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SWIFT’s strategic five year plan, SWIFT2020, challenges SWIFT to continue investing in the security, reliability and growth of its core messaging platform, while making additional investments in existing services and delivering new and innovative solutions. Headquartered in Belgium, SWIFT’s international governance and oversight reinforces the neutral, global character of its cooperative structure. SWIFT’s global office network ensures an active presence in all the major financial centres.

For more information, visit www.swift.com or follow us on Twitter: @swiftcommunity and LinkedIn: SWIFT
SWIFT India

SWIFT India Domestic Services Pvt Ltd (“SWIFT India”) is a joint venture created by SWIFT SCRL (Society for Worldwide Interbank Financial Telecommunication), the global banking cooperative, and (in alphabetical order) Axis Bank, Bank of Baroda, Bank of India, Canara Bank, Citi, HDFC Bank, ICICI Bank, Punjab National Bank, Standard Chartered Bank, State Bank of India and Union Bank of India, to address domestic market needs of the Indian financial services industry. Based on proven SWIFT technology, the company provides messaging services to domestic market infrastructures, banks and corporates, enabling the financial community to exchange automated, standardised financial information securely and reliably, thereby reducing costs and risks, improving compliance and services to its customers. SWIFT India’s mission is to support the community in the next wave of banking industry transformation. SWIFT has been operating in India since 1991.
UNLOCKING SUCCESS IN CORPORATE BANKING THROUGH DIGITAL

| SAURABH TRIPATHI |
| PRATEEK ROONGTA |
| VARUN KEJRIWAL |
| RAJARAM SURESH |

MAY 2019 | BOSTON CONSULTING GROUP
CUSTOMIZING PRODUCT PROPOSITIONS

LEVERAGING DATA AND ANALYTICS

THE NEED FOR DIGITAL TRANSFORMATION

ACHIEVING OPERATIONAL EXCELLENCE
EXECUTIVE SUMMARY

Today’s corporate banks operate in a challenging and turbulent environment. Faced with shrinking lending margins, increasing instances of cyberattacks and frauds, digitally disruptive FinTechs and tech-savvy customers, corporate banks must look at diversifying their portfolio while securing their data and revamping their operating models to stay relevant. To thrive in this environment, corporate banks need to ride the digital wave and leverage the currency of big data with one of the most powerful tools of modern banking – advanced analytics.

Firstly, by developing productized solutions for clients across priority sectors, banks can diversify their portfolio, combat sector volatility and boost their fee income. The sector solutions can range from dynamic working capital facility, cash management, trade, FX hedging solutions, to advisory services. It is imperative for corporate banks to create a cross-functional team like a Sector Solutions Group that works in agile squads with operations, risk and IT. Leading Asian banks have already made rapid strides in creating sector-specific solutions and have demonstrated tangible impact and delivered client value.

Secondly, banks can achieve operational excellence by digitizing their front-end channels (by developing digital RM tools) and their back-office processes (end-to-end customer journey digitization). Further, public and private institutions are taking concerted initiatives to reduce the industry’s operating costs and risk through interventions like Global Payments Innovation and digitizing cross-border trade. Corporate banks, therefore, ultimately stand to reap the benefits of a leaner cost structure translating to real bottom-line impact.

Lastly, corporate banks can leverage big data and advanced analytics to transform their topline through a mix of pricing, selling and retention algorithms. By crawling the vast trove of historic customer and transaction data with AI engines and Machine Learning algorithms, banks can churn out high quality leads and also establish linkages with existing clientele. By seamlessly flowing this intelligence to the RM through user-friendly interfaces and a robust feedback mechanism, banks stand to strengthen the advisory role of the RMs, improve conversions and ultimately augment their fee income.
THE NEED FOR DIGITAL TRANSFORMATION
Indian corporate banks are currently going through a turbulent phase

Corporate banks face key challenges on multiple fronts

- **Shrinking lending revenues**
  - Erosion in share of corporate lending revenues to overall banking revenues

- **Increasing credit and fraud risks**
  - Growing NPAs, instances of reported fraud on LoUs

- **Rising customer expectations**
  - Increasing expectations of sophistication and convenience in digital banking

- **Competition from FinTechs**
  - Disruption in business model across the banking ecosystem through digital offerings

**Key facts and figures**

- 45% of Indian corporate banks showed declining profits in FY’18
- 64% of Indian corporate banks had return on capital below hurdle rate (6%) in FY’18
- 10% difference in pre-tax returns on regulatory capital between top quartile and bottom quartile banks
- 2.7 percentage points increase in gross non-performing assets from FY’17 to FY’18

Note: Corporate banks refer to those banks that offer banking services to corporates segment. Hurdle rate refers to the repo rate of 6%.

