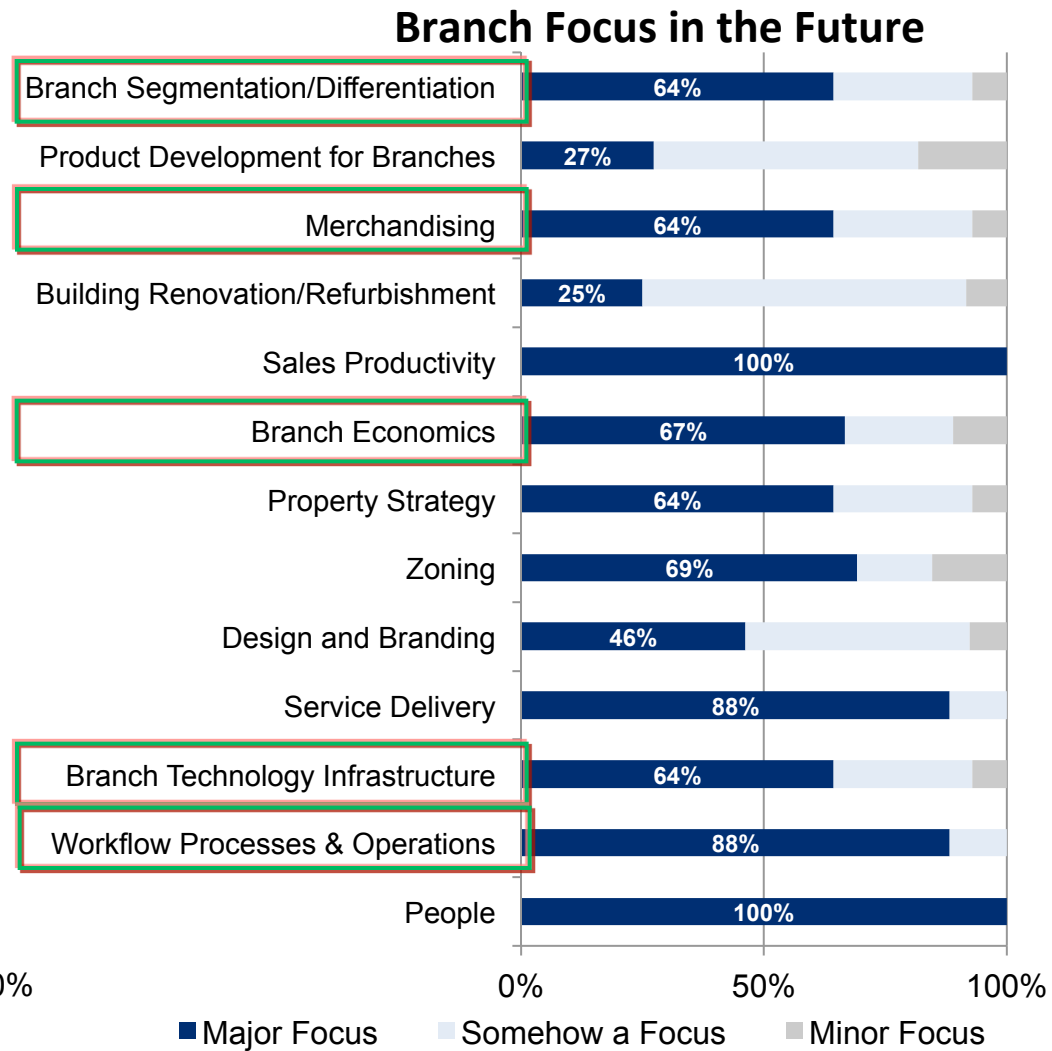
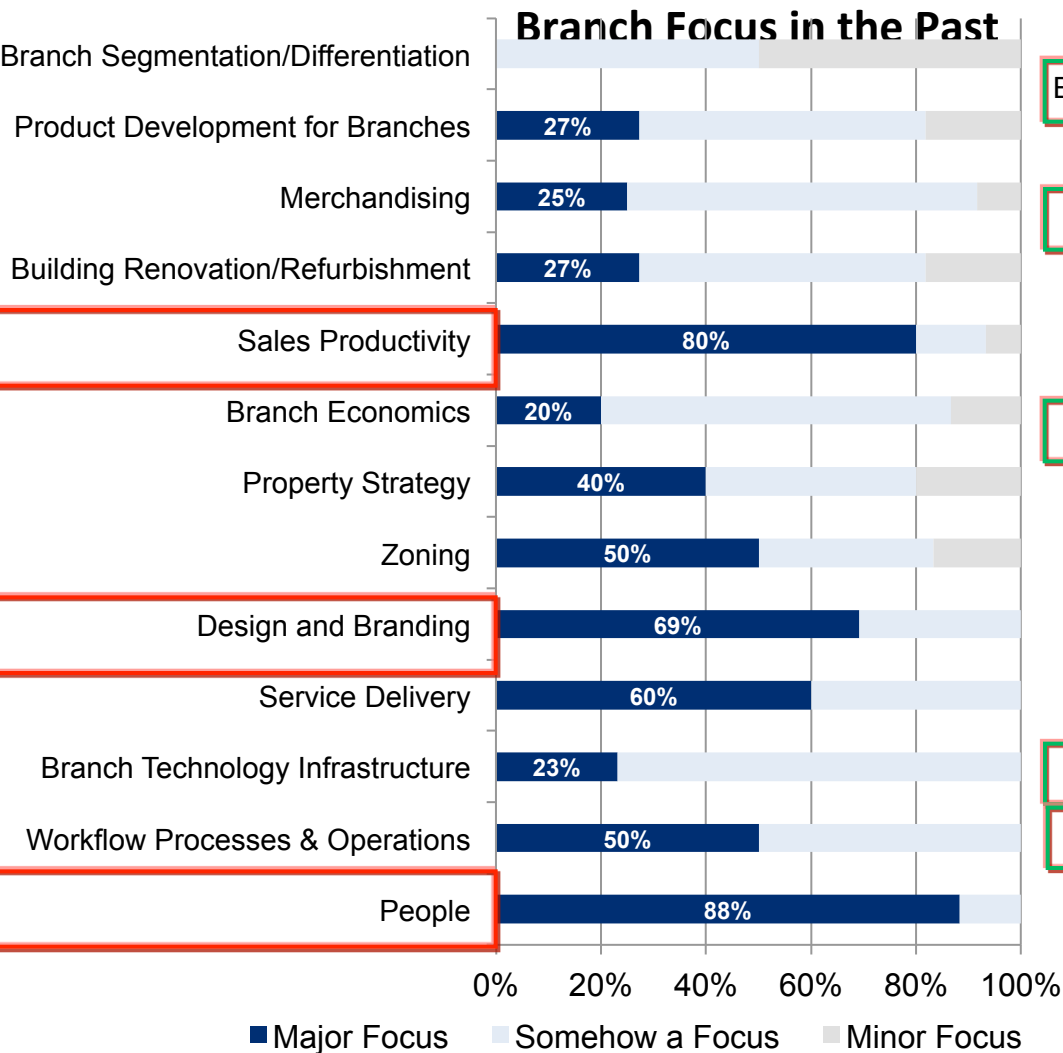
Banks are responding to a set of market and environmental challenges

