



Target Operating Model

Customer Segmentation Retail Banking

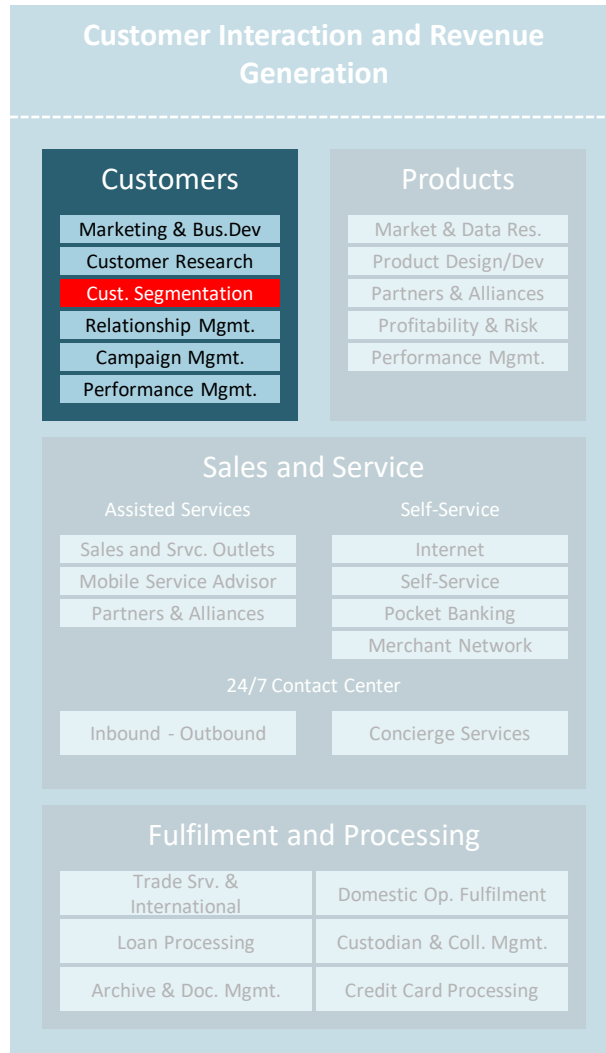
Release 1 | Discussion Draft

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Customer Management



What is the Customer Management Process?

Customer Management is the process to manage ABCBank's customers in line with the bank's strategic intent and designed for the specific requirements of each business unit, risk management division, business control and technology.

The Customer Management Process sets the guidelines for customer segments, relationship management and also the design and execution of micro campaigns.

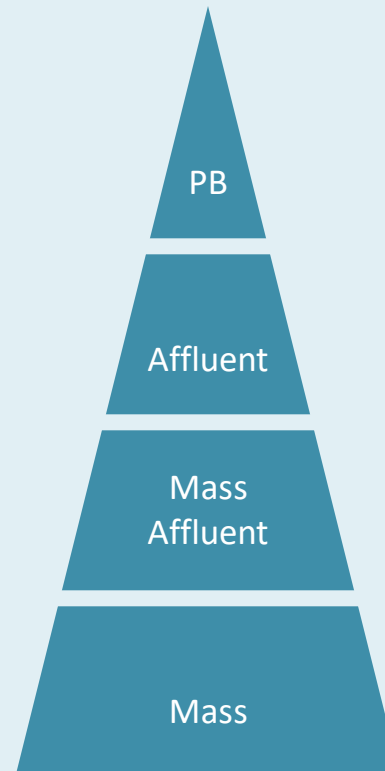
Customer management also deals with underwriting , customer profitability and risk management

Big Shift No. 3: Building the best customer-centric bank in Vietnam

Principles / Rationales

- Banks around the world differentiate among 3 segments: **HNWI**, **Affluent** and **Mass**.
- In Vietnam, we typically see 1-4 segments being served by banks:
 - PB and Affluent (Priority)**,
 - Mass Affluent as an emerging and profitable segment**
 - Mass**
- Banks typically use a **hybrid criteria** to define this segment, either **AuM and Income**, or **Deposit and Loan Total** relationship
- In Vietnamese competitive context with lots of potential hidden wealth, ABCBank should set cut-off at lower range to fully capture the potential segment.