1. LoU - Letter of Undertaking

Source: BCG Research, FIBAC Survey 2018 (Covers 30+ Indian banks, including public sector banks and private banks)
FinTechs ushering in digital disruption across the corporate banking ecosystem

Some key facts and figures

- $960 million investment in Indian FinTechs in 2018
- 42% yearly growth in FinTech investments in 2018 vs 2017
- 1260 Indian FinTech startups founded between 2015-2018 (second highest globally)

Source: BCG Research; 2019 India FinTech Report
Thriving in this environment warrants a coherent digital transformation of corporate banks.

**Achieving operational excellence**
Achieving operational excellence to improve cost structure and customer experience

**Customizing product proposition**
Developing sector specific solutions for priority sectors

**Leveraging data and analytics**
Using analytics to leverage bank’s data to augment corporate banking revenues

Source: BCG Experience
Banks can achieve operational excellence across three key dimensions to improve customer experience

**Sales force enablement**

Digitally empower the RM to enrich the client sourcing pool and improve conversions

**Operations and process digitization**

Digitize end-to-end processes to improve client servicing quality and achieve operational excellence

**Innovations in cross-border transactions**

Streamline cross-border transactions to improve end-to-end customer experience

Source: BCG Experience

18 | UNLOCKING SUCCESS IN CORPORATE BANKING THROUGH DIGITAL
Banks can empower and enable their sales force with a digital RM tool to go to market with greater efficiency and effectiveness

1. **Industry insights**
   - Gather information on economic trends and value chain insights across key sectors

2. **Client insights**
   - Develop 360-degree view of the client including financials, pain points and credit records

3. **Products and pricing**
   - Create product bundling and pricing basis the industry, client, risk assessment and potential revenues

4. **Account plan**
   - Create overview of client’s share of wallet, opportunities and a platform for the client service team

5. **Pitch book**
   - Customize pitchbook by combining industry insights to distill it into client specific diagnosis results

6. **Call report**
   - Log and track client calls and interactions to align key discussion points and follow up actions

7. **Pipeline**
   - Track all opportunities by different stages and monitor progression of deals

Source: BCG Experience
Banks can unlock significant value by strengthening the advisory role of their RMs

A leading Asian bank built a digital RM tool to improve deal TAT\(^1\) and pricing

<table>
<thead>
<tr>
<th>Context</th>
<th>Action</th>
</tr>
</thead>
<tbody>
<tr>
<td>✅ The Asian bank is the top player in all segments but not winning in the mid-corporate segment(^2)</td>
<td>✅ The bank built a digital RM tool based on industry customer journey to enable RMs in strengthening advisory role</td>
</tr>
<tr>
<td>✅ Customers in the segment already ‘banked’ by competitors, sticky to their existing bank</td>
<td>✅ The digital tool featured:</td>
</tr>
<tr>
<td>✅ Product offerings were largely undifferentiated</td>
<td>• Industry insights, client benchmarking, analytics, product recommendations, etc.</td>
</tr>
<tr>
<td>✅ RMs mere product pushers</td>
<td>• RM performance enablers: Integrated performance dashboard, month plan, and alert functionalities</td>
</tr>
</tbody>
</table>

---

**Note:** 1. TAT: Turnaround Time. 2. Companies with annual turnover of $15 to 300 million

Source: BCG Experience

Impact on RM effectiveness

The share of the RM’s time spent with client increased

- **from** \(40\%\) » **to** \(80\%\)

Decrease in pre-work time per client

- **from** \(10-14\) days » **to** \(2-4\) days
Emerging digital innovations have the potential to transform operations-intensive trade financing

