



## Executive summary

### PricewaterhouseCoopers Global Financial Services Briefing Programme

Welcome to our Asia financial services briefing entitled **Winning the battle for growth: Building the customer-centric financial institution in Asia.**

This briefing, written in co-operation with the Economist Intelligence Unit, examines **customer-centric growth** issues within the financial services industry in Asia. Few executives in the financial services industry would disagree with the aim of becoming more customer-centric – structuring and running their organisations with the goal of providing a better customer experience. But what does the customer-centric organisation in Asia really look like, how do financial institutions in Asia plan to change to meet this goal, and how can organisations maximise their growth potential as a result?

The research effort for this briefing comprises two global initiatives:

- The Economist Intelligence Unit held over nine one-on one interviews with senior executives at financial institutions in Asia.
- The Economist Intelligence Unit and PricewaterhouseCoopers conducted a special online survey of senior executives in financial institutions on the subject of customer-centric growth. Executives from over **85 institutions in Asia** participated in the survey, which was conducted during March and April 2006.

The interviews and survey findings were further supplemented by significant desk research.

I am confident that you will find this briefing thought-provoking and insightful. Electronic copies of this, along with our previous global briefings on **Wealth Management, Economic Capital, Risk Management, The Trust Challenge, IFRS, Compliance, Restructuring, Governance, Performance Improvement, Growth and Offshoring** are all available free of charge from our website [www.pwc.com/financialservices](http://www.pwc.com/financialservices)

If you would like to discuss any of the issues addressed in more detail, please speak to your usual contact at PricewaterhouseCoopers or one of the editorial board members listed at the end of this briefing. We would also appreciate your feedback on this briefing as it helps us to ensure that we are addressing the issues that you are focusing on.

**Dominic Nixon**  
Financial Services Leader, Asia

## Executive summary continued



Financial institutions operating in Asia face a choice: get closer to the customer or lose out to rivals who do. Only by being customer-centric can institutions capitalise in a sustainable way on the opportunities being created in the region, whether they occur through mergers and acquisitions or through organic growth.

To become truly customer-centric, financial institutions need first and foremost to gear their cultures towards serving the customer. That means putting customers' needs, not short-term profits, first. It means providing customers with a choice of channels – the more business clients do, it seems, the more channels they tend to use. It also means breaking down product silos so that customers can be served effectively at their first point of contact. And it means motivating staff on the basis of customer-related metrics as well as financial ones.

According to a survey of 85 senior executives in Asia<sup>1</sup> carried out for this briefing, institutions often concentrate more on metrics measuring financial performance than they do on customer-related ones. Firms are more likely to focus on customers' product histories than on their future value to the organisation or how loyal they are. Responsibility for the quality of the customer experience is often dispersed among heads of business units and the managers of product lines.

The winners of tomorrow will focus on three areas in particular:

**Technology.** Asked to identify the obstacles in the way of becoming more customer-centric, survey respondents point first to technology. IT systems often inhibit the sharing of data across products, business units and customer channels, particularly for those who inherit legacy systems through acquisition. They can also require customers to resubmit the same information to the organisation on numerous occasions. Improving these systems cost-effectively will be a top area of focus for survey respondents next year.

**Information.** Enabling information to be shared is one thing; using that information effectively is another. 'Firms need to be selective about the data they collect and to focus on the information that will enable their staff to do a better job', says Dominic Nixon, Leader in Financial Services for PricewaterhouseCoopers in Asia. As well as filtering data to get a single view of existing

customers, institutions should use it to anticipate customers' needs, design new services and link products in a way that adds value for customers.

**People.** The quality of customer-facing staff is critical in fostering loyalty, managing specific complaints that could affect customer satisfaction and, ultimately, in enabling firms to capitalise on the opportunities before them. Yet fewer than 30% of respondents rate the performance of their customer-facing staff as being of the highest quality. Improving the quality of people in customer-facing roles ranks alongside improved IT as respondents' top priority over the next 12 months. The task of improving the performance of staff is made more difficult by the fact that it is becoming harder to retain good people in Asia.

A majority of respondents said that retaining talent was a critical barrier to improving the performance of their staff.

<sup>1</sup> For the purposes of this briefing, Asia excludes Australia and New Zealand

## Executive summary continued



The survey results show that mergers and acquisitions are nearly twice as important as a source of growth to financial institutions in Asia as they are elsewhere in the world. Yet the path to customer-centric growth, whether organic or non-organic, still rests on five common planks:

- **Abandon product silos.** Respondents in Asia believe that existing customers will be their main source of organic growth over the next three years. To capitalise on this opportunity, organisations will need to share data on customers across product lines. Some of this depends on IT systems being flexible enough to deliver the information. But it is also a cultural challenge – accepting that the value of a customer may shift between different parts of the business over time and that staff should be given incentives to share data for the good of the overall organisation. This is all the more important when a firm is young and has a multitude of new products.
- **Understand the customer.** Anticipating and addressing the shifting needs of customers requires organisations to analyse demographic data more effectively, to offer products that are better suited to personal circumstances and to view the customer through the prism of future as well as present value. This is something that few organisations do, let alone do well. Approaching their customers in this way enables organisations to maximise opportunities to cross- and upsell; it also prevents customer churn. One of the main reasons why customers leave organisations, according to the survey respondents, is change in their circumstances and requirements.
- **Identify and appoint a customer champion.** Only one in 10 respondents has a head of customer service in charge of the customer's experience. At many institutions, responsibility for this is spread between different business units or resides, among other responsibilities, with the head of marketing or sales. Appointing somebody senior whose job it is to view the institution from the outside in will help to ensure that the customer's voice is heard when key decisions are made. This applies as much to insurers and investment managers, who often work through intermediaries to reach the end user, as it does to bankers and those who deal directly with the end-user. CEOs also need to provide a clear lead on how firms should work to improve their relationships with customers.
- **Empower customer-facing staff.** The people on the front line are critical: survey respondents are clear that their interactions with customers during 'moments of truth', when a complaint is made or an urgent query is addressed, have a greater impact on customer loyalty than providing high-quality advice or the efficiency with which transactions are made. Reducing the number of hand-offs to other people and enabling problems to be solved at the first attempt by providing the right information to customer-facing staff are key to serving customers effectively.
- **Fashion and follow suitable customer metrics.** Financial institutions are more likely to collect financial metrics, such as average revenue per customer, than they are non-financial ones, such as levels of customer satisfaction and loyalty. Organisations also prioritise financial metrics when setting targets for staff. Yet respondents to our survey also recognise that financial metrics are generally less effective than non-financial ones in showing how customer-friendly organisations are. Measuring and rewarding performance on the basis of customer-related metrics will encourage better behaviour and, in the long run, higher profits.



## Growth is not the problem

The problem for those in financial services in Asia is not a lack of growth. Far from it. Demand for such services in developing markets like India and China is growing like never before. According to calculations by Citigroup, Asia already has a 'bankable' population – meaning the number of people who could require financial services of one kind or another – of 508 million. This is nearly twice the size of the US market.

Citigroup reckons that at the last count the overall wallet' for spending on financial services of all forms in Asia (excluding Japan) was worth \$304 billion a year, a figure that is expanding at the rate of about 10% annually. Of that total, corporate and investment banking accounts for 46%; consumer banking, including credit cards, about 42%; and management services, including private banking, another 12%.

The outlook is similarly benign in insurance. Asia has a big population that is largely underinsured. Penetration rates are low and the potential for growth is huge, although as distinctions between different types of financial services providers blur, the risks that insurers will lose out to banks and fund managers unless they look after their customers also grow.

The opportunities for financial services institutions throughout Asia are therefore genuine and dynamic. When asked which strategies would be most important to their organisation over the next three years, nearly 85% of respondents to our survey in Asia said organic growth would be critical or important. This was more or less in line with the figure for respondents to the same survey in other parts of the world.

Mergers and acquisitions (M&A) are expected to be substantially more important in Asia than elsewhere in the world. No fewer than 57% of those questioned in Asia said M&A was likely to be critical or important in helping their organisations to meet growth targets, almost double the proportion of respondents outside the region. Firms in Asia will need to spend more time than counterparts elsewhere in the world on due diligence, making sure not just that they can realise synergies but also that they can keep newly acquired customers happy.

'In many Asian markets these are heady times for those in financial services. Wealth is being created at an unprecedented rate and customers are hungry for outlets and ideas', says Karen Loon, a partner with PricewaterhouseCoopers in Singapore. Yet many institutions are in danger of wasting the opportunity because they are blinkered and fail to think far enough ahead.

For one thing, the nature of growth in Asia is not the same everywhere. As Mervyn Davies (Group Chief Executive of Standard Chartered), reminded shareholders in the bank's most recent annual report: 'There are changing trends in demographics worldwide, which will inevitably influence our business going

forward. In five years' time there will be over 100 million people in China aged over 65 and, in India, over 350 million under the age of 15.'

Such divergences, he says, will inevitably result in institutions such as Standard Chartered having to segment their customers in ways that only a minority have yet managed to do. Branding will also come under the spotlight as those in charge of marketing ponder how best to portray an institution and its services in a way that appeals equally to people whose lives may be separated by half a century of economic ups and downs.

Understanding the differing needs of customers in the region is therefore critical. But in our survey, which covered all sectors from insurance to investment management, we found plenty of evidence that many institutions in Asia fail to think from the customers' perspective. Even when new products hit the spot, many firms are let down by their failure to integrate what they know of the customer. Nor do enough companies take the trouble to train and motivate their staff to a level that will enable them to build on their success. As these firms will discover, once the customer's trust is lost, it is painful and expensive to regain it.

## Growth is not the problem continued



### Islamic finance to the fore

It is not just conventional banking and financial services that are growing at an enviable rate in Asia. Demand for Islamic finance is too. With the help of HSBC Amanah, which specialises in Islamic finance, the Kingdom of Brunei recently bypassed conventional capital markets altogether to raise Bru\$150 million (\$95 million) through an issue of asset-backed securities that complied with *Sharia* law. Though a first for Brunei, other sovereign nations like Malaysia have been doing similar (and much larger) transactions – called *sukuk* – since 2002.

Nor is the growth restricted to wholesale financial markets. Islamic finance for retail customers is picking up fast as well. In Malaysia the Islamic banking division of OCBC Bank saw its financing to individuals as well as companies jump by more than 60% during 2005. The reason? The bank's

'customer centric' approach to lending, says Dato' Albert Yeoh, OCBC's Chief Executive Officer in Malaysia.

'Financing based on our popular Cash Financing-i product grew by 150% compared to the previous year. We see this as an indication of greater acceptance among the borrowing public and further confirmation that the product is indeed meeting the needs of customers out there who are interested in Sharia-compliant lending schemes that bring added value to them', he says.