Key Drivers in Branch Transformation



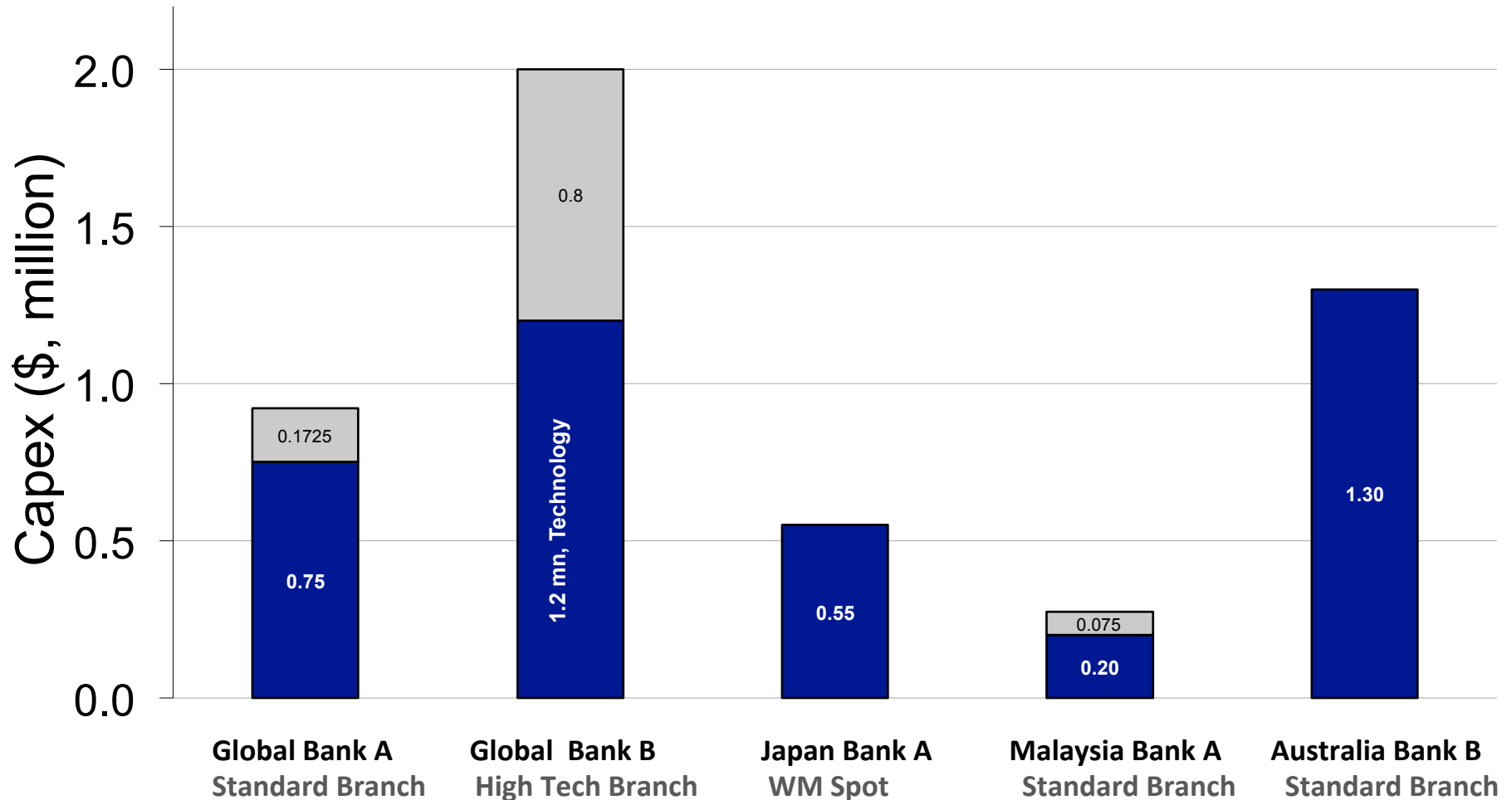
In 80% of branch transformation exercises, the key motive is to streamline cost and processes

Focus in Branch Transformation



Banks intend to shorten the break even time (capex+opex) from an average of 2-3 years to below one year

