• Oliver Wyman’s Retail and Business Banking practice supports leading banks, credit institutions, payment companies, and investment firms to design and implement business strategies aimed at servicing individual clients and SMEs

• The Retail Banking Decision Making sub-practice combines this Retail banking expertise with our deep content expertise in Finance and Risk topics to support clients in making better decisions in lead generation, credit decision making and ongoing customer management

• Given the recent rapid advances in data, analytics and digital technology this has become a core focus area for many banks and we have invested to support clients to respond to these advances, developing three core capabilities:
  1. Enhanced credit and risk decision making
  2. Process re-engineering
  3. Customer management and marketing

• The remainder of this brochure outlines these core capabilities in more detail
Data and digital have created the perfect storm for retail decision making

Data is being created in unprecedented volumes
Infrastructure to manage these data is cheap and powerful
New machine learning analytics is becoming available now
Massive adoption and use of internet and remote devices (smartphones, tablets)

+90% of data ever created was made in the last five years
Cost of 1 gigabyte of storage space:
$300 K in 1981
Less than $0.10 today
Data scientists can now build robust models with thousands of different variables
Customers demand live information and rapid paper-less processes

Source: IBM, isen.com/blog, eMarketer

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KEY CLIENT ISSUES

Many clients feel there are benefits to be gained from these trends but don’t know how to take advantage.

TYPICAL CLIENT QUESTIONS

1. Where to start?
2. What is the business case?
3. How to prioritise investments?
4. How to manage regulatory issues?
5. How to link to other ongoing Digital initiatives?
We have developed three core capability areas to support clients gain advantage in Retail Decision Making:

**ENHANCED CREDIT AND RISK DECISION MAKING**

- "Improve the performance of your portfolios"
  - Retail credit application scoring
  - Pricing optimisation
  - Collections enhancement

**PROCESS RE-ENGINEERING**

- "Increase efficiency and effectiveness of business"
  - Business and operations processes
  - Customer advice
  - Compliance and oversight

**CUSTOMER MANAGEMENT AND MARKETING**

- "Keep your customers happy and profitable"
  - Next best action (NBA) customer management
  - Churn reduction
  - Campaign optimisation
## ENHANCED CREDIT AND RISK DECISION MAKING

### OLLER WYMAN OFFERING

<table>
<thead>
<tr>
<th>RETAIL CREDIT APPLICATION SCORING</th>
<th>IMPROVED PROFITABILITY</th>
<th>VISIBILITY AND CONTROL</th>
<th>CUSTOMER BENEFIT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Analysis of current scorecard effectiveness</td>
<td>Improved bucketing of customers leads to better returns</td>
<td>Enhanced structuring and hence traceability of decision making</td>
<td>Better client reasons given for application decision and greater flexibility on product offering</td>
</tr>
<tr>
<td>Credit policy review</td>
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<tr>
<td>Rebuild of scorecard using enhanced data sources and machine learning</td>
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<tr>
<td>Analysis of affordability and customer validation models</td>
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</table>

### PRICING OPTIMISATION

<table>
<thead>
<tr>
<th>Pricing Optimisation</th>
<th>Improved profitability</th>
<th>Visibility and Control</th>
<th>Customer Benefit</th>
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</thead>
<tbody>
<tr>
<td>Development of best-practice pricing strategy</td>
<td>Careful monitoring of conversion rates leads to pricing optimisation</td>
<td>Enhanced MI developed to monitor pricing</td>
<td>Greater pricing flexibility</td>
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<tr>
<td>Design of dynamic pricing functionality</td>
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</table>

### COLLECTIONS ENHANCEMENT

<table>
<thead>
<tr>
<th>Collections Enhancement</th>
<th>Improved tracking of customer and portfolio performance through enhanced segmentation</th>
<th>Expertise-led solutions leading to better outcomes</th>
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</thead>
<tbody>
<tr>
<td>Non-performing customer management toolkit improving:</td>
<td></td>
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<tr>
<td>Visibility &amp; control</td>
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<tr>
<td>Operating model</td>
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<td>Sales &amp; outsourcing</td>
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<td>Debt restructuring and early warning systems</td>
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</table>
## PROCESS AUTOMATION AND RE-ENGINEERING

