

# Division Strategy: Retail Banking Services by Hugh Harley

## Title Slide: Strategy Briefing

In August David outlined the new corporate strategy and new vision for the Group built around 'service, efficiency and people'.

This morning I will be introducing you to the strategy and initiatives RBS has developed to enable us to realise the vision.

## Slide 2: Disclaimer

The material that follows is a presentation of general background information about the Bank's activities current at the date of the presentation, 20 May 2003. It is information given in summary form and does not purport to be complete. It is not intended to be relied upon as advice to investors or potential investors and does not take into account the investment objectives, financial situation or needs of any particular investor. These should be considered, with or without professional advice when deciding if an investment is appropriate.

## Slide 3: Speaker's Notes

Speaker's notes for this presentation are attached below each slide.

To access them, you may need to save the slides in PowerPoint and view/print in "notes view."

## Slide 4: RBS Profile

Along with our leading market share position and brand strength, our distribution strength is our other area of real competitive advantage.

Largest distribution network in Australia.

Presents a tremendous opportunity in terms of sales and service but also in terms of operating as a scale business to drive processing and cost efficiencies.

## Slide 5: Our Strategy is Aligned to the Group Vision

RBS will deliver on the Group Vision by strategic focus on:

- understanding all customers needs and serving on them consistently and effectively, through the best recognised financial services brand in Australia.
- rationalising products and redesigning processes to deliver a better customer experience more cost effectively
- driving a performance culture across the Retail Bank where our people are motivated and empowered to optimise sales and service outcomes.
- utilising the strategic asset of having the largest and most extensive network in Australia to deliver customers an unmatched choice of contact points
- leveraging scale and infrastructure to reduce costs, increase efficiency and provide better customer experiences
- my approach is to speak to the broad themes and illustrate with specific examples and measures, not trying to be comprehensive on all initiatives.

## Slide 6: Our Strategy is Aligned to the Group Vision

A core focus is to understand our customers needs so we can deliver on the 'valued service'; through traditional research and segmentation techniques (for product and bundle design), and through revitalising our sales skills and front-line sales protocols with are based on needs analysis at all relevant customer contacts.

## Slide 7: By Understanding Customer Needs, RBS' Strategy will Delivery Better Service, Improved Retention and Higher Cross Sales

In understanding our customers' needs, we are focused on both sales and service outcomes.

Retail banking is a service industry-hence the service experience - how we show respect to our

customers is key to purchase decisions (competitive prices are necessary but not sufficient). Our sales and service protocols at the front-line are one and the same - aimed at appropriate needs analysis at all relevant customer contacts, to drive referrals and cross sales. In essence, focusing on service for us is about leveraging scale - about improving the quality of all the customer interactions we have every day. The opportunity for us is to redesign our processes and systems so we can improve service while at the same time reducing cost, - a theme to which I will return.

**Slide 8: Service Quality is Core to our Strategy & Results Show Significant Improvement in Key Areas**

Service quality is rising and gains are being sustained

Overall Retail Bank service quality is up by 13% since the beginning of January 2002

queue times have fallen on average and this is very pleasing - customers tell us that queue times are a critical deliverable for better service.  
now have a program underway to create long-term fundamental change to queue times without additional cost.

In the future, our service focus will increasingly deliver results

redesigning our processes, supported by infrastructure investment, support our valued service proposition for Retail customers  
strengthening our performance culture where staff are rewarded on sales and service results

**Slide 9: A National Queue Management Program has started in 2003 and Early Results are Positive**

A Queue Management Program has commenced  
Program tracks queue times every day in all branches and employs management techniques in our busiest branches over 2 month cycles

Behind positive results on queues is a program of actions to reduce queue lengths by

- Working to eliminate identified redundant branch processes and procedures. Issues already addressed include use of unstatemented transactions, first point resolution with customer service centre and elimination of branch involvement in overseas card holder disputes.
- Intensive analysis of busy branches has confirmed that the primary drivers are management focus, queue layout and rostering mix combined with excessive processes.
- Our target is to have at least 93% of branches achieving 5 minute queue times by December 2003.