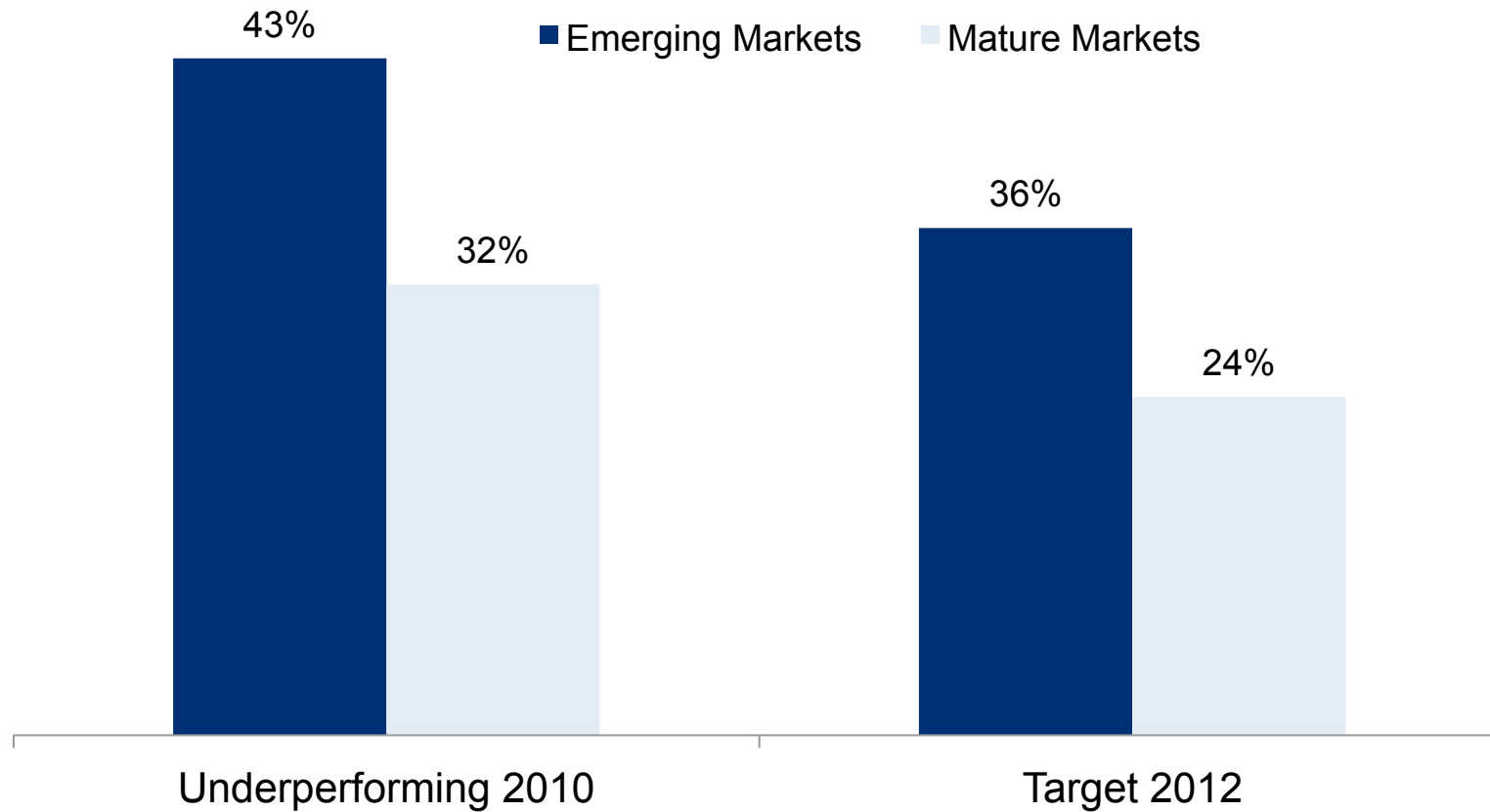
Capital Expenditure for New Branches



Source: Asian Banker Research

More than 30% of all branches in mature markets are underperforming