- Single window solutions aggregating interactions between business and government
- Electronic bills of lading replacing paper
- E-Commerce opening markets to smaller players
- Sanctions filtering and big data can significantly ease compliance activities
- Blockchain-type technologies can help build trust between trading entities
- Cloud-based invoicing solutions simplifying cross-border billing, increasing availability of transactional data
- IoT and GPS can geolocate containers
- eDocs and multi-bank connectivity replacing paper
- Intelligent OCR removing paper from large parts of trade operations
- Smart contracts automating payment release
- Multi-bank platforms and bank agnostic messaging systems disrupting importer/bank relationships
- Advances in AI and advanced analytics accelerating automation
- Blockchain-type technologies disrupting correspondent banking
- Correspondent bank
- Exporter's bank
- Interbank messaging
- Freight forwarder
- Pre-shipment inspector
- Export customs
- Export terminal
- Exporter
- Importer
- Import terminal
- Importer's bank
- Correspondent bank
- SWIFT
- Invoicing platform
- Document courier
- Document courier
- Insurer
- E-COMMERCE opening markets to smaller players
- Physical shipment of goods
- Transfer of instructions and docs
- Risk mitigation and compliance
- Financing
- Payment

Note: 1. OCR: Optical Character Recognition
Source: BCG Analysis
Institutions are making rapid strides towards streamlining trade financing through digital

Automated e-stamping
- Digitized the procedure of e-stamping that obviates the need for collecting a paper certificate for stamp duty for BGs[^1]
- **Impact:** Reduces operating overhead and risk for banks

E-Invoice validation
- Mandated the e-way bill documentation in all trade finance requests
- Enabled banks to check bill authenticity and also other banks’ interest for trade financing through SWIFT[^2]
- **Impact:** Streamlines documentation and reduces trade risk

E-Bank guarantee
- IBA[^3] is currently seeking approval from the Ministry of Finance for the issuance of e-bank guarantee
- The Department of Customs has agreed to the proposal in principle, conditional to the Ministry of Finance’s approval
- **Impact:** Reduces operating overheads and trade fraud risk

Note: 1. BG: Bank Guarantee. 2. SWIFT: Society for Worldwide Interbank Financial Telecommunication. 3. IBA: Indian Banks’ Association

Source: The case study was prepared using SWIFT’s ongoing work with IBA in digitizing trade financing

SWIFT[^2] India has collaborated with the Indian Banks’ Association (IBA) to form a committee to alleviate trade finance challenges around cost and time taken, with an agenda to help India improve its ranking in 'Ease of Doing Business'. Significant projects have been implemented to get multiple stakeholders on a single platform and digitize paper documents.
Cross-border transactions increasingly being digitized

SWIFT Global Payments Innovation (GPI) improves customer experience by increasing speed, transparency and end-to-end tracking of cross-border payments

Objectives
- Create value through a transaction management user interface
- Reduce back-office cost without fully replacing banks’ existing IT landscape
- Reduce interbank cost through new clearing and settlement models
- Enable collaborative innovation with third party banks, payments services, etc. through common APIs

Key Benefits

<table>
<thead>
<tr>
<th>Key Benefits for Banks</th>
<th>Key Benefits for Customers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Better cross-border payment experience for corporate clients</td>
<td>Accelerated payments for international trade</td>
</tr>
<tr>
<td>50% lesser payment enquiries</td>
<td>Shorter supply cycles and reduced forex exposure</td>
</tr>
<tr>
<td>Improved liquidity management</td>
<td>Integrated, real-time view of cross-border payments</td>
</tr>
<tr>
<td>Improved cash forecasting</td>
<td></td>
</tr>
</tbody>
</table>

Impact of GPI

<table>
<thead>
<tr>
<th>Adoption</th>
<th>Service levels</th>
</tr>
</thead>
<tbody>
<tr>
<td>3,500 financial institutions have adopted GPI worldwide</td>
<td>50% payments completed in &lt; 30 minutes</td>
</tr>
<tr>
<td>60/60 of SWIFT’s top banking groups have adopted GPI</td>
<td>90% payments completed in &lt; 24 hours</td>
</tr>
</tbody>
</table>

Note: 1. API: Application Program Interface
Source: The case study was prepared using SWIFT’s ongoing work in digitizing cross-border payments
Institutions driving key priorities for digitizing cross-border payments

- **Improve end-customer experience** and end-to-end Straight-Through-Processing of payments through a pre-validation service

- **Standardize bank-to-corporate tracking** information, starting with a pilot for SWIFT connected corporates

- **Facilitate 'accelerated' cross-border payments**, by linking a fast cross-border leg via GPI into a domestic instant payments system

- **Accelerate e-commerce/trade payments** through GPI bank via a secure, transparent gateway. A proof of concept is being launched in collaboration with a leading blockchain software partner

