

# Team 3 Final report on Metro Bank

Course: MIS581  
Professor: Vance Wilson  
Editor: Tianze Huang  
Kushal Shah  
Ethan Di Renzo

## Descriptive Cover

In 2019, Metro Bank was discovered to have an error in the way of categorizing commercial loans for capital adequacy purposes, the bank lost its reputation and trust from customers and suffered a massive customer churn. Metro Bank would like to reduce customer churn rate and reconstruct its trust in customers to improve the performance of the organization. In this report, we will examine the issues in Metro Bank and provide a detailed analysis of those issues to create plans and strategies for Metro Bank to reduce customer churns.

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## **Executive Summary**

This report entails the findings of the existing Metro Bank IT and business system as well as the recommended policy and strategy changes in order to help repair Metro Banks fragmented reputation, churn rate, and minimize the risk of errors that will, in turn, raise the revenue of the organization. This can be done through management changes, by providing high-quality customer service, providing additional banking products/ options, and using software to help catch possible human errors. These recommendations come from our AS-IS and TO-BE analysis which also utilize SWOT analysis, Strategic alignment maturity analysis, and lastly inhibitors of alignment and balanced scorecard.

## **Background**

Founded in 2010, Metro bank is the first high-street bank opened in the United Kingdom in over 150 years. During the years of operation and the bank's rapid growth, Metro bank hit difficulties in early 2019. They failed to meet regulatory requirements with a discovery of an error in categorizing commercial loans for capital adequacy purposes. Due to this fact, the bank's share price fell by 75% in less than four months and lost a great number of customers because of the adverse sentiment.

## **Project Domain**

Since Metro bank is an organization, whose primary business is in customer services and banking service, and the number of various sizes of banks rising in Europe, customers are having more choices in banking and product selection. While more customers are attracted by better offers, products, and deposit rates from large-sized banks such as Morgan Chase, TD Bank, and Bank of America, small-sized banks are having the problem of customer churns because of IT or human errors in the bank which leads to revenue loss and customer loyalty lost. We will analyze the data of a great number of customers in Metro Bank to develop new policies and strategies for the bank to lower the churn rate and eliminate errors.

## **Policy and strategy goals**

For our project, we want to develop new policies and strategies for Metro Bank to prevent customer churn, eliminate possible errors and raise the revenue for the organization. New policies and strategies for the bank should be able to fulfill customers' needs and eliminate errors in the bank to prevent churns of customers.

## **Gantt Chart**

The Gantt Chart (Figure 1) will describe our project management and schedule in detail. The three main domains are milestones 1 to 3, in which we will conduct research and analysis for Metro Bank to determine the issue in the organization and provide policy and strategy plans to improve the performance and reduce churn rate.