### OLIVER WYMAN OFFERING

<table>
<thead>
<tr>
<th>BUSINESS AND OPERATIONAL PROCESS RE-ENGINEERING</th>
<th>IMPROVED PROFITABILITY</th>
<th>VISIBILITY AND CONTROL</th>
<th>CUSTOMER BENEFIT</th>
</tr>
</thead>
<tbody>
<tr>
<td>On-boarding process</td>
<td>Significant reduction in manual processing costs (referrals, etc.) through analytics and robotics</td>
<td>Improved MI and consistency from removal of manual efforts</td>
<td>Quicker decisions and operations from automation</td>
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<tr>
<td>Credit application process</td>
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<td>Manual verifications</td>
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<td>PPI claim processes</td>
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### CUSTOMER ADVICE PROCESSES

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<thead>
<tr>
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<th>VISIBILITY AND CONTROL</th>
<th>CUSTOMER BENEFIT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mortgage advice process</td>
<td>More efficient manual processes and better conversion</td>
<td>Improved control and consistency over customer advice</td>
<td>Improved accuracy of customer advice</td>
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<tr>
<td>Investment advice process</td>
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<td>Investment guidance</td>
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<td>Lending guidance</td>
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### COMPLIANCE PROCESS OPTIMISATION/ROBOTISATION

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<th>COMPLIANCE PROCESS OPTIMISATION/ROBOTISATION</th>
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<th>VISIBILITY AND CONTROL</th>
<th>CUSTOMER BENEFIT</th>
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<tbody>
<tr>
<td>Fraud analysis</td>
<td>Reduced manual compliance/monitoring efforts and better outlier spotting</td>
<td>Automated control and outlier analysis providing compliance</td>
<td>Quicker and more effective identification of fraud</td>
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<td>Communications monitoring</td>
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<td>Employee monitoring</td>
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<tr>
<td>3rd party monitoring</td>
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<tr>
<td>CUSTOMER MANAGEMENT AND MARKETING</td>
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**OLIVER WYMAN OFFERING**

| NEXT BEST ACTION (NBA) CUSTOMER MANAGEMENT | Development of NBA framework to include:  
• Cross-/up-sell opportunities  
• Complaint handling  
• Data collection  
• Customer value calculation | Increased cross- and up-sell | Improved workflow gives front-line staff better information | Bank communications cohesive and consistent |

| CHURN REDUCTION | • Identification of customer journey pain-points  
• Development of customer churn model which flags high risk customers | Improved customer retention, hence lower customer replacement cost | Better visibility of which customers are likely to churn | Unhappy customers identified and issues resolved |

| CAMPAIGN OPTIMISATION | • Identification of target customers  
• Design of an effective customer segmentation  
• Channel and incentivisation strategy design  
• KPI and MI development | Reduced customer acquisition costs | Improved monitoring of campaign performance | Increased relevance of campaigns offered |
We have global case studies to demonstrate our capabilities...

**ENHANCED DECISIONS**

- SME Digital Credit Underwriting: End-to-end build of a fully automated SME unsecured online cash flow lending product (Australia)
- Credit underwriting decision strategy: using internal data, streamlined policies and machine learning to improve credit risk decision making (Southern Europe)
- SME ‘social rating’ Early warning system: Development of enhanced SME behavioural rating model using alternative social media data and early warning system to detect potential defaults (Southern Europe)

**PROCESS RE-ENGINEERING**

- Collections optimization: Big Data and machine learning applied to improve operational efficiency and effectiveness in collections (Mexico)
- SME credit process redesign: applied data and analytics to optimize credit process (North America)
- SME credit process redesign: applied data and analytics to optimize credit process (Southern Europe)
- PPI process re-engineering: applying OCR technology to extract data and machine learning to optimise PPI complaints process handling (UK)
- Business Data Initiative in the UK SME market: BDI is a data routing, tagging and virtual holding company that enables businesses to share their private, commercial data with other counterparties (UK)
- Fraud detection: Identification of first payment default using more extensive use of internal data as well as social media data (Southern Europe)

**CUSTOMER MANAGEMENT**

- Data analytics strategy development and implementation for leading Australian life insurer (Australia)
- Customer profiling and segmentation: Effective use of social media data to identify affluent customers in the customer base (Southern Europe)
- Modelling of deposit/liquidity behaviour through Big-Data approaches (Southern Europe)
- Natural language modelling to predict compliance issues: Toolkit that is able to find abnormal patterns in vast amounts of unstructured data (UK)
...and our work has delivered client benefits across four key areas

1. IMPROVED PROFITABILITY
   Higher revenues per customer and higher volumes through better risk discriminations lead to increased profitability – critical with current pricing pressures.
   - 10-20bps pricing margin increase with limited impact on volumes
   - €500 MM of value identified and delivered during NPL review of global universal bank