**Slide 10: We have the Potential to Build a Unique Service Model which Combines Low Cost Delivery with Customer Respect**

The opportunity for us is to build on our traditional strengths of distribution, product diversity and brand by strengthening our service proposition. Customers are telling us the importance of accessibility, which is a strength together with reliability and pro-activity - both of which are a focus for us now.

Recent research results from Research International show that - CBA maintains its very strong position:

- consistent and reliable service
- offering personal / friendly service
- knowledgeable and competent staff
- offering convenience and choice in banking
- breadth and innovation in products

**Slide 11: The Retail Bank is Targeting a Significant Increase in Products Per Customer through a Clear Cross-Sell Strategy**

Now well positioned to use our increasing service effectiveness to drive cross sell, including developing product bundles to market to specific customer groups. Execution is supported by targets and rewards for referral quality and sales incentives for closed cross sales, for example some key drivers we are focused on currently in the network are:

- Target of 15 customer needs analysis per week per sales person
- Target of 15 sales per week per sales person
- Target of 20 referrals per week per teller

**Slide 12: A Centralised Sales Leads System has been Implemented which is Delivering Positive Results**

A key focus has also been to improve our capability of centralised generation of sales leads based on data warehouse trigger analysis.

**Slide 13: A Cost Effective Acquisition & Increased Retention Focus on Youth Customers Differentiates & Drives our Leadership Position**

CBA's youth customer strength enables us to acquire customers more cost effectively than any other major Bank. 80% of CBA's adult customers were acquired under 25 years of age, often with a significant cost advantage via school banking. Recently launched the YouthSaver account product and introduced management techniques for the changing needs of under 18 year old customers. The Youth Saver account seamlessly transitions youth customers across the age groups, with one account number which makes it easier for customers and enhances retention in young adults.

**Slide 14: Our Strategy is Aligned to the Group Vision**

The second core strategic focus for the Retail Bank to deliver the Group Vision is to:

- Simplify products
- Deliver choice of access

**Slide 15: Simplifying Transaction Account Products with a Monthly Account Fee has Met Expectations**

Transaction account rationalisation and simplification have been implemented and results have been within expectations. We set tough targets for ourselves but we still lost fewer accounts to competitors than we expected. Of those accounts closed:

- 78% of accounts had a balance of less than \$250
- 52% of customers who closed a transaction account still have a deposit relationship with us - e.g. an Award Saver account
- customers have tended to keep their core products (e.g. home loans, credit cards) with CBA

**Slide 16: Home Loan Growth Remains Strong**

Home loan growth continues to remain strong with year on year growth to March 2003 running at 15% for the Australian operations and 17.5% for the Group. There is no comprehensive measure of market share at present. Using our outstandings compared to available APRA market data, our market share is steady relative to March 2002. Our share of the 3rd party broker market increased from 11.8% in Mar 02 to 15.6% in Mar 03. Growth in broker share has been through product quality, competitiveness, and service provision to brokers. Our commission rates are right in line with market. Most recently, our share of approvals has picked up with gross volumes strong, we expect to maintain current share going forward supported by ongoing improvement in run-off.

**Slide 17: We are Successfully Re-engineering the RBS Home Loan Value Chain to Provide Improved Returns, Service Experience and Costs**

The end to end home loan project is redefining the home loan process (refer to the full page

handout in pack) -

- gains are already flowing through - error free home loan applications are up 11% since January 2002

Since 2000, we have delivered fundamental changes to the home loan application and establishment processes -

- we now have conditional approval turnaround time down to 4 hours (from 2 days)
- streamlined processes and forms with loan data keyed once
- a single origination system
- access to customer profiles in real time at any point of sale

In the next year (as noted on the slide), we will focus on delivering changes to the home loan servicing and retention process to close the loop and deliver a better and more consistent end-to-end customer experience

These changes: better economics, better service - are key to our response as credit growth slows, together with the extremely sound nature of our credit portfolio

It is also an excellent example of the opportunity for us to re engineer processes in a way which improves both service quality and cost efficiency.