Thanks to encouragement from the government, Malaysia now has one of the most advanced systems of Islamic finance in the world. As well as a banking system that avoids the payment of interest, forbidden under *Sharia* law, the country has debt and equity markets that comply with it. The Islamic interbank money market there was established more than a decade ago.

Islamic insurance (*takaful*) is also catching on. A joint venture between Britain's Prudential and Bank Simpanan Nasional is among the latest to receive a licence to offer such products in Malaysia.

Yet the country will have to fight for its share of new business. Such is the speed with which Islamic finance is taking off in Asian countries (including Indonesia) that the Monetary Authority of Singapore recently gave the nod to banks there to offer *urabaha*, a form of short-term finance used for trading. In April, Singapore was also made a full member of the Islamic Financial Services Board, an international body that sets standards within the industry. Lawyers and professionals offering other services to those seeking Islamic finance are also being attracted to the territory.

Some predict that *takaful* will grow by 20% a year for the next couple of decades. While most of the demand for *takaful* is in the

Middle East, more than one third of it is in Asia. At least half the business written there now is non-life, with significant room for family *takaful* (life) and *retakaful* (reinsurance) to grow. Countries with large Muslim populations are concentrating on writing direct *takaful* business; others, like Singapore, with minority Muslim populations are likely to focus more on *retakaful*.

Angelo M Venardos, author of a recent book\* on the subject, reckons that there are now more than 265 institutions (with assets in excess of \$262 billion) worldwide offering Islamic finance. Since, on some estimates, more than half the clients seeking Islamic banking services from OCBC and HSBC in Malaysia are non-Muslims, it will not be surprising if the total continues to rise. In Islamic banking, as elsewhere, what the customer wants, in the end the customer tends to get.

\*Islamic Banking & Finance in South-east Asia: It's Development and Future, published by World Scientific Publishing Co. Pte Ltd, Singapore.



## Technology counts

Many institutions in Asia have managed to escape the need to integrate creaking and incompatible legacy systems. Firms such as ICICI Bank, a rising star among India's crop of private sector banks, started from scratch a decade or so ago and simply bought in the latest information technology. This gave the bank an immediate advantage over most of its competitors in the country's public sector.

Others have been less fortunate. When asked to cite the main barriers in Asia to making their organisations more customer-centric, survey respondents ranked problems with information technology, highest. Like their western counterparts, many Asian firms are unable to share data on customers across products, business units or distribution channels. This deprives companies of a single view of the client, which can be critical in securing future business.

It also makes it hard for firms to answer queries from customers who have more than one product or service, or who use a number of channels to interact with an institution. Organisations that aspire to be truly customer-centric must learn to serve their customers on a series of fronts while maintaining a single view of each and every one, and responding appropriately to his or her needs.

To be fair, many firms are aware of the problem. When asked what they would do over the next 12 months to make themselves more customer-centric, more than 60% of respondents to our survey in Asia said their organisation intended to improve its IT systems.

The technological agenda is not just about investment in the latest Customer Relationship Management (CRM) applications. It is also about upgrading and adding distribution channels. More than half of those questioned in our survey said that their organisations intended to devote more attention to the Internet over the next three years, in order to encourage growth (although not at the expense of branch networks). Almost one-quarter plan to give more attention to mobile devices.

Take Visa, the electronic payments network. Thanks partly to such measures as *Visa Money Transfer*, *Visa Bill Pay* and *Visa Top Up* for mobile telephones, the company saw domestic spending on credit cards in India increase by an impressive 49% during the final three months of 2005. This makes the country the fastest-growing market for such payments in Asia – ahead of the Philippines (up by 43%), Thailand and Hong Kong (up by 20% each).

'Harnessing the power of mobile technology, for example, to accept secure, credit and debit payment using mobile phone SIM cards, lowers the entry barriers for small and

medium-sized merchants, thereby expanding card acceptance in non-state-capital cities', says Paul Dowling, Executive Vice President for Corporate Relations for Visa Asia Pacific. 'Working with our member banks on programmes such as these, Visa has seen a substantial jump in the number of credit and debit cardholders across India – a 28% growth to 36 million cards over the three months to the end of December 2005 – also contributing to the growth in India's domestic spending', he adds.

Such is the pace of change, both technically and in the way that customers expect to do business, within markets like India and mainland China that institutions that stand still are likely to be left behind. Even relative newcomers to the sector will find that, as customers' expectations rise, they will have to invest more to stay ahead.

'Today you have to think way ahead because customers are more aware, they are more knowledgeable, they are better travelled and better educated. Also, because of the mushrooming of media and the Internet, customers' access to information is far

## Technology counts continued



greater and in real time. Their expectations are therefore very high' says V. Vaidyanathan, Senior General Manager and Country Head for Retail Banking at ICICI Bank. 'Not only do we have to meet the needs of the customer; we have to anticipate the next unstated need, and make plans to fulfil it.' Yet, as he rightly points out, simply having the latest technology is not in itself a panacea. 'As important as the system is having the capability to use it.'



## On the frontline

When asked what makes their existing customers more likely to do business with them, respondents to our survey in Asia cited well-trained, responsive staff as the most important factor, marginally ahead of performance of products.

Dealing with customers' problems smoothly and efficiently not only engenders trust and loyalty; it also leads to extra sales. Yet fluff that 'moment of truth' and you can lose customers for good, particularly in markets where competitors are seen to be offering exciting new products. Almost three-quarters of respondents believed that addressing a customer's problems, well made them more loyal. Tellingly, this was twice the number who cited the provision of high-quality financial advice or even the offer of suitable new products and services.