Recommendations for ABCBank



Deposit: > 20bn
Lending: > 10bn

Interim
Deposit: > 4bn
Lending: > 3bn
End-State
1 bn deposit or lending

Deposit: > 100bn
Lending: > 100bn

- Small PB offering focuses on „First Class VIP treatment“ for the most important customers

- Constrained by ability to ramp up RM, i.e. only 12-15 possible for the first year,
- Cut-off to be gradually lowered as RM ramp up,
- Ideal cut-off at Deposit / Lending balance of VND 1bn.

Source: McKinsey&Company



Retail Customers are often classified in 4 market segments

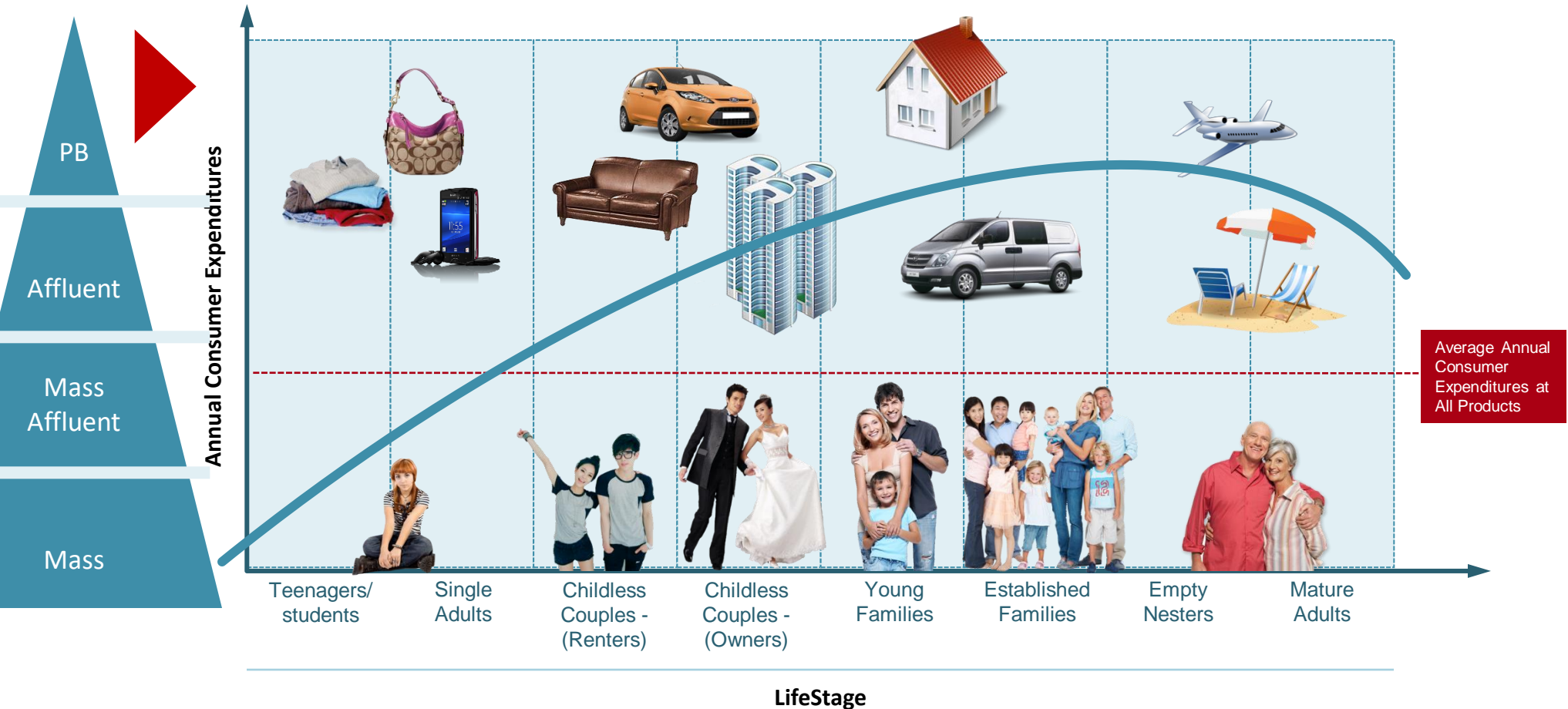
Customer Market Segments	Segment Criteria	% of Retail Customer	Implementation Considerations / Issues to be resolved
Retail Segment 1: Private Banking Segment	<ul style="list-style-type: none"> • Deposit above 20 bn VDN • Lending above 10 bn VDN 	?	<ul style="list-style-type: none"> • Threshold: Is this either/or or AND? • How to handle segment 1 customer who fall below the threshold? Are they downgrade? By whom? What is the impact on products & service level received? • Who is accountable for and maintains the segmentation in the system
Retail Segment 2: Affluent Segment	<p>Interim</p> <ul style="list-style-type: none"> • Deposit above 4 bn VDN • Lending above 3 bn VDN <p>End State</p> <ul style="list-style-type: none"> • 1 bn deposit or lending 	?	<ul style="list-style-type: none"> • Threshold: Is this either/or or AND? • How to handle segment 2 customer who fall below the threshold? Are they downgrade? By whom? What is the impact on products & service level received? • Who is accountable for and maintains the segmentation in the system
Retail Segment 3: Mass Affluent Segment	<ul style="list-style-type: none"> • Deposit above 100mn VDN • Lending above 100mn VDN 	?	<ul style="list-style-type: none"> • Threshold: Is this either/or or AND? • How to handle segment 3 customer who fall below the threshold? Are they downgrade? By whom? What is the impact on products & service level received? • Who is accountable for and maintains the segmentation in the system
Retail Segment 4: Mass Market Segment		?	