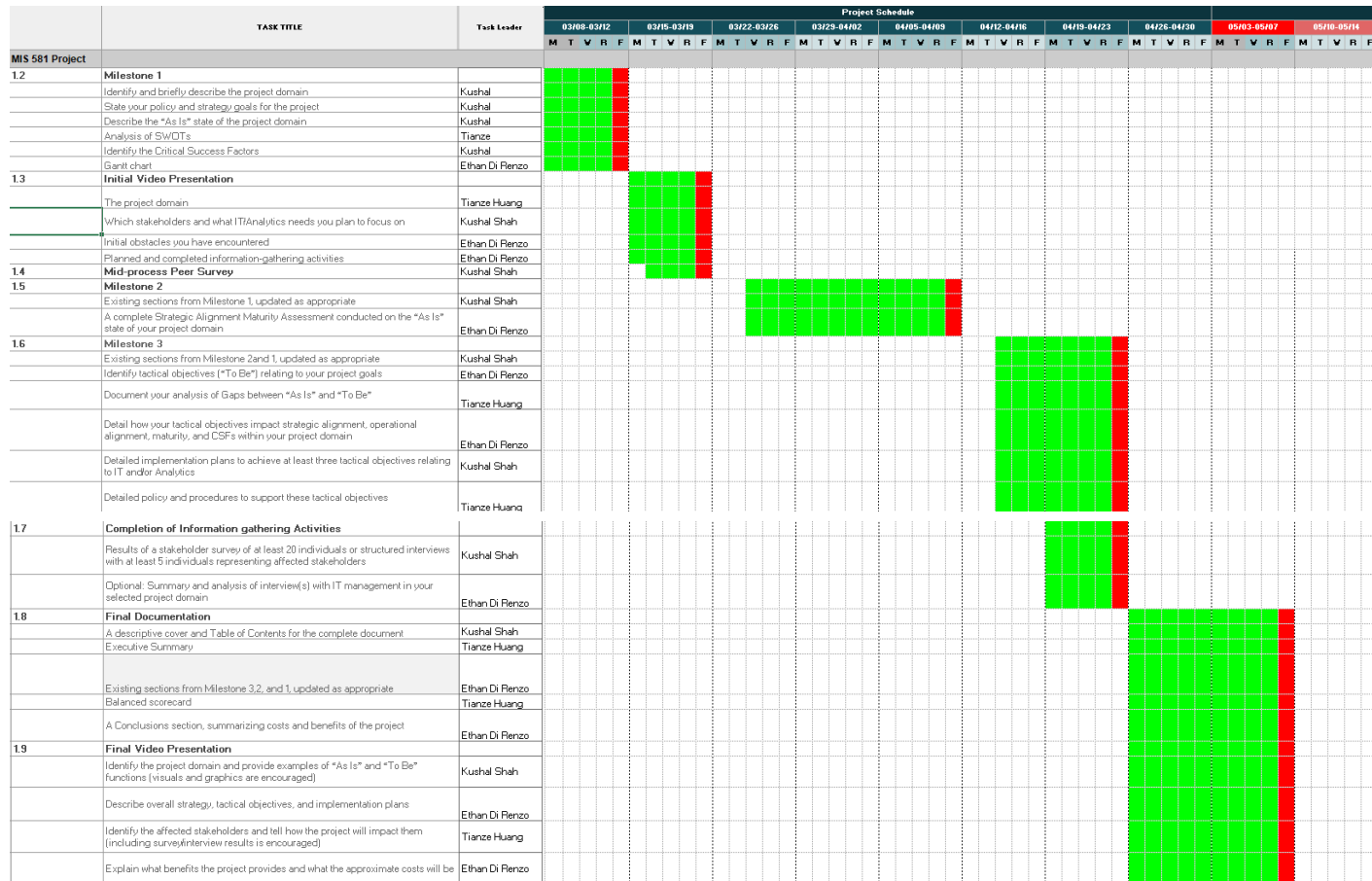


Figure 1

## AS-IS state

The current state of Metro Bank is that human error in the bank is exceeding the government requirement and customers are not satisfied with the offers the bank is providing, including high rates of credit, high loan rates, low benefits of deposits, the low performance of customer service, and a smaller choice of bank products when compared to the industry. Followed by the issues listed above, the bank is having a high rate of customer churn.

## AS-IS SWOT Analysis

### Strengths (internal)

- Small banks are having fewer customers than large banks, feedbacks from customers can be processed faster
- Policy/strategy changes in small banks can be implemented faster with lower risks (The effectiveness of changes only impact a single bank)

### Weakness (internal)

- Bank products are considerably limited because of the low demands of customers
- Customer services have a poor quality because of low numbers of employees
- Customers must roam a longer distance to approach the bank
- The bank is having low margins on products

- The bank does not invest much in technology
- Human errors in bank records

#### Opportunities (external)

- Possibility of growing of the bank size
- The business sector is expanding, with more products being introduced
- Local governments will encourage the business
- New policies and strategy can attract more customers

#### Threats (external)

- Local competitors have already run the same business/having similar products with better benefits for customers
- Small banks might disrupt if the economic direction had changed
- Government regulations towards bank system
- Customers are not satisfied with new products

#### Critical Success Factor (CSF)

- Strategy can be developed and implemented successfully
- The bank can innovate more products
- Government policies will not generate a huge impact on the bank business market
- Customer service quality can be improved

### Assessment Scope

The scope of the Strategic Alignment Maturity (SAM) assessment will be bound by the as-is state of the project domain. As detailed in the preceding section titled “Project Domain”, the domain can be summarized as the process used for sharing project deliverables, namely project research reports, with Metro Bank’s clients. The project domain limits the scope to the maturity of this process as it relates to the organization and the IT department.

In the following section, we will evaluate the core criteria that describes the process’s maturity level using a 1–5 Likert scale, where:

1 = it does not fit the organization, or it is very ineffective

2 = low level of fit for the organization

3 = moderate fit for the organization or the process is moderately effective

4 = it fits well within the organization and the related processes

5 = is a strong fit throughout the organization, or the process is very effective

### Strategic Alignment Maturity Analysis

- Communications

Score: 3

The organization focuses on understanding business by IT and IT by Business and knowledge sharing which means merging business awareness and their structuring around key processes needs to be worked on more.