Yet the evidence suggests that many firms are failing to develop a customer-centric approach to the development of their staff. Those questioned in our survey give the overwhelming impression that they are likely to continue to focus on products at a time when a much more integrated approach would pay dividends, particularly over the medium term.

When asked where their firm had invested most during the past three years to improve the performance of their staff, by far the highest proportion (54%) of respondents in Asia cited training on products and services. This was three times the number who mentioned efforts to change the behaviour of staff to customers and, in a region where good staff are becoming increasingly hard to attract and retain, nearly twice the number who pointed to recruitment. When asked to peer ahead over the next 12 months, respondents gave more weight to programmes, to change the attitude of staff to customers but training on products and services still gets top billing.

'If you continually push products instead of providing solutions, you will do OK in the short term,' says Alex Thursby, Global Head of Client Relationships, Wholesale Banking, for Standard Chartered Bank. 'But eventually the client will decide that what you have to offer is unhelpful.'

Respondents also give relatively short shrift to efforts to engage employees, despite the challenge of retaining talent in the region. (More than half of respondents in Asia pointed to the difficulty of holding on to key employees). 'Though firms may be aware of the need to concentrate more on developing the skills and attitudes of their staff, there is little evidence so far that they are actually addressing the problem', says Ms Loon of PricewaterhouseCoopers.

In many Asian markets, where educated talent is in short supply, financial institutions must also think of different ways to recruit staff. ICICI Bank, for example, has found that many of India's engineering graduates also make good bankers, says Mr Vaidyanathan. The bank is also taking its message to schools as well as universities to encourage students there to think of a career in finance and banking.



## Why metrics matter

Institutions in Asia also need to do better at gathering and analysing the right information in order to gain a clearer view of the customer and his or her needs. Although 79% of respondents say they already collect data on average revenue per customer, fewer than one-quarter have a handle on what a customer's future value to the firm is likely to be.

Many institutions fail even to collect data on levels of customer satisfaction and loyalty. Only 58% of those questioned in Asia said their firm regularly collects data on satisfaction levels among their customers, even though this metric is also reckoned by respondents to be the best indicator of how customer-friendly their institution is. Far fewer collect information on levels of customer loyalty, commonly regarded as a better predictor of future business than levels of satisfaction.

One sector where contact with the customer is further developed is private banking (see box). Not only is the market for such services

in Asia growing fast, it is also becoming increasingly competitive. Renato de Guzman, Chief Executive of ING Private Banking in Asia, reckons that the number of people in the region with a net worth of between \$4 million and \$8 million is expanding at the rate of 10% or so a year.

To remain profitable and provide the customer with a first-rate service, he says that private bankers need to segment their customer base carefully – not just in terms of the size of the portfolio but whether their holdings are largely

on- or offshore, what their investment aims are and what plans they may have for the next generation.

In Asian markets, where much of the wealth is linked to family businesses and where the patriarch or matriarch likes to maintain control, it can be tricky for private bankers to strike the right balance. 'Not only does each segment require a different type of approach,' says Mr de Guzman, 'those within the same sector can also have different aims: some, for instance, are more short-term in their investment horizons than others.'

### UBS: Asia's private banker

Few businesses are more customer-centric than private banking – people with a lot of money like to be taken care of, and in a special way. And few banks are more successful at it, both globally and in Asia, than UBS. Last year alone, UBS was voted Best Global Private Bank and Best Private Bank Asia by Euromoney, and secured Best Private Bank by one of Asia's leading

financial publications, Finance Asia. 'Almost half of the billionaires in Asia are clients of ours', says Kathryn Shih, Head of Wealth Management, Asia Pacific, for UBS.

Operating out of eight locations in Asia – Tokyo, Osaka, Sydney, Melbourne, Beijing, Taipei, Hong Kong and Singapore – the bank had 114 billion Swiss Francs of private wealth under management at the end of 2005. The invested assets of UBS's private

banking arm in Asia have grown by 45% a year since 2000, while the number of its wealth management advisers has increased from less than 200 six years ago to 530 at the end of 2005.

Why is UBS so successful? The bank's history and track record play their part. With 140 years of wealth management behind it, the bank can point to families in Europe that it has assisted over several generations.

Continued overleaf



## Why metrics matter continued

### UBS: Asia's private banker continued

And with wealth management accounting for 40% of its worldwide income, the bank can also boast a degree of specialisation that others find hard to match. At Citigroup and HSBC, wealth management accounts for only around 5% of total income.

But the importance of understanding the customer is also critical. 'It's all down to the basics: being very relevant to clients and knowing what they need', says Ms Shih. 'From our research, we understand that what our clients really want is that we listen to them, then meet their needs.'

Listening, however, is only the beginning of a process whose end-goal is a client with confidence in the decisions he or she takes about his or her wealth. This involves four main steps:

- Taking the time to listen to a client and understand him or her.
- Proactively preparing solutions for the management of the client's wealth.
- Implementing these solutions.
- Conducting regular reviews and follow-ups.

Most of UBS's new customers come by word of mouth. Recommendations and suggestions are followed up by the bank's team of advisers: each specialises in a region that allows them to work with people from the same country or region where they are familiar with local regulations, tax regimes and even the clients' industries. 'It's a very competitive market for staff,' says Ms Shih, 'but we have a lower turnover rate than our competition' – a fact she attributes to the bank's dominant position and the reputation that comes with it.