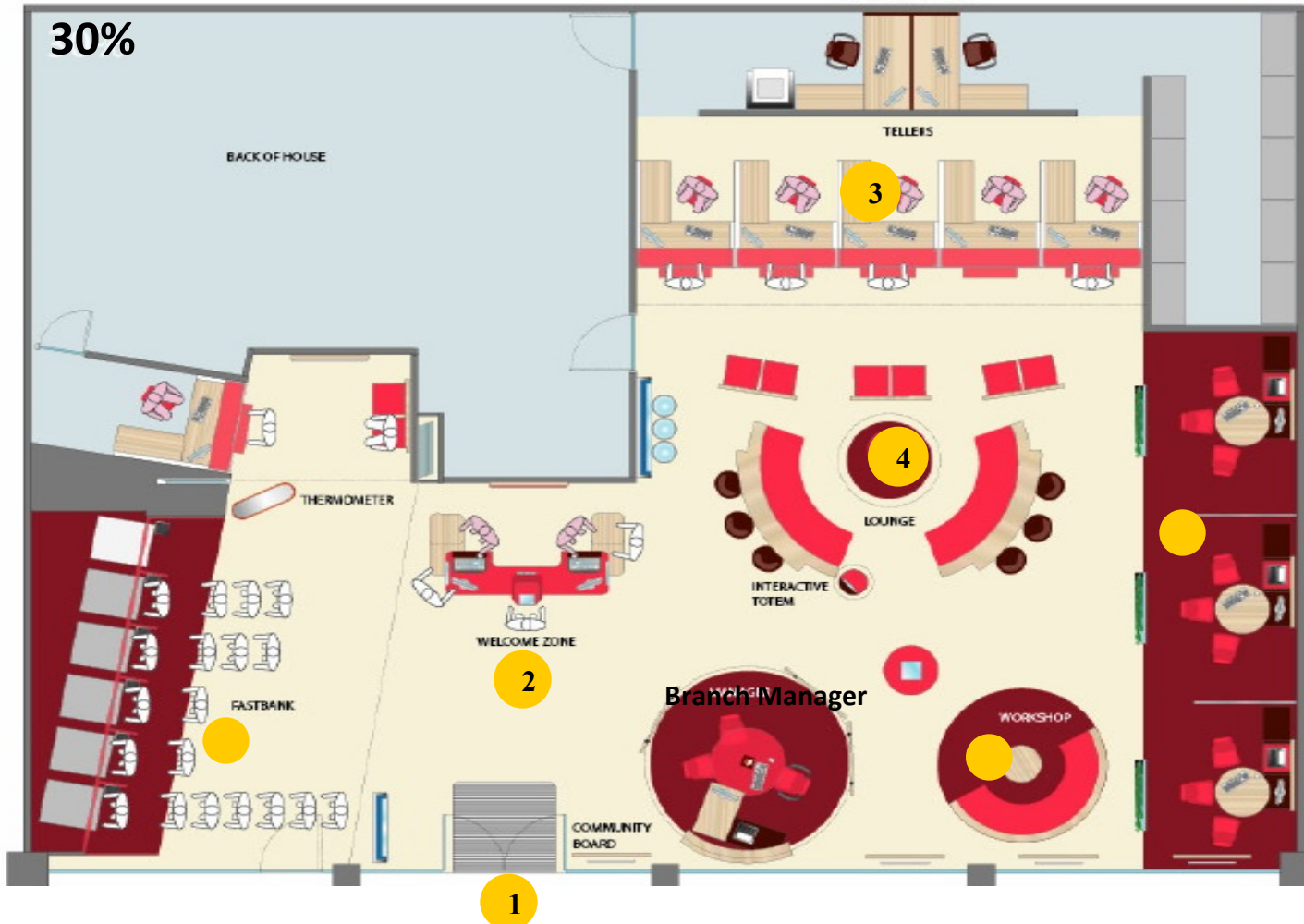
Portion of Branches (%) that are Underperforming in the Portfolio (Viewpoint of Executives)



