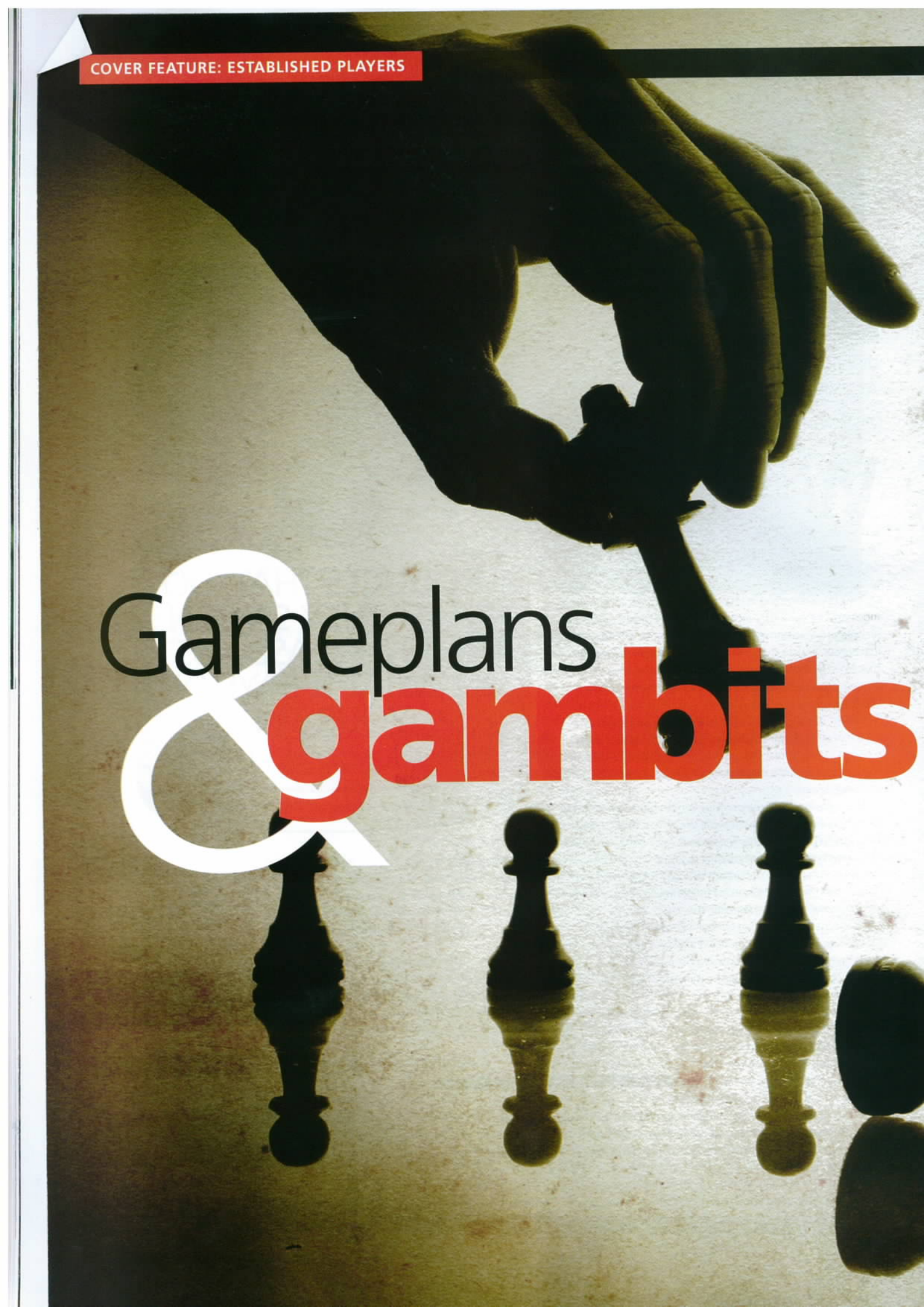


COVER FEATURE: ESTABLISHED PLAYERS

A high-contrast, black and white photograph of a hand moving a chess piece on a board. The hand is in the upper right, reaching down to move a piece. The board is light-colored, and the pieces are dark. The lighting creates strong shadows. The text 'Gameplans & gambits' is overlaid on the image. 'Gameplans' is in a black sans-serif font, '&' is a large white ampersand, and 'gambits' is in a bold red sans-serif font.