## Make way for the customer

The headlong rate of expansion in some Asian markets is creating wealth on an unprecedented scale. As Stephen Green, (then) Group Chief Executive of HSBC Holdings, reminded the British Chamber of Commerce in Mexico during a speech at the end of 2005, 'If China maintains its current growth rate, the size of its economy will double every eight years.'

This is stoking heavy demand for financial services. Take CITIC Prudential Fund Management, a joint venture between China's CITIC and Prudential of the UK. Between the fifth and the twenty-sixth of April this year, the company attracted no less than RMB 3 billion (£205 million) from 77,000 customers to its new balanced fund. More than 87% of the money came from retail investors, says the company.

According to Ajay Srinivasan, Chief Executive of Fund Management for Prudential Corporation Asia: 'Our focus in this large and attractive market is clear – we will continue to work hard to understand the varied and changing needs of Chinese investors and to develop products that meet their needs.'

If opportunities to grow are a given for those providing financial services in much of Asia, being able to capitalise on those opportunities is not. Competition is increasing and the lines between insurers, banks and other providers

of financial services are blurring. Whether they are large or small, companies need to invest in systems that give them the right information and in people who are able to use that information effectively.

Firms should not be afraid to re-orientate their businesses so that earnings are measured on the basis of what specific customer segments buy, not how many specific products are sold. 'Our aim over the long term is to add value to the client and hence improve their performance and, by extension, our own,' says Mr Thursby of Standard Chartered.

Training and motivation can do much to orientate a firm towards its customers. But they cannot, on their own, overcome the roadblocks erected by territorial managers. Only by integrating information and procedures across channels with flexible technology and an open culture can firms satisfy today's customers. And only by satisfying customers can financial institutions

hope to grow their businesses in a sustainable way, no matter how strong they think demand will remain.

As Dominic Nixon, Leader in Financial Services in Asia for PricewaterhouseCoopers, says: 'Even in fastest-growing markets, what is needed is a determination not to lose sight of the customer and to focus on what he or she wants over their life cycle.' □



## Appendix: Survey results

The Economist Intelligence Unit and PricewaterhouseCoopers conducted a special online survey of senior executives in financial institutions on the subject of customer-centric growth. Executives from over 250 institutions in Asia, Europe and the Americas participated in the survey, which was conducted during April 2006. Our thanks are due to all those who participated for sharing their insights with us.

Please note that totals do not always add up to 100 because of rounding, or because respondents could choose more than one answer.

1. Which of the following strategies will be most important to your organisation as it seeks to achieve its growth targets over the next three years? Rate each strategy on a scale of 1 to 5, where 1 = Critical and 5 = Irrelevant.

	1	2	3	4	5
Organic growth	46%	39%	13%	3%	0%
Growth through M&A	30%	28%	22%	14%	6%
Growth through alliances and joint ventures	20%	43%	22%	12%	2%

2. What are likely to be your organisation's top three sources of organic growth over the next three years? Select up to three responses.

Existing customer penetration (cross-/upselling) with new products/services	68%
Existing customer penetration (cross-/upselling) with existing products/services	46%
New customer acquisition with existing products/services	41%
New customer acquisition with new products/services	39%
Geographic expansion into new markets	38%
New customer acquisition with price/margin change on existing products/services	24%
Changes in channel and distribution strategy	22%
Improved performance by intermediaries	8%
Existing customer penetration with price/margin change on existing products/services	6%
Encouraging exit of unprofitable customers	2%
Other, please specify	0%



## Appendix: Survey results continued

### 3. What are the factors that attract new customers to your organisation?

Rate each factor on a scale of 1 to 5, where 1 = Critical and 5 = Unimportant.

	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>Don't know</b>
Financial performance (low prices/high returns)	21%	38%	24%	7%	6%	4%
Mass-market advertising and marketing campaigns	6%	25%	37%	15%	16%	1%
Performance of intermediaries	12%	33%	27%	12%	11%	5%
Product or service differentiation	40%	40%	15%	1%	2%	0%
Product packaging	9%	45%	27%	10%	9%	1%
Quality of our service and staff	57%	36%	5%	1%	0%	1%
Recommendations from existing customers	39%	45%	10%	5%	1%	1%
Special promotional offers	16%	25%	24%	16%	18%	1%
Targeted advertising and marketing campaigns	15%	44%	24%	12%	4%	1%
Underlying brand strength and awareness	43%	37%	15%	5%	0%	0%



## Appendix: Survey results continued

### 4. What are the factors that make your organisation's existing customers more likely to spend money with you?

Rate each factor on a scale of 1 to 5, where 1= Critical and 5 = Unimportant.

	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>Don't know</b>
Access to additional products	9%	44%	27%	15%	5%	1%
A specific incident in which customer expectations were met or exceeded	22%	32%	28%	10%	7%	1%
Convenience and accessibility of service	27%	42%	25%	4%	2%	0%
Depth and quality of interpersonal relationships with the client	35%	45%	14%	5%	0%	1%
Difficulty of switching providers	7%	23%	30%	23%	12%	4%
Emotional loyalty to the brand and organisation	22%	35%	25%	12%	5%	1%
Geographic reach	18%	35%	28%	12%	4%	2%
Low prices/high returns	23%	36%	29%	8%	1%	2%
Quality of intermediaries	12%	26%	30%	13%	11%	7%
Quality or performance of product/service	57%	38%	4%	1%	0%	0%
Simplicity of processes	27%	41%	20%	9%	2%	1%
Well-trained, responsive staff	59%	35%	6%	0%	0%	0%