- Competency/Value Measurements

Score: 4

The organization focuses its attention on customers' monetary value as they identify customers through their unique identifiers (Name, ID, Country),

estimated salary, balance, credit score, and tenure at the bank). They also look at whether a customer has left the bank or not.

- Governance

Score:3

The organization is governed by an executive board that decides upon the policies the bank operates with, the information they use to create said policies comes from government entities as well as customer experience.

- Partnership

Score:2

The organization understands that IT is a helpful tool for its business. However, since the size of the organization is relatively small, IT is only used as a supportive tool, which means IT only serves the most basic daily business operations and data analytics. This leads to a fact that the organization did not align business and IT together, and spend fewer investments in IT. Since the organization's business is open to customers in Europe and requires a better data analysis in customer relationship management to connect customers for preventing churns, the organization needs to invest more in IT to ensure it can understand its customers well and use IT to generate more value for Metro and its customers.

- Scope and architecture

Score:3

The scope and architecture of our organization are limited. While the organization only serves small groups of customers, its technical architecture is not well-developed. The organization must adapt to new technologies and services and use IT as an effective tool to empower its business. In the perception of business architecture, since the physical location of our organization is limited, the organization lacks charming business products and services to fulfill its business needs, which led to customers' churn from the organization. The organization must both invest in business and technology fields to expand its business size to various groups of customers and to reinforce its business.

- Skills

Score:3

The organization needs to improve a bit more with workshops for employees to improve their skill set so they can perform their jobs more efficiently. As the organization only aligns its IT with basic business, the IT team in the organization must adopt more IT skills to develop their data analysis and customer service to reduce the churns.

Based on the maturity analysis, we have assessed the alignment maturity of the as-is state of the project domain is neutral. However, since Metro Bank faced a challenge of human error previously, the management and skills are important parts to be reinforced to meet the needs of customers. We will classify the issues as inhibitors of alignment below.

### **Inhibitors of Alignment**

- Company dilemma: Metro bank faced the problem which started at the beginning of 2019 when the bank committed to “accounting error” which led the company to underrate the

risk of a significant proportion of mortgage loans and overstate its capital, this action caused damage to trust among its customers in the bank and lead to high churn rates.

- Insufficient level of employee skills: The skill of the employee is considered insufficient for the business because the organization was found to have accounting errors. This event can be seen as a human error in business. The level of employee skills and responsibility should be reconsidered in the organization and implemented with a new plan.
- Low quality of customer services: Even though Metro Bank grew rapidly in the past few years, the size of the bank is still considered as a small-medium, the physical location is limited, which will generate dissatisfaction to customers for long travel distances. Besides the location issue, the bank is not responding fast enough to its customers such that issues cannot be solved promptly which also generated dissatisfaction from customers.
- Failed to meet the requirements in business: First, Metro Bank failed to meet the requirements of the government because of the accounting error, which also means that the in-bank operations are processed improperly which leads to human errors. Also, the bank failed to use IT and analytics to support its business. The organization is currently not investing much in IT, and they are improperly using analytics to produce the wrong prediction for accounting.

### **TO-BE state**

The to-be SWOT analysis provides insights into the impact of policy and strategy changes that applies to Metro Bank. The goal of the to-be state is to reduce weaknesses in the bank and gain more competitive advantages through the changes to improve the strength and seek more opportunities for the organization.

### **TO-BE SWOT Analysis**

#### **Strengths (internal)**

- Intense business operation
- Having multiple kinds of bank products that fulfill customer needs
- The rapid and high-quality response rate in customer service
- More trustable operations and accounting methods in the company with analytics and IT

#### **Weakness (internal)**

- Employees need to adapt to new policies and strategies and alternate their workflow and working method
- Implementing strategies and plans will involve an additional cost in labor, physical location construction, and online services
- IT needs to be understood and used properly in the bank for data analysis with sufficient skill of employees.