Source: Asian Banker Research

Banks focus on what customers are doing in distinctive zones

Typical Floor Plan for a Hub Branch in Asia Pacific (150-400sqm)

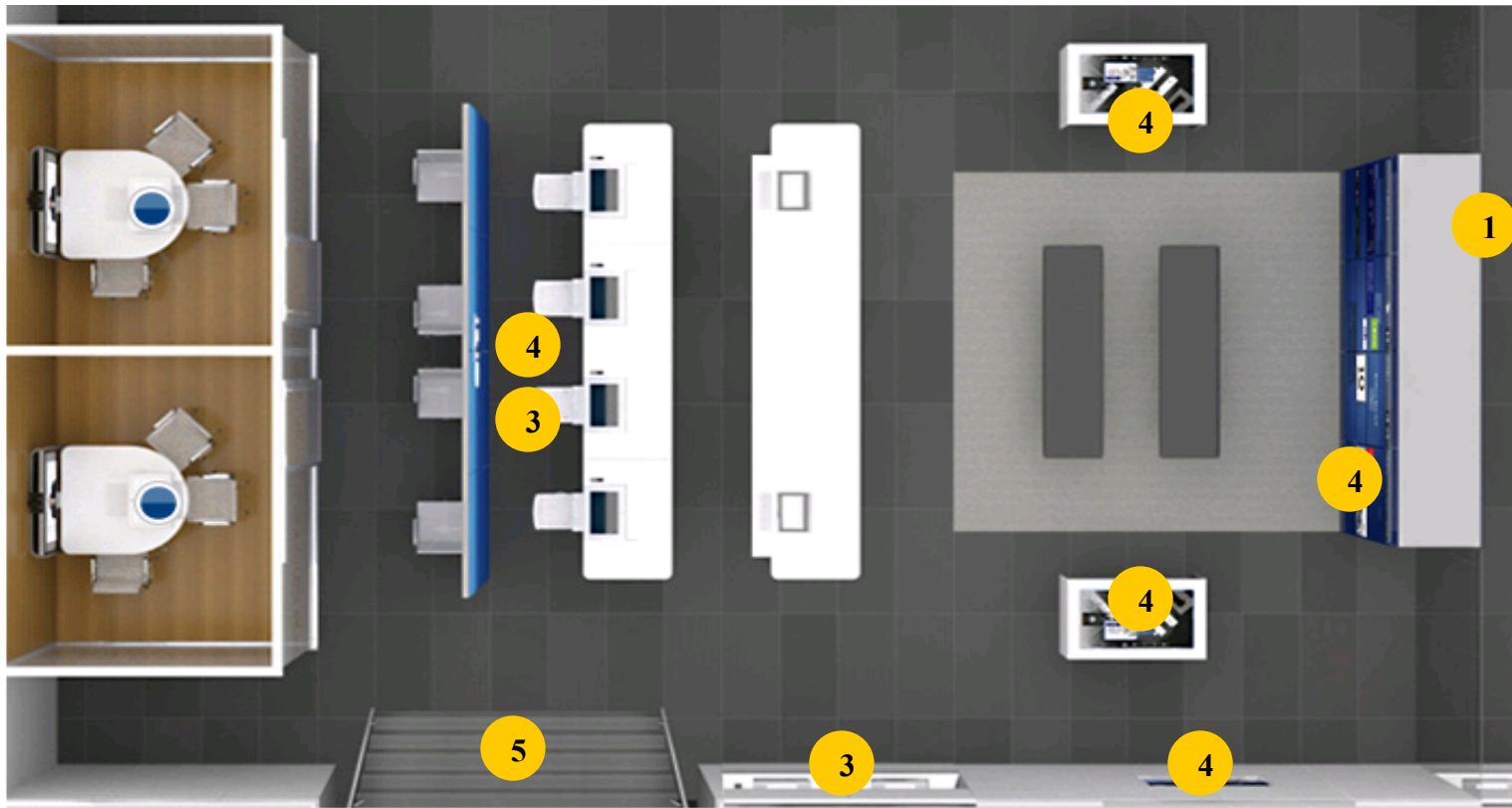


- **Attraction**
 - Availability of Parking
 - Appealing Store Front & Hygiene
 - Transparency
- **Welcome**
 - Orientation & Guidance
 - Identification of Needs
- **Transaction**
 - Delivering faster more efficient transaction services
 - Increased sales referrals
 - Reduce costs
 - Eliminate paper
 - Improve customer satisfaction
- **Inspire-Inform-Discover**
 - Waiting Area
 - Stimulating interest
 - Learning
 - Merchandising
 - Self-service
- **Engagement**
 - Turning Interest into Sales
 - Private Consultation
 - Building Relationships
 - Closing sales & Productivity
 - Collaborative Tools