## Appendix: Survey results continued

**5. What are the three main reasons your customers voluntarily leave your organisation?  
Select up to three choices.**

Better competitor offerings	45%
Poor general quality of customer service	36%
Changing customer needs/circumstances	35%
Failure to deliver on promised performance	28%
Poor investment returns/poor performance of product/service	25%
Our prices are too high	24%
A specific incident in which customer expectations were not met	24%
Lack of emotional attachment to the brand and organisation	20%
Complexity of processes	19%
Lack of personalised advice and information	16%
Don't know	7%
Other, please specify	4%

**6. What proportion of your customer base voluntarily leaves your organisation each year,  
on average?**

Up to 5%	34%
5% to 10%	34%
10% to 15%	14%
Don't know	8%
None	4%
15% to 20%	4%
20% to 30%	1%
40% to 50%	1%
30% to 40%	0%
Above 50%	0%



## Appendix: Survey results continued

### 7. Which of the following types of customer-related metrics does your organisation already collect or plan to collect?

	<b>Already collect</b>	<b>Plan to collect</b>	<b>Don't plan to collect</b>	<b>Don't know</b>
Average revenue per customer	79%	11%	9%	1%
Changes (upward or downward) in customer spend	38%	40%	12%	10%
Current customer value	60%	29%	7%	5%
Customer attrition	44%	34%	15%	7%
Customer feedback (eg, praise, complaints)	67%	25%	4%	4%
Customer loyalty levels	33%	47%	12%	8%
Customer profitability	63%	21%	11%	5%
Customer satisfaction levels	58%	30%	6%	6%
Future customer value	24%	50%	18%	7%
Number of products sold to each customer	53%	27%	14%	6%

### 8. How effective are the following types of customer-related metrics at showing how customer-friendly your organisation is?

Rate on a scale of 1 to 5, where 1 = Very effective and 5 = Ineffective.

	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>Ineffective 5</b>	<b>Don't know</b>
Average revenue per customer	36%	29%	19%	6%	6%	5%
Changes (upward or downward) in customer spend	27%	34%	20%	9%	4%	6%
Current customer value	22%	42%	20%	4%	2%	9%
Customer attrition	28%	37%	19%	4%	5%	7%
Customer feedback (eg, praise, complaints)	45%	33%	13%	2%	4%	4%
Customer loyalty levels	35%	32%	18%	2%	7%	6%
Customer profitability	36%	31%	18%	6%	5%	4%
Customer satisfaction levels	47%	33%	8%	5%	5%	2%
Future customer value	16%	37%	22%	8%	6%	11%
Number of products sold to each customer	23%	36%	21%	6%	7%	7%



## Appendix: Survey results continued

9. What are the principal barriers in the way of turning your organisation into a more customer-centric organisation? Which of the following statements do you feel apply to your organisation? Select all that apply.

Our IT infrastructure does not allow us to share data across products, business units and customer channels easily	38%
Our organisation is structured around products, not customers	35%
Our personnel are not incentivised on the basis of customer-facing performance	34%
We lack good information on customer satisfaction and expectations	32%
Our customer-facing staff lack the requisite people skills	29%
Our corporate culture is not customer-centric	25%
Regulatory barriers impede sharing of customer data	25%
Being more customer-centric will increase our costs	21%
We have too many customers and/or we are growing too fast to offer proper service	20%
We have dependencies on others (eg, intermediaries) that are hard to manage	20%
The returns from becoming more customer-centric are not proven	18%
Our customers don't want us to change	4%

10. Are the following types of regulatory initiatives helping or hindering improved customer service at your organisation?  
Please rate on a scale of 1 to 5, where 1 = Substantial positive effect and 5 = Substantial negative effect.

	1	2	3	4	5	Don't know
Anti-money laundering regulations	13%	32%	27%	17%	2%	8%
Data protection and privacy rules	17%	29%	37%	13%	0%	5%
EU Savings Directive	4%	14%	12%	6%	2%	61%
Know your customer regulations	33%	33%	20%	6%	5%	2%



## Appendix: Survey results continued

11. Which of the following strategies will your organisation adopt over the next 12 months in order to make itself more customer-centric? Select all that apply.

Improving quality of customer-facing staff	61%
Improving IT systems	61%
Improving quality and timeliness of customer-related metrics	45%
Simplifying processes	45%
Developing more personal relationships between staff and customers	44%
Providing more customised product design	39%
Offering more products	39%
Offering wider choice of channels for customers to contact the organisation	36%
Simplifying product offering and information	32%
Providing more self-service options for customers	25%
Deploying more customer-facing staff	19%
Improving performance of intermediaries	16%
Limiting numbers of new customers	12%
Other, please specify	2%



## Appendix: Survey results continued

12. In your experience, what level of impact does each of the following types of customer interactions have on customer loyalty?

Rate each interaction on a scale of 1 to 5, where 1 = Significant impact and 5 = No impact.

	1	2	3	4	5	Don't know
Addressing a specific customer problem well	73%	21%	5%	1%	0%	0%
Offering suitable new products and services	33%	43%	14%	6%	2%	1%
Processing routine transactions efficiently	24%	51%	19%	5%	1%	0%
Providing clear information on changes in price and performance	20%	45%	25%	6%	2%	1%
Providing high-quality financial advice	37%	42%	20%	0%	0%	0%

13. How does your organisation segment, or plan to segment, its customer base for operational purposes?

	Already segment	Plan to segment	Don't plan to segment	Don't know
By current value	64%	16%	15%	5%
By degree of loyalty	14%	37%	42%	7%
By demographic profile (age, sex, income)	36%	30%	27%	7%
By future value	24%	36%	30%	11%
By product	64%	20%	14%	2%



## Appendix: Survey results continued

14. Please indicate the type of data on customers that is routinely available to customer-facing staff in real time when they interact with customers.