Source: The case study was prepared using SWIFT’s ongoing work in digitizing cross-border payments
CUSTOMIZING PRODUCT PROPOSITIONS
To offer sector-specific solutions, banks need to start with sharply prioritizing sectors

**Criteria**

1. **Revenue size**
   - Sector-wise addressable banking revenue

2. **Revenue mix**
   - Sector-wise mix of banking revenue across loans, trade, cash and markets

3. **Market concentration**
   - Extent of consolidation vs. fragmentation and ease of coverage

4. **Portfolio baseline**
   - The bank’s existing revenue distribution across sectors, products

5. **Expertise**
   - The bank’s expertise available in the targeted sectors

**Supporting data**

With increasing commoditization in lending products, corporate banks are moving towards cash, trade and fee-based products in various sectors. However, sector volatility impacts banks' performance despite diversification.

Productizing sector specific solutions will not just diversify banks' portfolio, but also help manage risk by staying ahead of the curve.

Source: BCG Research
Productized offerings can be developed by understanding three key dimensions

1. **Structure of the sector**
   - **Macro**: Sector revenues, outlook, regulation
   - **Value chain**: Structure, number of players, market share
   - **Business flows**: Trade flows, amount of payables and receivables, terms of trade

2. **Financial profiles**
   - **Profit margins**: Across value chain
   - **Profit volatility**

3. **Product portfolio**
   - **Cash/trade**: Cash/trade heavy segment
   - **Loan**: Long term and short term financing
   - **Global markets**: Use of foreign exchange, commodity and interest rate derivatives
   - **Risk profile**: Debt/equity ratios across the value chain

Source: BCG Research

**Imperative to create an organizational push**

For corporate banks to consistently develop high quality, customized solutions, it is imperative to create a Sector Solutions Group (SSG) that works with the product, risk and operations teams in agile squads to develop sector solutions.
Sector solutions entail leveraging industry insights to understand the client’s pain points

A leading Asian bank was able to distill six key pain points of palm oil players in the supply chain

1. Exposure to underlying commodity price volatility
2. Geographical fragmentation in operations
3. Exposure to forex risk due to trading in multiple currencies
4. Exposure to buyers in underdeveloped markets without reputable banks
5. Complexities in understanding local tax implications and currency fluctuations
6. Increasing regulatory concerns and scrutiny by regulatory bodies

Integrated plantations

Inventory: 60 days

Fully integrated palm oil players

F&B\(^1\) manufacturers
HPC\(^2\) manufacturers
Pharmaceutical companies
Biodiesel blenders

Note: 1. F&B: Foods and Beverages. 2. HPC: Home and Personal Care
Source: BCG Analysis; World Bank; Euromonitor; Ministry of Agriculture, Indonesia; Bloomberg Finance
Banks can unlock value from customizing solutions based on the client's pain points

The Asian bank developed six solutions specific to the palm oil sector for existing and prospective clients

1. **Dynamic working capital facility**
   - Limits linked to palm oil price
   - Multi-currency drawdown and repayment facility

2. **Facilitate cross border forex transactions**
   - Forex in all major currencies including USD\(^1\), MYR\(^2\), IDR\(^3\), THB\(^4\), CNY\(^5\), SGD\(^6\), HKD\(^7\)

3. **Cross border hedging solutions**
   - Forex spots, forward and swaps
   - Derivatives and commodity hedging on palm oil

4. **Cash management solution**
   - Centralized reporting of group cash through a single channel
   - Streamlined receivables and ease reconciliation

5. **Trade solutions (Domestic and not domestic)**
   - Letter of Credit (LC) issuance, confirmation and financing
   - PO\(^8\), invoice financing and accounts receivables purchasing

6. **Sector specific advisory services**
   - Views on commodity prices, forex trends across markets
   - Sector events

---


Source: BCG Experience
Corporate bankers need to overcome multiple hurdles in order to drive sector solutions effectively

1. Unclear wholesale banking value proposition
   - Prioritize sectors based on clearly defined criteria

2. Too many products and services not connecting with each other or customized for clients
   - Develop customized packaged solutions targeted at specific pain points

3. Lack of sector insights leading to slow decision making and belated reactions to the market curve
   - Dedicate RMs, sector specialists and business intelligence tools for each sector

4. Unstructured, ad-hoc decisions limiting the bank’s ability and speed to market
   - Consistently review and refine product framework and risk guidelines