### **Slide 18: Credit Card Market Share is Growing despite a Challenging Environment**

Credit cards is a challenging market but we have increased our share of outstanding balances by-

- a clear expansion focus - e.g. through cross sales from product bundling and trigger analysis;
- a defensive position to competitors - e.g. new product features and benefits in train.
- our high revolve rate and our well-matched issuing and acquiring position provides a strong underlying position.

### **Slide 19: Our Leading Deposits Market Share Position is being Maintained Despite New Entrants Competing Aggressively**

Leadership position being maintained in the deposits market despite competition from new entrants

Growth Strategy

- existing products being enhanced and /or rationalised
- leveraging our customer franchise and offering of the largest network for access convenience to customers

### **Slide 20: Our Strategy is Aligned to the Group Vision**

The third core strategic focus for the Retail Bank to deliver the Group Vision is to:

- strengthen performance culture driven by sales and service

### **Slide 21: Cultural Change with a Clear Focus on Sales and Service is Underway with Positive Results**

We have recognised the need to align KPIs and supporting systems to the behaviors that drive value in our business.

HR systems are now aligned to the behaviors required to deliver the service experience coaching program in place

sales & service breakaway stretch goals in place

Results are starting to flow in -

- absenteeism is down
- turnover is down
- 'ready now' internal candidates for succession planning now at 82%
- Gallup results continue to show increasing progress each year

### **Slide 22: Our Strategy is Aligned to the Group Vision**

The final core strategic focus area for the Retail Bank to deliver the Group Vision is to:

- Leverage the Retail Bank's infrastructure and scale position as the largest retail bank in the country

**Slide 23: Our Restructuring Initiatives for 2003-03 will be Successfully Completed**

We are on track to deliver the Retail component of the Group strategic initiatives from the efficiency programs.  
The efficiency programme is tracking to plan and is achieving targeted efficiencies and cost savings.  
The majority of quick-win initiatives are complete and the focus is now on more complex processes that are systems dependent such as streamlined file changes for cheque accounts, changes to NetBank registration/account linking processes and fax elimination/reduction removal.

**Slide 24: A Major Branch Redesign and Refurbishment Program is Underway to Optimise our Network for Sales & Service**

With the country's largest network, we have the scale to touch more customers, more often. The Branch redesign and refurbishment program will leverage our physical footprint by taking our new sales and service values to customers -

- Customers will see and experience a new "retail look and feel" with greater flexibility and simplicity each time they deal with us
- The program will optimise our footprint, with services (transactions, homeloans, investment services) tailored to the needs of the demographic

The program will also harvest excess floor space from the new design which will generate substantial rental savings.

- In addition, some redesigned branches may be reconfigured to co-locate with partners to provide additional retail customer services to CBA customers.

**Slide 25: In Summary, our Strategic Focus Areas**

In summary, the Retail Strategy is focused on four key fronts.

- To better understand and meet the needs of customers through our sales and service models
- Simplifying products across Retail while extending choice of access to customers across the largest network in Australia
- Enabling our people to differentiate on sales and service
- Leveraging market leading infrastructure and scale to drive economic benefit

**Slide 26: Results are Clearly Showing the Retail Strategy is Delivering ...**

Results are already flowing through and make it clear that the Retail strategy is hitting the mark -

- service quality is increasing and external research indicates we are strong in service among the majors, but clearly with room to improve
- better service is driving higher sales and leads conversion rates
- strong growth is being recorded in several key products
- product simplification and re-engineering is delivering higher returns and better service - e.g. transaction accounts and home loans
- people measures indicate strengthening of a sales and service culture is continuing

**Title Slide:** No text

**Supplementary Slide: RBA has Restructured to Deliver the Strategy ....** – no text