# Gameplans & gambits

The big established banks may be badly winded, but that's not stopping them from gearing up to win back loyalty and credibility. *Chartered Banker* reports on how the muscle-bound Goliaths are squaring up to the modestly-armed Davids.

**T**he backlash from the credit crisis is whipping established retail banks for poor customer service, branch closures and cut costs. "The whole industry is locked in a battle to top the best buys," argues Andrew Oxlade, Editor of *This is Money*. "Meanwhile, customer service suffers."

It may be a selective prognosis, but its pessimism is certainly born out by some sobering statistics: research in early September shows the biggest High Street-branched banks being swamped by a staggering 11,000 complaints a day from angry customers in the first six months of this year.

And, beneath that tide, there's a subtler undercurrent: a recent Which survey reveals consumers' preferred banks for service are mostly not the High Street denizens themselves, but their on-line operations. The top five are:

1. First Direct (an offshoot of HSBC)
2. One Account (launched by Virgin Money, now owned by RBS)
3. Smile (owned by Co-operative Bank)
4. Co-operative Bank
5. Cahoot (owned by Santander) and Coventry BS

There's no shortage of fighting talk as the combatants square up to each other to revolutionise UK retail banking. What no-one knows is how well the Goliaths of financial

services, flexing their local and global muscles, will ultimately fare against the nimble and modestly-armed Davids circling in their long shadows.

As things stand, new challengers – like Virgin, Tesco and Sainsbury's – are happy to lap up the goodwill associated with their retail brands and monopolise most of the headlined hopes about a different way of banking. And tiddlers with ambition like Metro Bank (see page 24) offer dog biscuits and American hype to differentiate their superior kind of customer service.

**"WHILE 2010 APPEARS TO BE THE YEAR OF 'CUSTOMER EXPERIENCE', THE SPREAD BETWEEN HIGH AND LOW PERFORMANCE HAS WIDENED."**

Christine Johnston, Finalta

But, while the established banks may be winded, that's not stopping them from gearing up to win back loyalty and credibility. It's not glamorous and it's rarely newsworthy, but they're putting increasing effort behind strategies aimed at rekindling traditional values.

Europe-wide research confirms the trend. The sixth annual report on customer service by the European Financial Management Association (EFMA) and financial analysts Finalta, finds that Europe's retail banks are emerging from the crisis with an increased focus on delivering superior service. "Banks that strengthened service capability during the crisis," it says, "are reaping the rewards".

This benchmarking of more than 200 European

banks shows that, in aggregate, overall satisfaction scores have improved to reach comparable levels to 2007 while "attrition has stabilised".

And banks' strategic ambition has also increased since 2009, says Finalta director Christine Johnston. "More now aim to differentiate with market leading service levels, particularly for higher value customers." But it's getting harder to stand out from the crowd at the top end: "While 2010 appears to be the year of 'customer experience', the spread between high and low performance has widened."

Patrick Desmarès, EFMA Secretary General, adds: "For the most part, banks are now taking customer service very seriously. They've set up a series of measures to monitor quality of service and have implemented reward schemes to motivate their front-line staff."

And, in the rush of re-positioning, everyone dutifully says how much they're relishing new and sharper competition.

**ROYAL BANK OF SCOTLAND** has launched its 14-point Customer Charter, after refreshingly going out of its way to ask some 30,000 customers what they actually wanted. It also consulted debt help and consumer organisations including Citizens Advice Bureau, Consumer Focus and Money Advice Trust.

"Most people simply want us to do the basic things well – shortening queues, extending opening hours, having a greater role in the community," says RBS's Brian Hartzler.

The Charter commits the bank to a series of tasks, from a basic requirement to provide a "friendly and helpful service", to the more demanding early-morning and late-night opening in 200 branches by the end of the year.

Deloitte will audit its performance every six months, including its aim to serve the majority of customers queuing in branches within five minutes by introducing a "queue measurement tool" to the busiest 300 branches. *continued over >>*

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**"WE'RE AIMING TO DO WHAT WE'VE ALWAYS DONE BEST: BUILD STRONG, TRUSTING RELATIONSHIPS WITH OUR CUSTOMERS."**

Peter Navin, Lloyds Banking Group

**LLOYDS BANKING GROUP** is consciously refashioning its brand around the powerful banking heritage of approaching 600 years of the Lloyds TSB and HBOS components it has amalgamated. Within that, for example, Bank of Scotland's customer research has resulted in a new visual identity, seeking to 'refresh' its position as Scotland's oldest bank and to re-assert its traditional values.