PRODUCT DESIGN AROUND LIFE STYLE AND STAGE



How can we achieve this with crude customer market segments?

Increasing opportunities to upsell and cross-sell

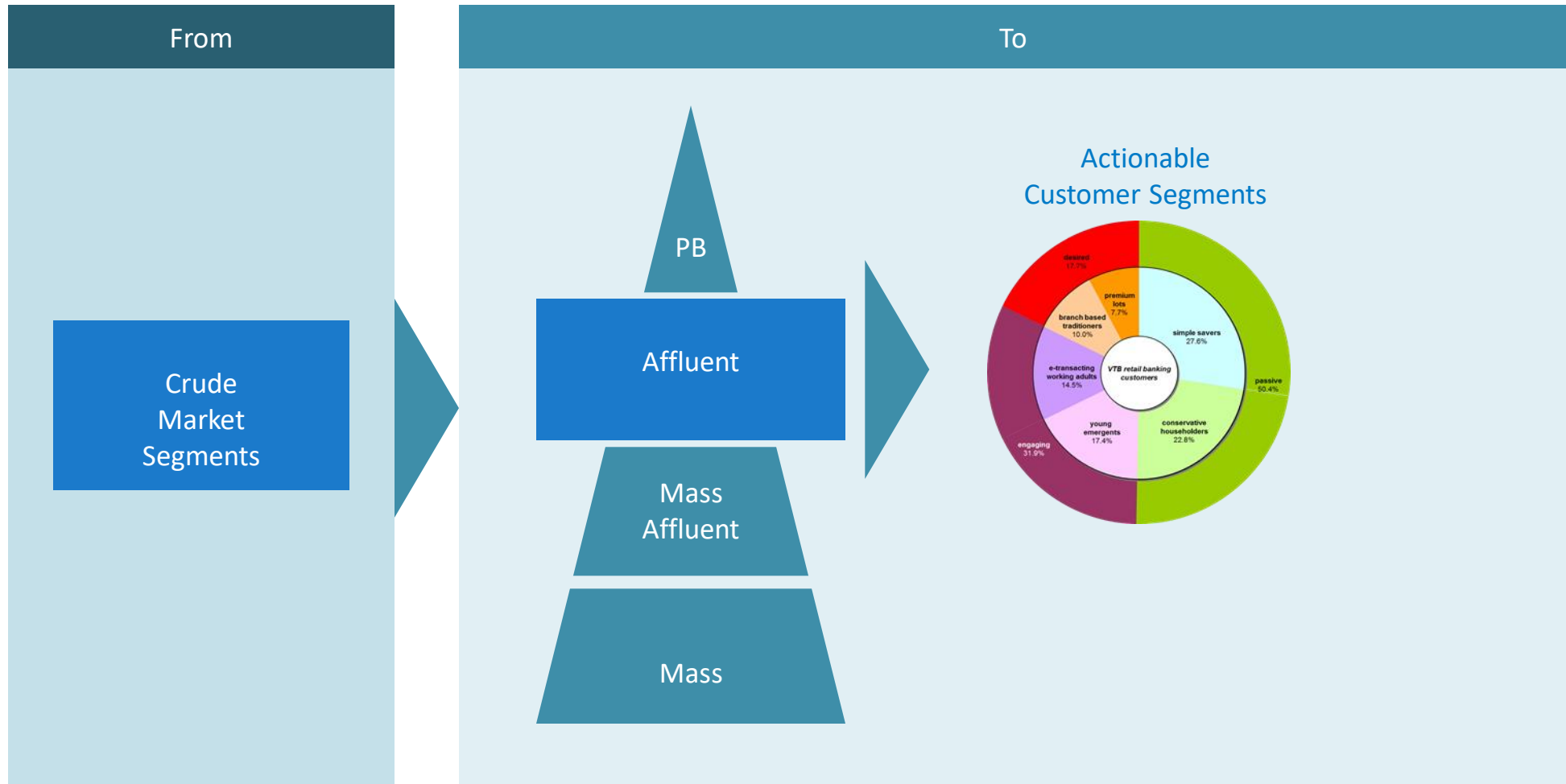


WHAT WE NEED IS A DISTINCT CUSTOMER SEGMENTATION



Customer Market Segmentations are not actionable. We need more granularity

Principles





Customer have many interactions with the bank which will help us in the segmentation

Sales View

Consumer

Telemarketing (Outbound)

Type of sale / campaign

- Telephone Sales (campaign)
- Remedial management, NPLs)

ePortals

- Set up savings, FD, current acc.
- Make loan application (sec. / unsec.)

Branch

- Insurance
- Mutual funds
- Debentures, bonds

Direct Sales

- Set up savings, FD, current acc.
- Make loan application (secured)

Business

B2B Portal

Type of sale / campaign

- FD
- Current Account

Branch

- Set up savings, FD, current acc.
- Make loan application (secured)

Direct Sales

- Trade Services
- Insurance
- Debentures, bonds

Risk View

- Outstanding Facilities
- Collateral utilization
- Past credit history
- Group / Household Exposure

Common Customer View

- Customer profitability
- Data Mining
- Targeting
- Prospecting
- CRM
- Teller
- Service Request

Risk View

Sales Customer View

Service Customer View

CIR

Host Integration

Service View

Illustrative

Consumer

Phone (Inbound)

Type of Service

- Request for check book
- Stop payment
- Transfer funds

ePortals

- Request for check book
- Stop payment request
- Transfer funds
- Apply for ATM card

Branch

ATM

IVR

- Cash withdrawal
- Deposit
- Balance enquiries
- Transfers
- Balance enquiries
- Transfers