#### **Opportunities (external)**

- More business branches in the local area offering multiple kinds of services
- High quality of customer satisfaction rate towards our physical and online banking system
- More investors will invest in our bank
- Business can align to the latest technology to attract more customers

### Threats (external)

- Other companies might use similar IT solutions before us
- Cyber-security issues towards sensitive data online
- New government announcements and policies towards the banking industry

### Gaps between AS-IS and TO-BE

During the as-is state, we understand that our organization is suffering from churns because of the negative event that happened in 2019 and that our organization's operation does not fulfill customer needs in products, services, and IT-business alignment. Considering those factors, our organization needs to reduce these weaknesses to prevent churns and improve our strengths to attract more customers. The main gaps between AS-IS state and TO-BE state are that customer service quality changes, physical location additions, and how IT will impact our organization's business based on the new strategies and policies.

### Tactical objective impacts

- **Strategic Alignment:** The tactical objectives are going to heavily impact the level of the partnership of IT and business and the skills of employees. We understand that business operations urgently need to be reinforced, such that our organization needs to align our business with IT to gain a competitive advantage in the industry. We will absorb the latest AI technology with data analytics and machine learning to produce an online agent that can reply to customers if they are having questions or if business operations need to be done online, such as online transfers and deposits. Along with the partnership of IT and business, employees are also required to be familiar with the operations of IT and business. Employees need to understand how to maintain and use IT in daily operations. In business, IT will support employees to eliminate any possible human errors to keep the transactions and data inputs protected.
- **Operation Alignment:** Our main operation is conducted by humans in physical locations, the operations include transactions, deposits, product purchases, and customer services. With the tactical objectives, the intense business operation will enable Metro Bank to run a more reputable operation, in which data usage will be used after customer consent, provide new products that will attract more customers, and customer services and physical locations that can provide more convenience to our customers to gain the competitive advantage in the bank industry.
- **Maturity:** The tactical objectives will impact employee performance the most, which is the level of skills. Our organization will invest more in IT to support our business, such that employees are required to have a deep understanding of how IT can support our business, and skills related to Metro Banks's IT operation. The IT team will be responsible for updating and maintaining databases as well as monthly cloud payments, and the business team will be responsible for data input and daily business operations.
- **Critical Success Factors:** The tactical objectives will impact generating more convenience for customers in customer services. With those objectives, our organization will use data analytics and IT to better understand the needs of our customers based on the segmentation fields. With the results generated from the analysis, we can construct a plan of new products and service updates to our customers, predict the pattern of customer

behaviors and plan for advertising and services to retain current customers and call back churned customers.

## **Detailed implementation plans**

Objectives:

- Various kinds of products: We will form an IT and a business team in cooperation to understand what products are more preferred by our customers based on the segmentation of age, income, and location. The IT team will be responsible to provide necessary devices and programs for data analysis, and the business group will be responsible to acquire data from customers with the consent form. Both teams will conduct data analysis to generate daily, monthly, and annual reports for the cooperation to understand the trend of product purchases and customer preference. Each season, the two teams will generate a plan for products that will be sold in the next season and adopt or generate new products that customers might prefer. Each year, with all reports gathered, both IT and the business teams will work together to discuss product sales and how to use IT to improve sales to align business with IT.
- High-quality customer services: Our cooperation will construct an environment online to answer basic questions from customers with our free agent bot. As labor is expensive, and overload of labor will generate a negative impact on work speed in the workspace, all simple answers will be answered by the online agent first, and if the customer needs additional help, the agent will notify an employee to answer questions either online or on phone. We would implement this technology to reduce unnecessary calls from customers whose questions can be solved online and increase customer service performance in person. Feedback is collected by the business operator after each phone call or online service and saved to the database for our business team. The business team will conduct data analysis on customer service satisfaction rates and problems. The result will be discussed by the business team and the entire team will plan for further changes towards customer services to improve the performance.
- Reputable operations: Metro Bank will be using the latest technology in business operations to eliminate possible human errors that could be generated during the process. The organization will train employees on how to use the platform and what information will be input. Employees will input data during a business operation, and by using IT, the data will be transferred to the local, or cloud database. IT will serve the business as a tool to detect flaws in the data so it can be cleaned and formatted properly. After the data is saved in the proper format, it will be saved for data analysis in the later stage. With IT, human errors such as wrong inputs and false actions will be detected and eliminated during the process of data cleaning.

## **Detailed Policies and procedures**

We would create policies for Metro Bank to regulate employee behaviors in the company, and based on the incident that happened in 2019, we also want to eliminate human errors and business errors in the bank with IT and analytics to ensure a smooth operation of the organization.