5. Legacy IT platforms not enabling a transparent view of clients and way of approaching clients for RMs
   - Update legacy systems, invest in digital RM platforms and align them with sector focus

6. Change resistance, low risk appetite and misaligned divisional goals impacting speed to market
   - Build agile sector solution teams with clearly aligned mutual goals

Source: BCG Research
LEVERAGING DATA AND ANALYTICS
Corporate banks can leverage big data and analytics to drive revenue transformation

**Smart re-pricing**
- Understand drivers of pricing disparity for similar clients
- Develop market-based price models
- Identify right pricing behavior through analytics

**Smart selling**
- Size client’s revenue potential and share of wallet
- Develop tailored product recommendations
- Prioritize RM activities through product need

**Smart retention**
- Rigorously track existing gross attrition
- Assess root causes or drivers of attrition
- Develop predictive models for identifying ‘at-risk’ clients
- Proactively manage attrition by preparing an implementation roadmap for RMs

**Smart prospecting**
- Identify high-quality prospective clients through a lead generation engine
- Establish linkages between the NTB¹ leads and ETB² clients using a network map
- Define go-to-market approach for converting the leads and establish a feedback loop

Note: 1. NTB: New to Bank. 2. ETB: Existing to Bank
Source: BCG Experience
Banks can augment revenues through smart re-pricing

**Current context**

- **No proper pricing guidance**
  Banks follow cost-plus pricing, with RAROC\(^1\) hurdle as sole pricing heuristic

- **Unexplained pricing disparity**
  Similar clients get very different prices that are not explained by rational factors

- **Wrong KPIs**
  Sales are measured on revenues or abstract profitability metrics

**Potential impact**

- **10-15%** increment in revenues
- **5-15%** increase in fee
- **10-20 bps** increase on rate products

Note: 1. RAROC: Risk Adjust Return On Capital
Source: BCG Experience
Corporate banks can learn from best practices in smart re-pricing

Key tenets of pricing excellence in corporate banking

- Pricing is not just based on risk but relationship, customer willingness to pay and strategic priorities
- Larger corporate banks are ideally positioned to extract full-value from their vast trove of historic pricing data & extensive RM experience
- Pricing bands created with a clear hurdle and target are more effective in guiding front-line pricing behavior
- Technology-based tools form the backbone of pricing excellence
- Pricing tools create transparency and peer comparison for two critical new metrics: (1) price realization (2) actuals vs. committed targets
- Long term, sustainable impact only comes from building pricing capabilities and driving change management with RMs

Source: BCG Experience
Corporate banks can drive smart re-pricing through seven key levers

- Pricing tool or software with a dynamic approach to pricing and impact tracking
- Product and client-specific target pricing algorithm
- Clear pricing governance and pricing team capabilities
- Structured discounting analytics or guidelines for RMs
- Aligned incentives to reward success
- Training and coaching of central teams and RMs
- Piloting for quick impact and confidence building for RMs

Source: BCG Experience
Banks are increasingly taking a digital approach to smart re-pricing by rolling out new pricing tools to the field.

Holistic customer view on price realization
Insights on RM’s price performance vs. peers
Standard price, acceptable and maximum discount
Differentiated by customer segment
3 minutes to quotation

Direct feedback on impact of discount on revenue/margin
Escalation if discount outside limits
Synchronize with central database to track performance
Capture win or loss data

iPad or desktop based

Source: BCG Experience
Corporate banks can achieve smart pricing by codifying the wisdom of good RMs into a pricing algorithm

Components of the pricing algorithm

- **Test pricing drivers for significance**
  - Price drivers
    - Ticket size
    - Maturity
    - PD
    - ........
  - 50+ Variables considered

- **Empirically predict price by factoring cost, risk, relationship**

- **Elevate the price hurdle using deals from good RMs**
  - Only take the deals from the best RM’s
  - Arrive at the target price basis client demand

- **Adjust price basis the bank’s priorities**
  - Priority industries
  - Negative list
  - Priority circles

- **Arrive at the optimized price**
  - Design an interactive pricing tool to seamlessly flow output to the RM

Source: BCG Research
Banks can optimise share of wallet through smart selling

**Potential impact**

- 10x difference in revenue from similar clients
- Portfolios skewed towards lending, thereby missing out on significant value
- Banks typically capture only a third of potential non-lending wallet from their clients
- Lead pipelines based on rudimentary logic with poor conversion rates
- 5x difference in performance between top and bottom performers, despite similar portfolios