Business

B2B

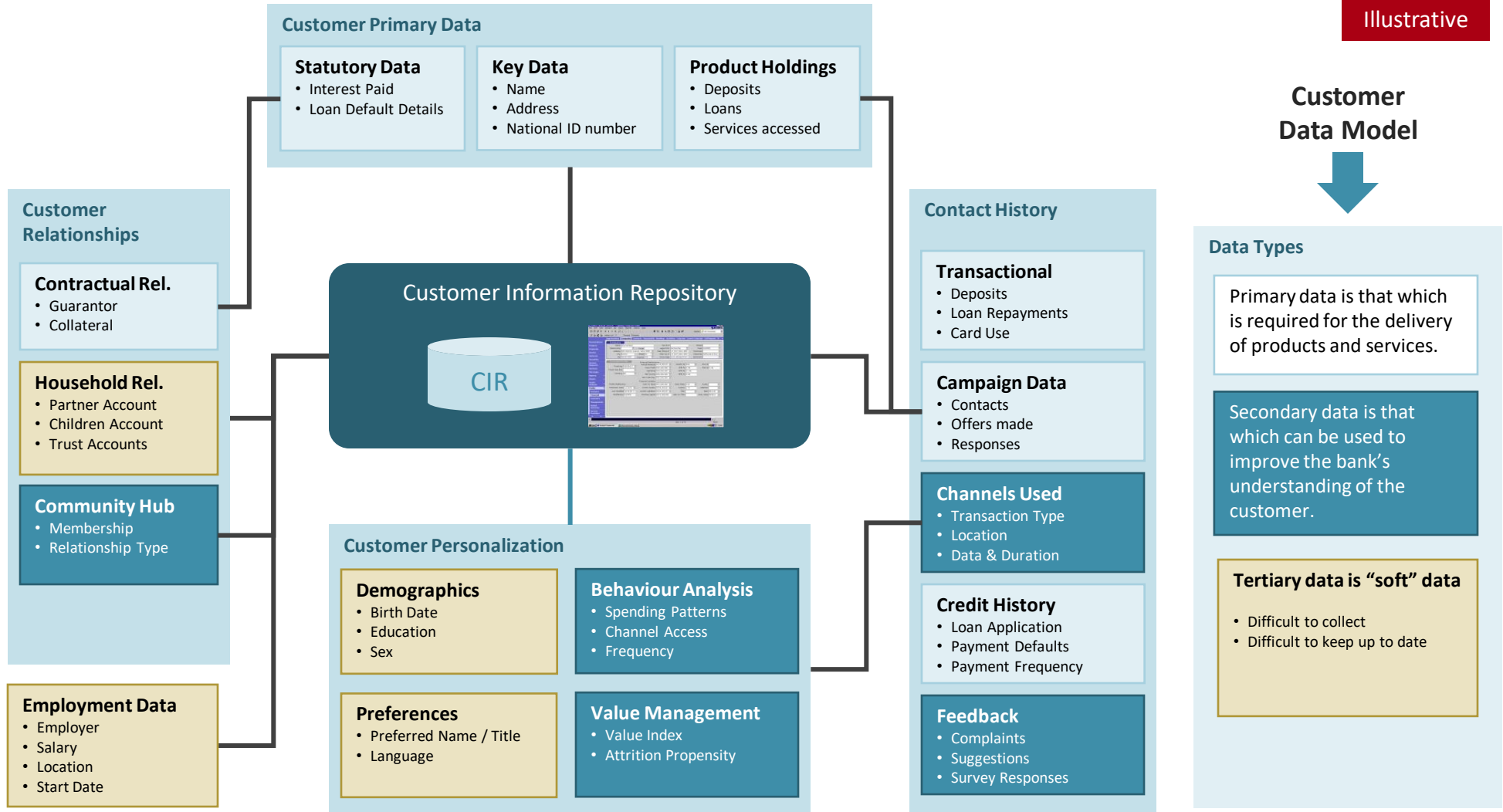
Type of service

- Transfer funds (domestic / international)
- LC,
- Cash Management,
- Foreign remittance