 - Advisory Skills

Source: Asian Banker Research

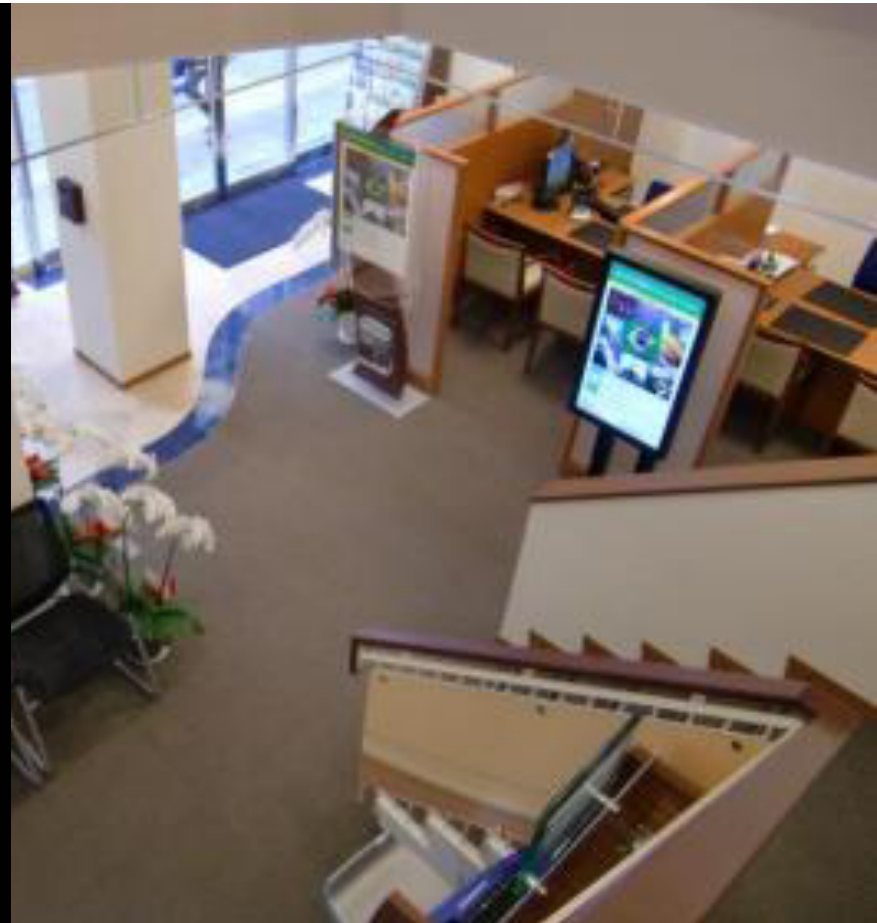
Citibank claims to offer a new interaction model for the branch of the future

Branch Zoning at Citibank Japan



- Attraction**
 - Availability of Parking
 - Appealing Store Front & Hygiene
 - Transparency
- Welcome**
 - Orientation & Guidance
 - Identification of Needs
- Transaction**
 - Delivering faster more efficient transaction services
 - Increased sales referrals
 - Reduce costs
 - Eliminate paper
 - Improve customer satisfaction
- Inspire-Inform-Discover**
 - Waiting Area
 - Stimulating interest
 - Learning
 - Merchandising
 - Technology center
 - Self-service
- Engagement**
 - Turning interest into Sales
 - Private Consultation
 - Building Relationships
 - Collaborative Tools
 - Advisory Skills