**5-10%** of revenue uplift can be achieved using share of wallet optimization

Source: BCG Research
Corporate banks can capture a greater share of client wallet by smart selling

<table>
<thead>
<tr>
<th>Analyze the bank's current share of wallet</th>
</tr>
</thead>
<tbody>
<tr>
<td>Leverage existing sources of customer, transactions, financials, product data to understand client's profile</td>
</tr>
<tr>
<td>Baseline the RM’s current product and revenue mix from clientele</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Understand the drivers of high share of wallet</th>
</tr>
</thead>
<tbody>
<tr>
<td>Benchmark clients with high share of wallet vs. clients with similar revenue using clustering</td>
</tr>
<tr>
<td>Identify driver variables that contribute to high share of wallet</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Size and validate the revenue potential of the client</th>
</tr>
</thead>
<tbody>
<tr>
<td>Develop AI models to identify revenue potential for cross-sell and up-sell basis aggregated data</td>
</tr>
<tr>
<td>Validate client's potential with experts</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Develop tailored product recommendations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Use ML and AI algorithms to develop product bundles basis current and desired share of wallet</td>
</tr>
<tr>
<td>Validate product and relationship teams and client interviews</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Use the intelligence from smart selling to prioritize RM activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Develop the RM's account plan basis client's share of wallet and product bundles</td>
</tr>
<tr>
<td>Analyze the performance of product bundles to strengthen future recommendations</td>
</tr>
</tbody>
</table>

Source: BCG Experience
Top use cases where big data and analytics can be highly leveraged

<table>
<thead>
<tr>
<th>Use cases</th>
<th>How big data can help</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>What should I bring up if I get called by a client?</strong></td>
<td>Client calls RM(^1)</td>
</tr>
<tr>
<td><strong>Which clients should I meet next?</strong></td>
<td>RM picks up &amp; enters client ID into system</td>
</tr>
<tr>
<td><strong>Who should I target with an FX(^2) campaign?</strong></td>
<td>In addition to handling client request RM brings up FX for cross-selling</td>
</tr>
</tbody>
</table>

- RM asks system to set up meetings for next week
- “This client has the highest affinity for FX”
- RM consults system & extracts client list with highest revenue potential
- “These clients have the highest potential”
- Sales mgmt. automatically creates list of clients per RM with highest affinity to FX
- Affinity to FX of client book

---

**Power of 'big data'**

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Note: 1. RM: Relationship Manager. 2. FX: Foreign Exchange
Source: BCG Experience
Banks can stem attrition through smart retention

**Current context**

- Banks lose 10 to 20% of revenues through attrition
- Typically not fully tracked and incorrectly attributed to external factors
- Proactive attrition management is necessary – especially in an environment of weakening client demand

**Potential impact**

Potential to stem 25% of attrition through smart-data led approaches

- Attrition prediction
- Attrition mitigation
- Impact assessment

Source: BCG Experience
Corporate banks can proactively stem key client attrition through smart retention

- Rigorously track existing gross attrition in client portfolio
  - Clearly define client attrition, including 'hidden attrition' through objective metrics (e.g., # clients)
  - Baseline historical attrition

- Understand the root causes or drivers of attrition using analytics
  - Statistically cluster attrited clients based on their attributes using k-means clustering, etc.
  - Conduct a quantitative survey in the client portfolio to understand objective drivers of attrition

- Develop a predictive model to identify 'at-risk' clients
  - Historically analyze data to identify behaviors correlated with attrition
  - Understand likelihood of attrition based on identified predictors
  - Develop a predictive model and risk scoring based on tools like logistic regression, random forest, etc.

- Proactively manage attrition of 'at-risk' clients
  - Design tactical and strategic solutions to deploy for 'at-risk' clients
  - Test and refine key solutions with clients
  - Create an implementation roadmap to manage key clients

Source: BCG Experience
Banks can iteratively identify 'at-risk' clients to progressively stem attrition

A leading Asian bank identified its 'at-risk' clients through predictive modelling and reduced gross attrition by 15%

How did the bank manage attrition?

- In 2015, a leading Asian bank faced high gross attrition
- It identified that 67% of its gross 'at-risk' attrition was driven by 9% of its clients
- Developed tactical and strategic solutions for 'at-risk' clients over the next 12 months
- As a result, the gross attrition value reduced by 15% in 2016 vs. 2015

Source: BCG Experience
Banks can expand cross-selling horizons through smart prospecting.