Customer history on specific products	74%
Customer history across multiple products within business unit	54%
Current value of customer	53%
Customer history across the entire organisation	43%
Customer's demographic profiling information	43%
Customer loyalty profile	23%
Future value of customer	10%
Other, please specify	2%

15. On what basis does your organisation offer additional products and services to its existing customers? Select all that apply.

On a personalised basis, after consideration of customers' personal needs	64%
Automatically and across the customer base (eg, whenever we have contact with them or whenever we run a promotional campaign)	49%
Reactively, in response to specific requests for information	49%
Automatically in response to customers' loyalty profile	21%
Automatically in response to changes in the customer's demographic profile (ie, moving location, getting married, etc)	16%
Other, please specify	1%

16. Which of the following customer channels does your organisation plan to focus on over the next three years in order to drive growth? For each channel, please indicate whether your organisation intends to devote more effort, less effort or the same effort relative to now.

	More effort	Same effort	Less effort	Don't know
Branches	56%	27%	9%	9%
Call centres	29%	44%	5%	22%
Direct mail	15%	42%	15%	28%
Direct sales force	57%	29%	7%	6%
Intermediaries	31%	35%	17%	18%
Internet	55%	22%	9%	14%
Mobile phones and devices	22%	32%	17%	29%

17. Who is in charge of quality of the customer experience at your organisation?

CEO	33%
Heads of business units	28%
Head of marketing and sales	13%
Head of customer service	12%
Head of compliance	5%
No one	5%
Product line heads	4%
Other, please specify	1%



## Appendix: Survey results continued

### 18. How would you rate the following characteristics and capabilities of your customer-facing staff?

Rate on a scale of 1 to 5, where 1 = High-quality performance and 5 = Low-quality performance.

	1	2	3	4	5	Don't know
Effectiveness (the extent to which customer-facing staff deal successfully with customer issues and requests at the first contact)	18%	46%	26%	7%	1%	1%
Efficiency (the extent to which customer-facing staff spend more time dealing directly with customers than with internal administrative tasks)	20%	36%	26%	14%	2%	1%
Enablement (the extent to which customer-facing staff have the right tools and data to service customers)	29%	47%	15%	7%	0%	1%
Engagement (the extent to which customer-facing staff are motivated by and rewarded for customer-centric behaviour)	19%	47%	21%	11%	2%	0%



## Appendix: Survey results continued

19. Where has your organisation invested the most effort over the past three years to improve its human capital performance? Select up to three choices.

Training on products and services	54%
Workplace culture	33%
Recruitment	32%
Career development options	26%
Performance management	26%
Remuneration and/or remuneration structure	21%
Communication	17%
Behavioural change programmes on attitudes to customers	16%
Employee engagement	16%
Organisational and job design	12%
Work-life balance	11%
Change management	10%
Leadership visibility	6%
Employee and customer matching (eg, demographic matching)	4%
Other, please specify	0%

20. Over the next 12 months, in which areas will your organisation invest the most effort to improve its human capital performance? Select up to three choices.

Training on products and services	45%
Performance management	38%
Employee engagement	25%
Career development options	23%
Recruitment	23%
Behavioural change programmes on attitudes to customers	21%
Remuneration and/or remuneration structure	20%
Workplace culture	19%
Organisational and job design	17%
Leadership visibility	13%
Communication	13%
Work-life balance	13%
Change management	8%
Employee and customer matching (eg, demographic matching)	6%
Other, please specify	1%



## Appendix: Survey results continued

21. Within your organisation, what do you consider to be the most important inhibitors/barriers to improving your human capital performance?

Select up to three responses.

Talent retention	56%
Culture and resistance to change	48%
Clarity of strategic direction	45%
Infrastructure (systems and/or processes)	40%
Talent availability	38%
Investment funds availability	18%
Workplace regulation/legislation	10%
Trade union influence	6%

22. What types of techniques/metrics does your organisation use to identify, measure and prioritise human capability development initiatives? Select all that apply.

Financial metrics (eg, volumes, revenue)	67%
Operational metrics (eg, call-handling time)	43%
Staff retention/turnover metrics	40%
Staff satisfaction metrics	39%
Staff exit reviews	37%
Customer-related metrics (satisfaction levels, feedback)	36%
Staff feedback and suggestions	35%
One-on-one staff quality interviews	31%
Staff engagement metrics	25%
Human capital management systems (eg, ERP systems)	24%
360° feedback from team members	18%
Other, please specify	2%



## Appendix: Survey results continued

23. What impact do the following staff groups within your organisation have on customer service? Rate on a scale of 1 to 5, where 1 = Significant positive impact, 3 = No impact and 5 = Significant negative impact.