Like others intent on repairing damaged loyalties, LBG itself is also keen to emphasise the importance of personal relationships and of customer 'empathy' in its catalogue of primary banking qualities: "We're aiming to do what we've always done best," says LBG's Peter Navin, "build strong, trusting relationships with our customers."

**SANTANDER** isn't allowing itself to be distracted and is determined to improve the perception of its service. "We're a fast growing bank in the process of integrating Alliance & Leicester and this period of growth has regrettably led to some customers not receiving the service we expect," says the bank's Anthony Frost.

"We'll be hiring 600 staff for our branches and call centres to help improve our service at the busiest times. Equally important for customers, however, is the safety and security of their money. They value the strength and financial security that being part of a global bank offers."

It has stuck with the strategy it introduced in January when it moved the Abbey and Bradford & Bingley savings business under Santander's emblem, and its Alliance & Leicester subsidiary will be re-branded by the end of this year.

It sees its growing branch network as the key driver to improving its customer service. Its single-name strategy means customers can access 1,000 branches in the combined Santander network.

**"WE CONSIDER OURSELVES A CHALLENGER BRAND. WE'RE LESS CONCERNED WITH WHAT OTHERS DO AND FOCUS ON WHAT WE CAN DELIVER".**

Anthony Frost, Santander

## "Everyone's pedalling faster"

"I see no complacency," says Kevin Mountford, Head of Banking, Moneysupermarket. "Banks are trying to protect their existing customer base and offering incentives. They're fighting back on several fronts and trying to work out who their most profitable customers are."

"They'll do everything they can through better targeting to get those profitable customers to stay and to take more products – the more hooks they have in these customers, the more defended their position. Behind the scenes, everyone is pedalling a little bit faster."

"Traditional banks are alive to the challenges ahead of them – not so much with the tactical challenge of smaller new entrants like Metro Bank, but certainly with the likes of Virgin and Tesco that already have a critical mass of customers and have aspirations to go

onto the High Street. That will hit banks in their heartland.

"There's little evidence at this stage of how they'll respond. The established players are still reeling from the economic downturn, the consolidation into super-banks and their reliance on taxpayers' bail-out money. And now there's the new mantra that 'smaller banks are beautiful', with banks having to sell off assets to pay back the taxpayer and return to profit as soon as possible. That's a lot to absorb, and give superior customer service."

"All the same, although they say they've been talking about it for a while, it's interesting that, following Metro's declaration of more convenient customer service, established players are now starting to open on Saturday mornings..."

"Ultimately, all this competition leads to much happier consumers."

A&L will add a further 300 by the end of 2010 and the bank has just agreed a deal to buy 318 branches of RBS and NatWest under an EU-ordered disposal by the end of 2011.

"Clearly, further opportunities will open up for new entrants," says Frost, "when Lloyds offers the 600 or so branches it also needs to sell. And there's also the so-called 'good bits' of Northern Rock still to become available."

"Competition is good for consumers and we welcome more of it. But we consider ourselves to be a challenger brand. We're less concerned with what others do and focus on what we can deliver. That's why we're willing to launch new products like our zero current account. And we're rewarding our growing customer base by focusing more offers at existing customers giving them a compelling reason to do more business with us."

**HSBC** is similarly intent on reinforcing existing loyalties: "The more products you have with HSBC, the better the offers," explains the bank's Simon Coughlin. "Some of our best deals are for existing customers."

And it's playing strongly on its international breadth and stability, he says. "It makes it easier for us to differentiate as a brand. Our presence in multiple countries makes it difficult for competitors to copy our products. For example, the HSBC Premier current account offers customers a single account with global access, multiple currencies and an international credit profile."

"New entrants tend to compete with one or two product lines, but struggle to broaden their offering. These entrants will find it difficult to compete with HSBC due to our global reach and established customer base. Increased regulation also means scale is more important than ever."

**"OUR PRESENCE IN MULTIPLE COUNTRIES MAKES IT DIFFICULT FOR COMPETITORS TO COPY OUR PRODUCTS. NEW ENTRANTS STRUGGLE TO COMPETE WITH OUR GLOBAL REACH."**

Simon Coughlin, HSBC

