

Standard Bank boosts client profitability with City Fios revenue-tracking solution



Standard Bank is South Africa's largest bank, with operations all over the world. The bank decided it wanted a system that would help it attribute revenue to individual clients and make it easier to identify new opportunities.

Standard Bank chose business performance management firm City Fios to help address these issues. Starting with its London-based international systems, City Fios deployed its proprietary revenue-tracking solution, Fios. Using this tool, the bank can draw data from multiple trade capture systems to calculate not only the revenue generated by each client, but also the contribution made by different regions and salespeople.

This successful implementation led to a similar deployment across Standard Bank's wholesale division, based in South Africa, and the outsourcing of all administrative processes around the system to City Fios via a managed services contract. The bank can now calculate the value of each client relationship and has a stronger basis for cross-selling and targeted marketing efforts.

SITUATION

Knowledge is power. And in the highly competitive banking arena, customer information can be the key to a powerful market position. As well as being South Africa's largest bank, Standard Bank has a strong international presence, with more than 40,000 employees worldwide.

But, with such size and scope, it's sometimes easy to overlook the details. When calculating revenue, the bank found it had no way of breaking down the figures to assess the value of individual relationships. This was because trading systems only record trades in one way – for example, by trade type or trading book. With a large and varied client base across multiple regions, the bank needed multiple views to accurately measure profitability and identify the attributes of the income generated.

"City Fios has helped us enrich our sales data to a point where we can identify a lot more about client behaviour. We've been able to homogenise the way we measure value add across a large geographical area. And, because it's measured consistently, we can create product rules to give our measurements credibility."

*Trevor Davis, Business Manager Global Markets Division,
Standard Bank*



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William Thorp, Business Manager Coverage and Distribution Division, Standard Bank, says: “We had no way of monitoring client revenue. We had the ability to look at revenue over time on a consolidated basis but we were never able to attribute it by client and that covered all activities – by margin and by volume. We couldn’t calculate the value of the relationship.” The bank was also keen to analyse revenue by product so that it could make more flexible pricing decisions to reflect client needs.

In 2003, the bank’s London-based international division decided to address this issue by working with business performance management firm City Fios to develop a revenue-tracking system.

SOLUTION

The City Fios team worked with the bank to review its existing data capture systems and talk to business managers about what they wanted to achieve. Once this information had been gathered and analysed, City Fios made suggestions to the executive board.

Thorp says: “From a business management perspective, we wanted to gain a consolidated picture of each client relationship and do things such as tiering customers by profitability. This would give us a deeper understanding of their requirements and help us to actively manage our client base.”


The result was an implementation of the Fios toolkit, City Fios’s proprietary sales and client revenue tracking system for financial institutions. Over a six-month period in 2004, links were built from trading and reference data systems into the Fios toolkit. Once this was done, the captured trade data could be manipulated and broken down in a number of ways – by client, by region and by salesperson, to name but a few.

Thorp says “The level of granularity is fantastic. Now we can look at revenue by client, by trade, by product and more, while also being able to understand the quality of the earnings in terms of return on capital. This has really helped us target our efforts.”

And, because the reporting system can be installed using a simple download, the bank was able to give access to users across its regional network without significant infrastructure expansion.

The system was designed to increase the bank’s understanding of client profitability and improve its ability to report revenues by individual and by region. City Fios also implemented measures to show return on equity and highlight those clients using more capital. This helps managers make assessments based on risk adjusted returns, providing an even greater insight into profitability. It also helps the bank calculate regional activity and tax allocation.





“City Fios knows our business very well. The team has worked closely with us and because of this, the solution hasn’t drifted out of line with our business requirements – something that can often happen with outsourced applications.”

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Trevor Davis, Business Manager Global Markets Division, Standard Bank, says: “The system is useful to sales managers because it helps them set targets for sales teams and hold individuals to targets. It also helps regional managers determine their proportionate contribution to global revenues.”

The initial implementation was so successful that the bank decided to roll out the system across its wholesale division in South Africa.

Additionally, in 2005, City Fios assumed responsibility for administration of the system as a fully managed service. This includes day-to-day management of data feeds, development and distribution of reports, and data quality validation.

One of the elements of the managed service is the ability to commission customised reports. Davis says: “Speaking personally, I regularly commission ad hoc reports that aren’t for everyday use but help us look at an aspect of the business that we haven’t looked at before. Being able to do that without having to renegotiate fees is a key benefit of the service.”

Another element of the managed service proposition is consultancy. This works on two levels. On a practical level, City Fios advises on how the system can be adapted

to cater for on-going changes to the bank’s technical infrastructure or organisational structure. At a conceptual level, City Fios also provides the bank with advice on how to manage and measure client value.

Thorp says: “The team brings a huge amount of experience because they have seen it done elsewhere. As an external voice, it is able to cut through the politics and see exactly where the revenue lies. The team has also been instrumental in helping us pull more and more information from the system because of their understanding of our business.”

Since 2006, the bank has extended the use of the system by integrating it with its Salesforce CRM system. The bank now has a single point of contact for all live and static data.

Davis concludes: “The most significant thing we’ve done is set up a front-office division called coverage and distribution, which is the client interface end of the investment bank. The division operates purely on sales credits. With these sales credits it sets itself targets and remunerates people based on activity. We have a unit of people that transcends individual product areas and can concentrate on the client and cross-sell products.”

www.cityfios.com

City Fios is a financial services consultancy founded in 1998 by ex-banking professionals.

The company works closely with senior managers in the securities industry, helping them to design, implement and run management information solutions. It works to integrate these solutions into business planning and management processes.

With extensive knowledge and experience across functional and product areas, City Fios focuses on the provision of performance management and client revenue data to sales and distribution teams within clients’ organisations

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