	1	2	3	4	5	Don't know
Compliance	15%	22%	41%	11%	5%	5%
Credit management	7%	39%	30%	16%	1%	7%
Customer service representatives	56%	32%	7%	0%	1%	4%
General management	12%	58%	20%	4%	4%	2%
Information technology	25%	41%	22%	6%	1%	5%
Operations	23%	48%	13%	12%	0%	4%
Risk management	10%	35%	34%	14%	1%	6%
Sales and marketing	36%	45%	14%	1%	0%	4%



## Appendix: Survey results continued

### 24. In which region are you personally based?

Asia-Pacific (excluding Australia/NZ)	100%
Americas	0%
Australia/NZ	0%
Europe	0%
Middle East/North Africa	0%
Sub-Saharan Africa	0%
Other	0%

### 25. What is your title and area of responsibility? Select all that apply.

Senior management	33%
Marketing and communications	21%
Line manager	19%
Finance	16%
Strategy/planning	15%
Board member (executive director)	12%
Risk management	12%
Operations	11%
Other	8%
Human resources	5%
Legal	4%
Investor relations	2%
Board member (non-executive director)	1%
Internal audit	1%

### 26. What area of financial services do you personally work in?

Please check one answer only.

Retail banking	25%
Investment management	25%
Business and corporate banking	24%
Other, please specify	11%
Life insurance	8%
Non-life insurance	5%
Private banking	4%

### 27. What was your organisation's total global income, in US dollars, in 2005?

Less than \$500m	26%
\$1bn to \$5bn	24%
Over \$10bn	22%
\$500m to \$1bn	19%
\$5bn to \$10bn	9%



## Contacts

If you would like to discuss any of the issues raised in this briefing in more detail please speak to your usual contact at PricewaterhouseCoopers or call one of the following:

### Indonesia

**Bharat Rao**  
62 21 5289 1080  
bharat.rao@id.pwc.com

**Stuart Scoular**  
62 21 5289 1213  
stuart.a.scoular@id.pwc.com

### India

**Jairaj Purandare**  
91 22 5669 1400  
jairaj.purandare@in.pwc.com

### Hong Kong

**Mervyn Jacob**  
852 2289 2700  
mervyn.jacob@hk.pwc.com

### Japan

**Seichi Hara**  
81 3 6266 5645  
seiichi.hara@jp.pwc.com

### Korea

**Kyung-Joon Jang**  
82 2 709 0603  
mailto:kjjang@samil.com

### Malaysia

**Mohammad Faiz Azmi**  
60 3 2693 1077  
mohammad.faiz.azmi@my.pwc.com

### People's Republic of China

**Raymond Yung**  
86 10 6533 2121  
raymond.yung@cn.pwc.com

### The Philippines

**Judith V. Lopez**  
63 2 845 2728  
judith.lopez@ph.pwc.com

### Singapore

**Dominic Nixon\***  
65 6236 3188  
dominic.nixon@sg.pwc.com

**Karen Loon**  
65 6236 3021  
karen.loon@sg.pwc.com

### Taiwan

**James Huang**  
88 62 2729 6666  
james.huang@tw.pwc.com

### Thailand

**Chanita Saicheua**  
66 2 344 1179  
chanita.saicheua@th.pwc.com

**Chotiros Nandhabiwat**  
662 344 1170  
chotiros.nandhabiwat@th.pwc.com

### Vietnam

**Ian Lydall**  
84 8 8230 796  
ian.lydall@vn.pwc.com

\* Member of the Global Financial Services Leadership Team

## Contacts continued



### Global Financial Services Leadership Team

**Jeremy Scott**

Chairman, Global Financial  
Services Leadership Team  
44 20 7804 2304  
jeremy.scott@uk.pwc.com

**Benoît Catherine**

33 1 56 57 12 38  
benoit.catherine@fr.pwc.com

**Javier Casas Rúa**

54 11 4850 4504  
javier.casas.rua@ar.pwc.com

**Diana L Chant**

1 416 365 8207  
diana.chant@ca.pwc.com

**Rahoul Chowdry**

61 2 8266 2741  
rahoul.chowdry@au.pwc.com

**Ron Collard**

44 20 7212 6827  
ron.p.collard@uk.pwc.com

**Richard Collier**

44 20 7212 3395  
richard.collier@uk.pwc.com

**Ian Dilks**

44 20 7212 4658  
ian.e.dilks@uk.pwc.com

**James Flanagan**

1 646 471 5220  
james.f.flanagan@us.pwc.com

**Simon Jeffreys**

44 20 7212 4786  
simon.jeffreys@us.pwc.com

**Chris Lucas**

44 20 7804 9652  
christopher.g.lucas@uk.pwc.com

**David Newton**

44 20 7804 2039  
david.newton@uk.pwc.com

**Dominic Nixon**

65 6236 3188  
dominic.nixon@sg.pwc.com

**Rick Richardson**

1 646 471 9221  
rick.richardson@us.pwc.com

**Phil Rivett**

44 20 7212 4686  
phil.g.rivett@uk.pwc.com

**John S Scheid**

1 646 471 5350  
john.scheid@us.pwc.com

**Nigel J Vooght**

44 20 7213 3960  
nigel.j.vooght@uk.pwc.com

**Akira Yamate**

81 90 1816 7737  
akira.yamate@jp.pwc.com

## Contacts continued



### Economist Intelligence Unit (EIU)

26 Red Lion Square, London WC1R 4HQ

**Nigel Gibson**

44 1825 791 474

nigel.gibson@btinternet.com

**Andrew Palmer**

44 20 7576 8240

andrewpalmer@eiu.com

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For information on the PricewaterhouseCoopers Global Financial Services Briefing Programme please contact Áine Bryn, Director, Head of Global Financial Services Marketing, on 44 20 7212 8839 or at [aine.bryn@uk.pwc.com](mailto:aine.bryn@uk.pwc.com)

For additional copies please contact Serene Chia at PricewaterhouseCoopers on 65 6236 3776 or at [serene.chia@sg.pwc.com](mailto:serene.chia@sg.pwc.com)

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