This bank struggled to keep cost under control suffering a retail cost to income ratio of 80%



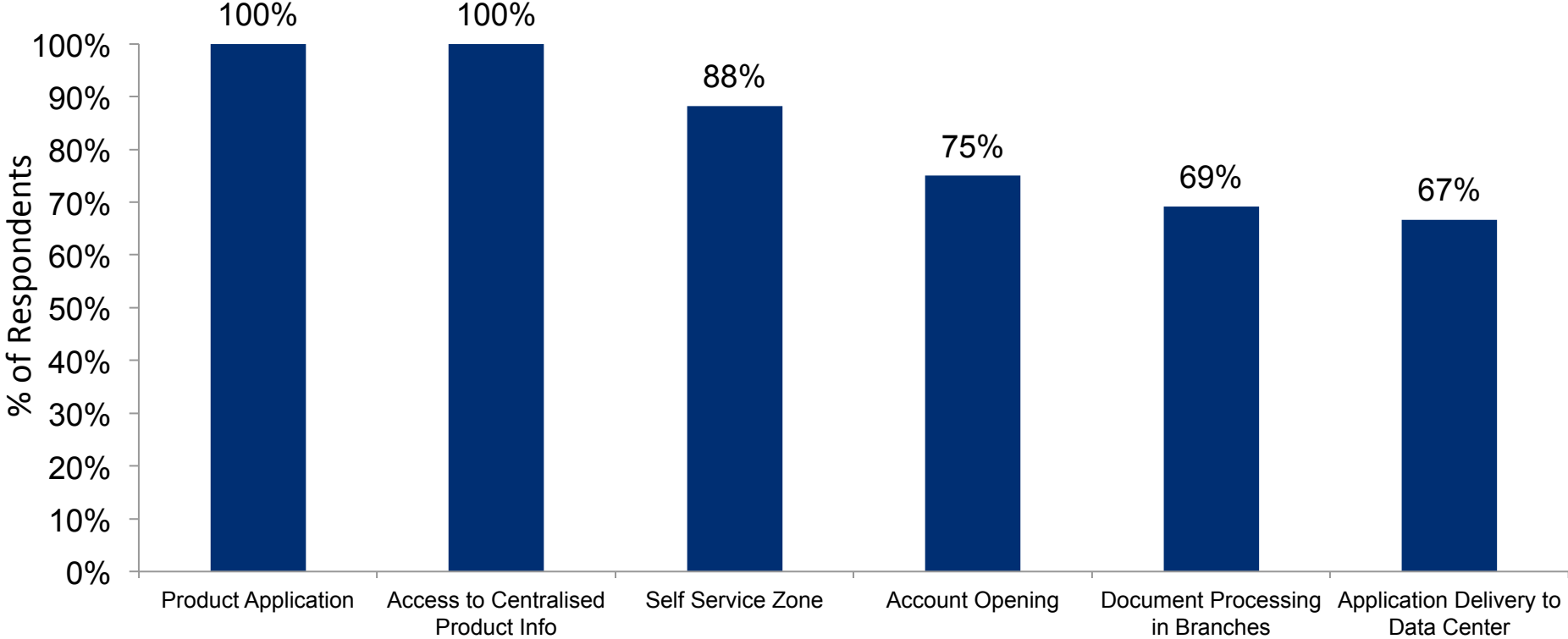
The challenge in rationalising branches is to capture meaningful savings with minimum damage to current revenues and maximum advantage for long-term performance

How do you rationalise branch networks and expenses without harming the franchise?

Branch Formats	Branch Activities	Branch Locations
<ul style="list-style-type: none">▪ Balance complexity versus single operating branch format▪ Re-evaluate the one stop▪ Banks require a full picture of how customers interact with the bank	<ul style="list-style-type: none">▪ Impact of automation▪ Siloed approach to efficiency▪ Centrally directed expense reduction harms larger branches more than smaller ones	<ul style="list-style-type: none">▪ Maintaining a certain density level to grow share in micro areas▪ Strong collaboration between hub and spokes model▪ Flexible Rationalisation Policy▪ Broaden demographic analysis

After putting major efforts in streamlining and automating the account opening process the focus will shift to other front and back end areas

Focus of Branch Automation in Future – “What will be your major focus between 2010-2012?”