Branch

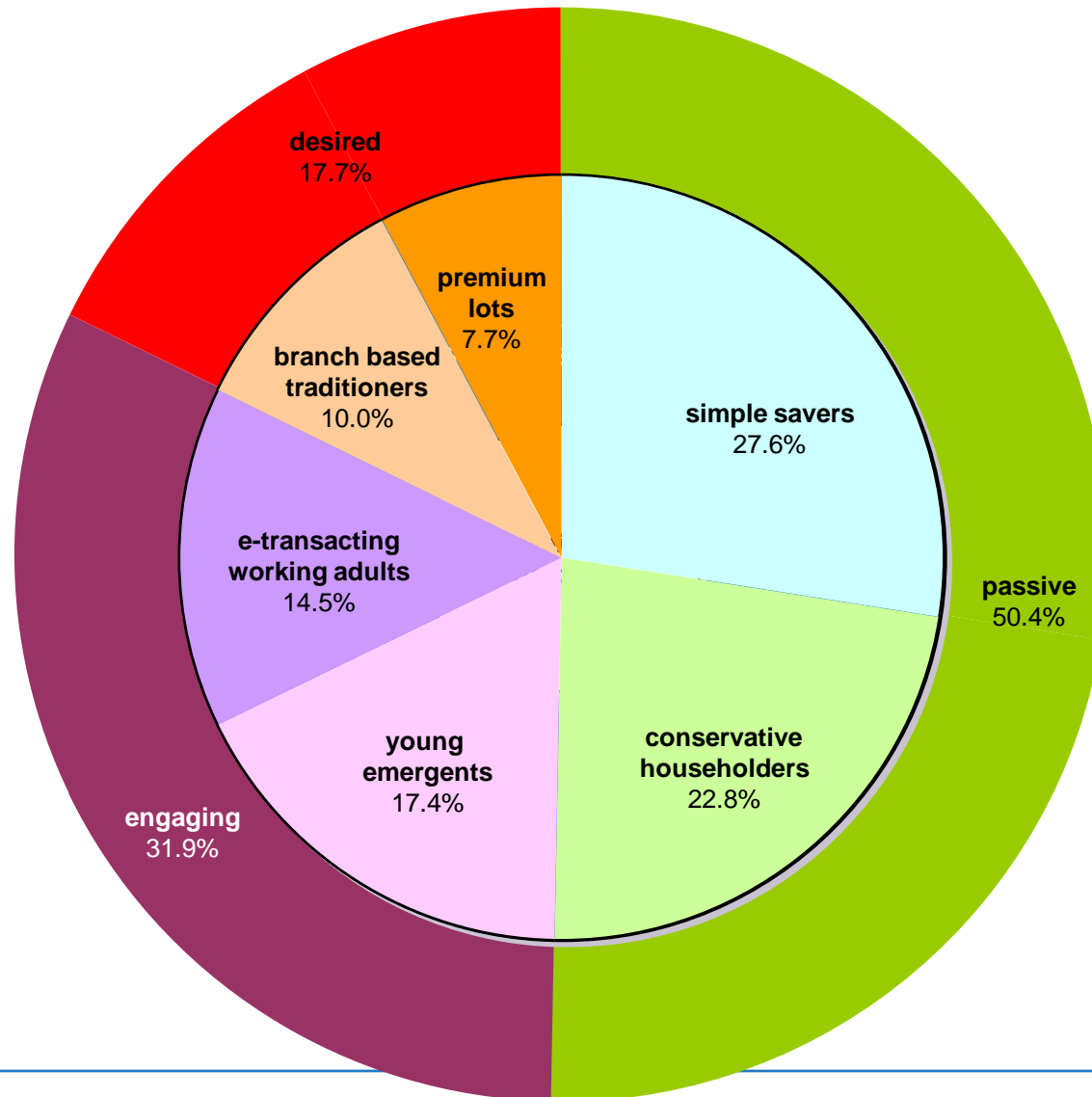
Technical this information is managed through a data model