Policies to Employees:

- Understand the fundamental business operation



- Construct friendly connection between the bank to customers
- Reinforce customer service by having more frequent calls to customers to understand their condition and needs
- Maintain business operations in the organization and ensure transactions and data input to be correctly stored
- Conduct regular data analysis to control customer actions to prevent churns

Policies to IT:

- Maintain the database and devices for daily operation
- Implement and install necessary programs to devices in time.
- Control the version of stored data and update to the cloud and data warehouse
- Ensure sensitive data will not be exposed to protect customer privacy

Policy to customers:

- Change your password each 2-3 months to protect the safety of your account
- Terms and conditions for using the report portal
- Report any instances of crimes and credential errors to the bank

## **Strategies**

At Metro Bank, they would like to align IT with their business as a primary tool to improve. We would recommend their business team understand customer needs and eliminate human errors in business.

- Change management within the business team to ensure successful business performance and to ensure the client portal functionality
- Regular error checks, the IT team and business team will conduct an error eliminating process to detect any possible errors and correct the issues before the data is uploaded to the cloud
- Improvement in customer services and employee engagement

## **Balanced Scorecard**

The balanced scorecard (Figure 2) for Metro Bank introduces the goals, measurements, and targets to determine the performance of the organization. We would use the balanced scorecard as KPIs to evaluate the process and performance and gain competitive advantages for the organization.

<b>Business Value Perspective</b>	<b>How does IT/Analytics look to the business?</b>
<b>GOALS</b>	<b>Measure and Target</b>
Improve Customer Experience	Surveys (Customers rank questions 1-10). Improve by a point in all categories each quarter (at least 10% improvement in each quarter for each category of satisfaction)
Lower Churn Rate	Churn of distinct customers per quarter, lower churn rate by at least 10% each quarter
Increase Revenue	Sales, improve sales numbers by 10% a quarter
Lower Customer Churns	Churn analysis, reduce rate to 5-8%
<b>User or Customer Perspective</b>	<b>How do users/customers see IT/Analytics?</b>
<b>GOALS</b>	<b>Measure and Target</b>
Improve on Customer retainability	Retained customers, keep retained customers at at least 90% of customers currently doing business with the bank
Grow Business opportunities	New customers, get new members signing up at a rate that outpaces the customer churn rate (negative churn rate)
Improve Customer satisfaction	Customer satisfaction analysis, increase or maintain a 95% satisfaction rate
Establish closer customer relations	Hold events for customers and mark who attends, increase customer attendance by 5% each meeting
<b>Operations Excellence Perspective</b>	<b>What must IT/Analytics excel at?</b>
<b>GOALS</b>	<b>Measure and Target</b>
Knowing What A Customer Needs When They Come In	Customer financial literacy, improve customers existing financial understanding by at least 25% which will help in organizational efficiency and timeliness
Improving Efficiency	Time between tasks improvement upon wasted time by increasing efficacy 25% from original point.
Improve Existing Services	Customer experience should improve within 6 months of changes of existing services.
Decrease Churn rate	How many customers churn, lower the churn rate by 5-8%
<b>Future Orientation Perspective</b>	<b>How does IT/Analytics continue to improve?</b>
<b>GOALS</b>	<b>Measure and Target</b>
better understanding of our target market	by having an annual survey sent out to customers, the bank can develop a better understanding of what a client looks for in a bank
decrease churn rate	Keep the churn rate low to null with a target of a negative rate overall for the year
offer more personalized options	customer survey, this allows the bank to provide a more personalized experience making the user seem more individualized rather than just a number
Improve service offerings, innovation	20% increase in service categories, offering inventory increase

**Figure 2**

## Conclusions

While the error in categorizing was a big one and there were severe consequences that lead to customer churn, we learned during this project that it was not something that can not be tackled by using policies and strategies. We can get the churn rate lower through management changes, by providing high-quality customer service, providing additional banking products/ options, and using software to help catch possible human errors. Our AS-IS and TO-BE analysis which also utilizes SWOT analysis, Strategic alignment maturity analysis, and lastly inhibitors of alignment and balanced scorecard helped with this. A fall of 75% of the share price is something that can not be overlooked but at the same time, it can be worked on. The Gantt chart helped us to make sure we managed the deadlines properly and the SWOT analysis helped us understand the current and future state after applying the new policies and strategies of the company. The SAM helped us understand that the partnership part was the part of the organization that needed the most work. The above discoveries using the topics learned in the class helped us better understand what was needed and to complete the project on time.