**Current context**
- **Banks looking at diversifying revenue streams (to cash, trade, markets) and sector mix**
- **Banks sitting on humongous trove of customer data with limited analytics to churn it**
- **Cross-sell limited to only sourcing more products from existing clients (and not new clients)**

**Potential impact**
- 3X of improvement in fee income through an increase in lead acceptance rates by RMs

Source: BCG Research
Smart prospecting helps generate high quality leads, establish linkages with existing clients and empowers RM to convert leads

**Lead generation**
- Create robust database using multiple data sources
- De-duplicate and enrich lead data using machine learning algorithms
- Rank the leads basis attractiveness using a lead quality index

**Connectivity mining**
- Leverage corporate networks and data sources to identify linkages between NTB\(^1\) leads and ETB\(^2\) clients
- Create a network map that links the leads with channel partners and industry leaders

**Lead transfer and feedback**
- Seamless transfer of lead pipeline, client clusters, product bundles to the RM
- Iterate lead engine through feedback from the field to improve lead quality and conversions

---

Note: 1. NTB: New to Bank. 2. ETB: Existing to Bank
Source: BCG Experience
Data and analytics can be leveraged in each stage of smart prospecting

Approach for smart prospecting

### Identify & aggregate leads from multiple sources
- Bank’s revenues
- Trade transactions
- Remittances
- CRR\(^1\)
- ETB\(^2\)
- Shareholding patterns of clients
- Supplier relationships
- International data
- Employee referrals of clients
- Output from research houses and industry associations like NASSCOM, etc.

### Assess lead quality
Once the lead pool is formed on the EDW\(^3\)
- Assess quality of lead pool basis recency, traction etc. using lead quality index
- Enrich leads through ML\(^4\) algorithms

### Establish lead linkages
- Create network map depicting connectivity between NTB leads and ETB clients
- Leverage multiple databases like social media, brokers etc to create the map

### Establish lead flow to RMs
- Send most attractive leads to RMs with a call to action
- Input the feedback from RMs on lead conversion into ML algorithms

Note: 1. CRR: Cash Reserve Ratio. 2. ETB: Existing to Bank. 3. EDW: Enterprise Data Warehouse. 4. ML: Machine Learning

Source: BCG Experience
Smart prospecting augments revenue through better lead quantity and quality

A leading Asian bank leveraged smart prospecting to augment revenue

Context

- Bank wants to grow outside home market
- 10x smaller than competitors in book size and income
- Wants to shift product mix to cash, trade, markets
- Wants to differentiate & diversify sector mix

- Designed new databases, processes and interventions to identify high quality leads
- Leveraged state of the art processing mechanisms to build connections between existing & new clients
- Integrated lead generation and connectivity modules to RM for use on the field

Impact achieved

- $120m incremental revenue
- 3K leads shared with RMs
- 125% increase in acceptance rate by RMs
- 2x conversion lead rate over baseline

Source: BCG Experience
For further reading

Boston Consulting Group publishes reports, articles and books on related topics that may be of interest to senior executives. Recent examples include those listed here.

**Global Corporate Banking 2018: Unlocking Success Through Digital**
A report by Boston Consulting Group, March 2018

**Reinventing Banking for the Digital Age**
An article by Boston Consulting Group, February 2018

**Global Risk 2018: Future-Proofing the Bank Risk Agenda**
A report by Boston Consulting Group, February 2018

**How Pricing Can Solve European Banking’s Earning Crisis**
An article by Boston Consulting Group, February 2018

**How Banks Can Thrive as Digital Payments Grow**
An article by Boston Consulting Group, December 2017

**The Power of Digital in Commercial Banking**
An article by Boston Consulting Group, December 2017

**Why Aren’t Banks Getting More Digital**
A Focus Boston Consulting Group, December 2017

**Hidden Treasure: How Data Can Turn the Fortunes for Indian Banks**
A report by Boston Consulting Group, in association with Federation of Indian Chambers of Commerce and Industry (FICCI) and Indian Banks’ Association (IBA), November 2017

**Providing Financial Services To SMEs In An Increasingly Digital Ecosystem**
A report by Boston Consulting Group, in association with Federation of Indian Chambers of Commerce and Industry (FICCI) and Indian Banks’ Association (IBA), August 2018

**Global Payments 2017: Deepening the Customer Relationship**
A report by Boston Consulting Group, October 2017

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Note to the reader

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