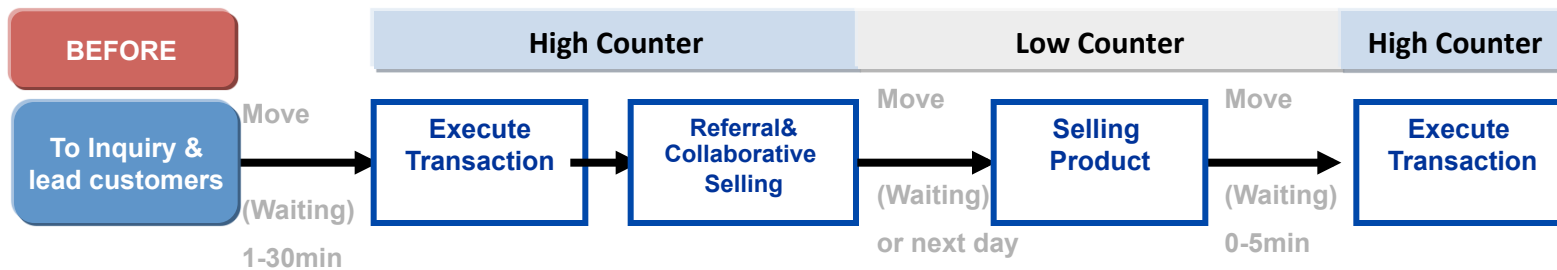


Source: Asian Banker Research

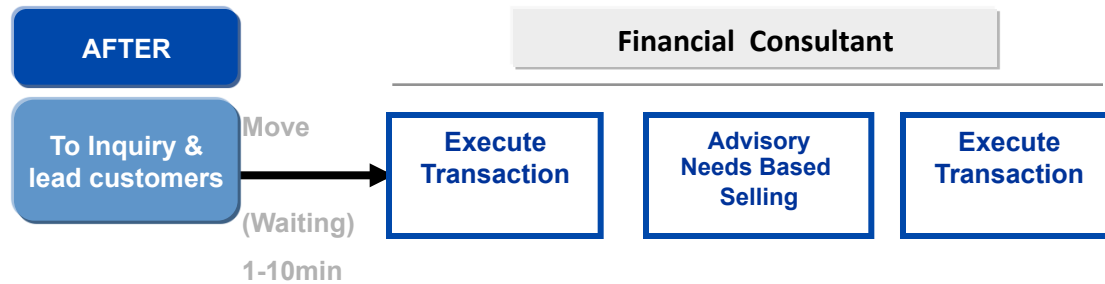
After having conducted extensive customer motion/flow studies in the branch, this bank has further reduced moving and waiting time

Impact on customers and branch staff with disintegrated workflow processes and low levels of automation

The number of customers' moving and waiting is excessive



Impact on customers and branch staff after integration and higher level automation



Range of interactive branch technology deployed in branch banking today

Multi Touch Tabletop

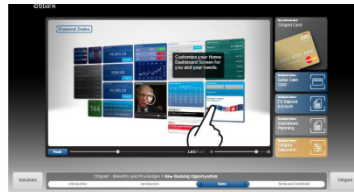


- Interactive - Indoor
- Object Recognition
- Multi Touch Screen
- Multi User Experience (Consultation)
- Product Information/Demonstration
- Tools and Calculators
- Print Materials

Express ATM Branch/Kiosks

- ATM with Video/Audio linkages
- Teller Substitute
- Interactive
- Transactional
- Unmanned/Small sized Branches
- Consumer Credit Product Disbursement

Discovery Wall



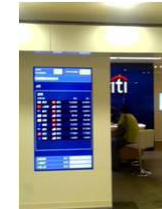
- Interactive - Indoor
- Multi Touch Screen
- Multi User Experience (Customers)
- Tools and Information
- Product Information/Demonstration
- Tools and Calculators
- Print Materials

Video Phones



- Interactive
- To see everything what staff sees
- Consultation with Product Experts
- In Branch or Kiosks
- Unmanned/Small Sized Branches
- Segmented Large Scale Service Branches (e.g. Wealth Management Centers)

Media/Video Wall



- Interactive
- Non-Interactive
- Media/News
- Welcome Pictures
- Product Information/Demonstration
- Outdoor/Indoor

Miscellaneous

- Wifi in Branches
- Pre-capturing Device (Queue Buster)

Conclusions

- Rise of more but smaller branches that reach deeper into the communities where people live and work
- Branches will turn into financial asset and management centers
- Synchronising technology, processes and the human interface will be key
- Better tools for determining branch location, format and activities will be utilised
- Banks will hire branch staff who can quickly pick up the cues and formulate responses
- Branch integration with e-channels and personal devices will be a differentiator in the market

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END

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