2. REDUCED CREDIT RISK
   Enhancements to credit models can be used to both refine application processes, leading to lower PDs, and to increase automation without impacting credit risk.
   - 5-10% reduction in PD due to enhanced credit risk bucketing
   - 10-30% customer volume increase with no impact on credit risk

3. VISIBILITY AND CONTROL
   Improved decision making structures and reporting, and reduced reliance on ‘expert judgement’ all lead to enhanced consistency and visibility whilst improving operational efficiency.
   - Enhanced visibility of performance of the entire credit lifecycle
   - Ability to review and update in near-real-time:
     - Campaigns
     - Segmentation
     - Credit policy
     - Pricing levels
     - Collections approach
     - Retention strategy

4. COST REDUCTION
   Cost reduction through increased automation and reducing “manual” decision making
   - 50% reduction in manual credit decisions for a consumer lending business
Typically clients start either with a diagnostic or proof of concept approach that then lead to development phases.

### STARTING POINT

#### DIAGNOSTIC APPROACH

**BENCHMARKING AND GAP ANALYSIS**
- Benchmark organisations across key areas
- Compare to best practice vs. international and local market leaders

**BUSINESS CASE DEVELOPMENT**
- Identify key levers available for change
- Identify impact these would have on underlying business (‘quick wins’, ‘bolt ons’, ‘game changers’, ‘lower value’)
- Formulate overall business case for investment

**ACTION PLAN DESIGN**
- Develop action plan for implementation
- Identify both short term ‘quick wins’ and longer term actions
- Design pilots to drive immediate impact

#### PROOF OF CONCEPT

**PROBLEM DEFINITION AND PREPARATION**
- Define clear business problem e.g. Fraud, increasing non-franchise credit applications
- Submit data request and collect data
- Identify key stakeholders and roles
- Align expectations and agree approach
- Carry out quality checks on the data

**PROOF OF CONCEPT DEVELOPMENT**
- Analyse current decision process
- Generate hypotheses for testing to improve process
- Derive key metrics and carry out analysis
- Generate results and quantify benefits
- Handover (including training sessions)
- Identify other potential internal and external data sources

**VISION SETTING AND IMPLEMENTATION**
We have a dedicated core team that leads this initiative in EMEA

**LEAD PARTNERS**

- **JAMES BRYAN**
  Partner
  Madrid Office

- **MATTHEW SEBAG-MONTEFIORE**
  Partner
  London Office

- **BARRIE WILKINSON**
  Partner
  London Office
  OW Labs

**CAPABILITY LEADS**

- **BILAL OKATAN**
  Principal
  Istanbul Office
  Credit and Risk Decision Making Expertise

- **LALE DAGLI**
  Principal
  Istanbul Office
  Customer Management and Marketing Expertise

- **GEOFF HOLMES**
  Principal
  London Office
  Analytics and Process Re-engineering Expertise

- **SADIK GENCÖĞLAN**
  Principal
  Istanbul Office
  NPE Management Expertise

**CHIEF OF STAFF**

- **WILL ILLINGWORTH**
  Manager
  London Office
The core team is supported by a broad range of global and market experts...

OLIVER WYMAN TEAM

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INDERPREET BATRA
Partner | Washington DC
PETER CARROL
Partner | New York
COREY USER
Manager | New York

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JAMES BRYAN
Partner | Madrid
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Partner | Munich
LUIGI DE SANCTIS
Partner | Milan
IBON GARCIA
Partner | Madrid
DIMITRIOS PSARRIS
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LALE DAGLI
Principal | Istanbul
SADIK GENCLOGAN
Principal | Istanbul
DANIELE CIGLIONI
Principal | Milan
ALBERTO GOMEZ
Principal | Madrid
AASHISH WADHWA
Principal | Dubai

WILL ILLINGWORTH
Manager | London
LUDOVIC AUFFRAY
Manager | Paris
PABLO DIAZ-VARELA
Manager | Madrid
GONZALO LOPEZ-OLEAGA ARROSPIDE
Manager | Madrid
JUAN GUERRA GARCIA
Manager | Madrid
ANDRE LEMOS
Manager | Madrid
Over 60 Labs consultants, software engineers and data scientists

+ 50 Additional back-end & front-end developers
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OLIVER WYMAN IS A GLOBAL LEADER IN MANAGEMENT CONSULTING THAT COMBINES DEEP INDUSTRY KNOWLEDGE WITH SPECIALISED EXPERTISE IN STRATEGY, OPERATIONS, RISK MANAGEMENT, AND ORGANISATION TRANSFORMATION.