Illustrative



FROM MARKET SEGMENT TO (ACTIONABLE) CUSTOMER SEGMENT

Distinct behavioral segments for customer segments are identified

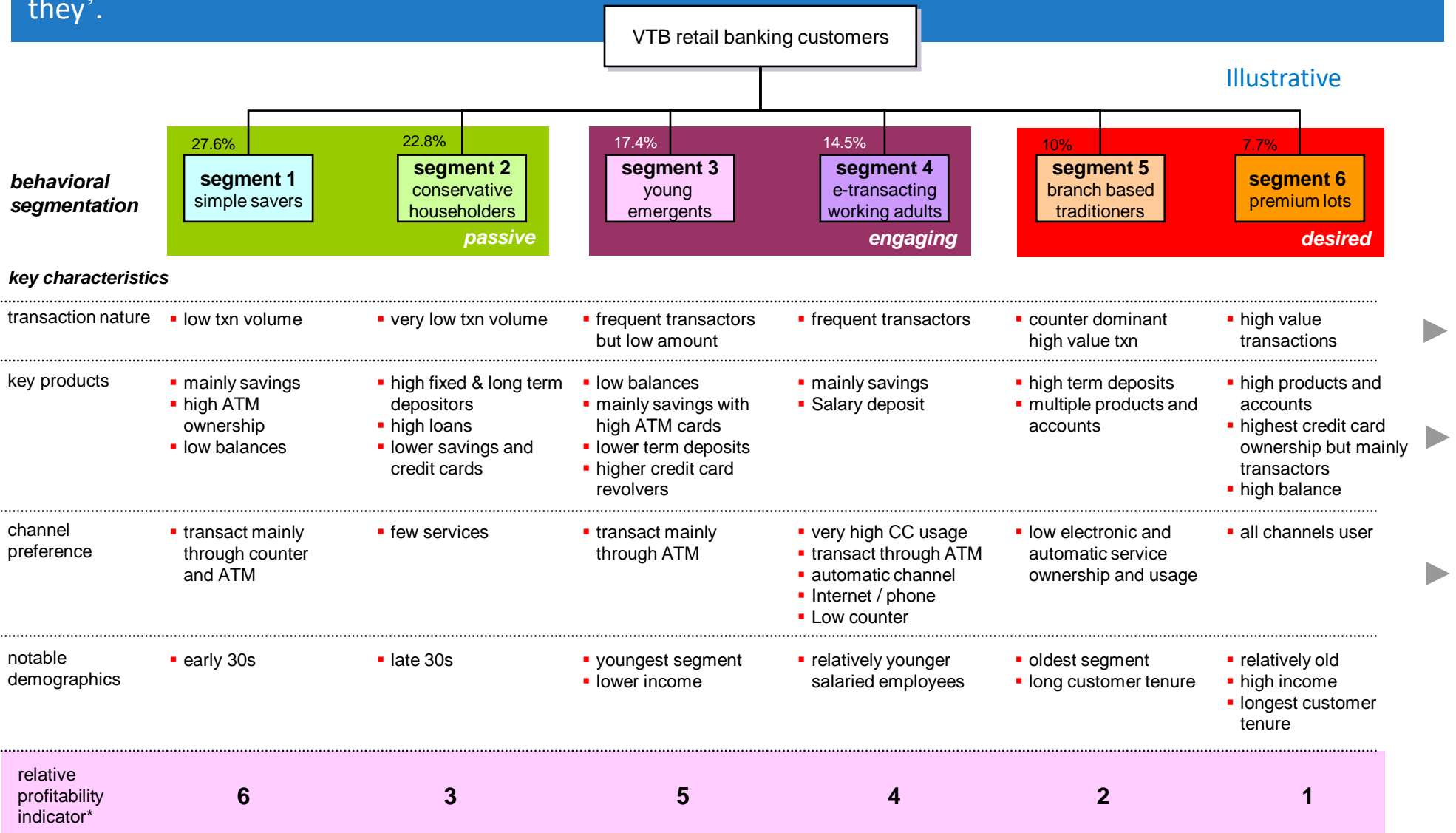


Illustrative

note:
Data are illustrative based

VALUE BASED CUSTOMER SEGMENTATION

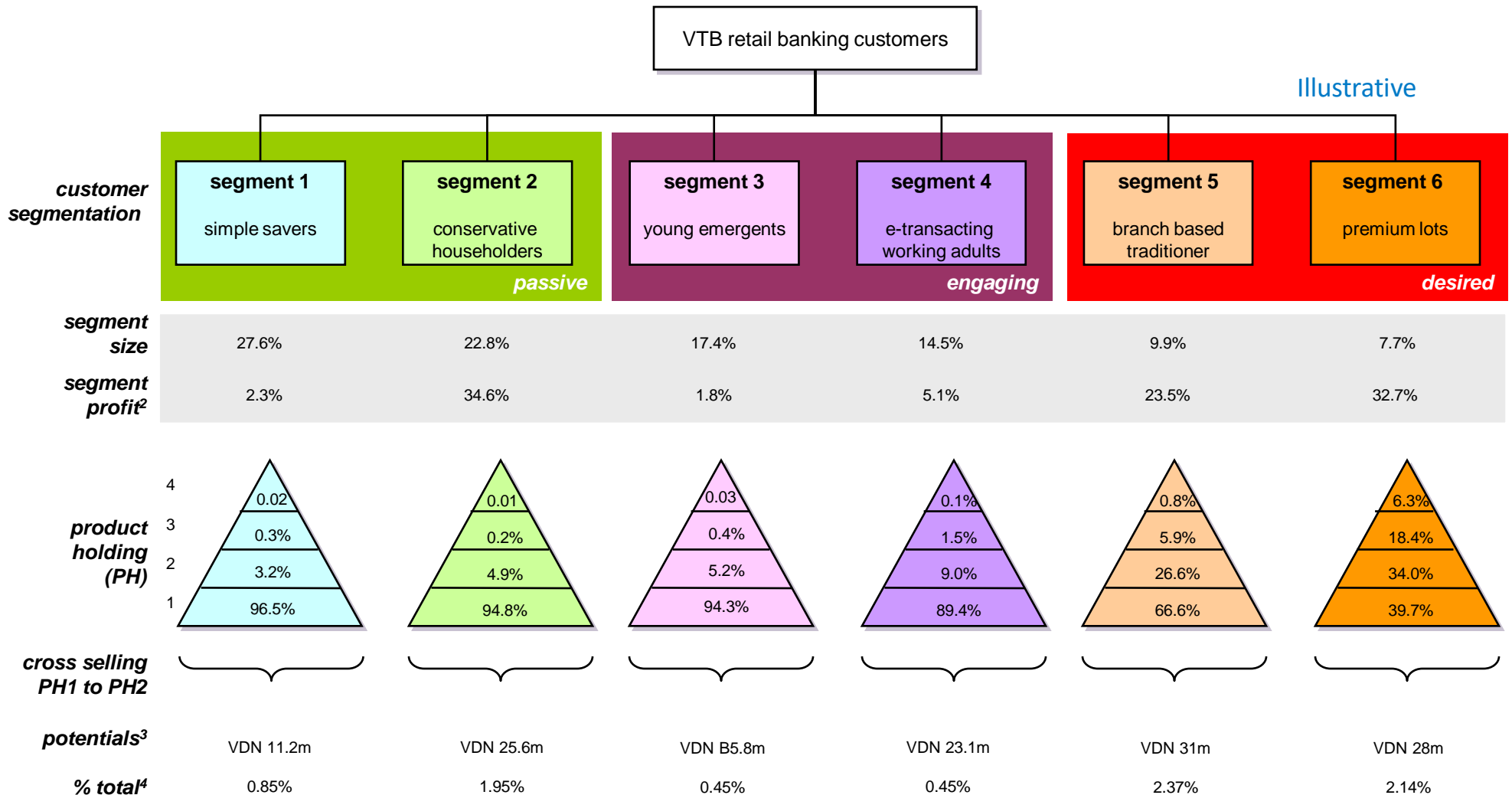
The segmentation serves to answer the key questions: ‘who use VTB’, ‘who are they’ and ‘how valuable are they’.



*1 = high , 6 = low, based on revenue & cost structure defined by VTB product manager

CUSTOMER SEGMENTATION & WALLET SHARE

The customer segmentation lays the foundation to identify new opportunities.



note:

1. Illustrative sample size

2. based on revenue & cost structure defined by VTB product manager

3. estimated potential historical profit for cross selling from single product to 2 product

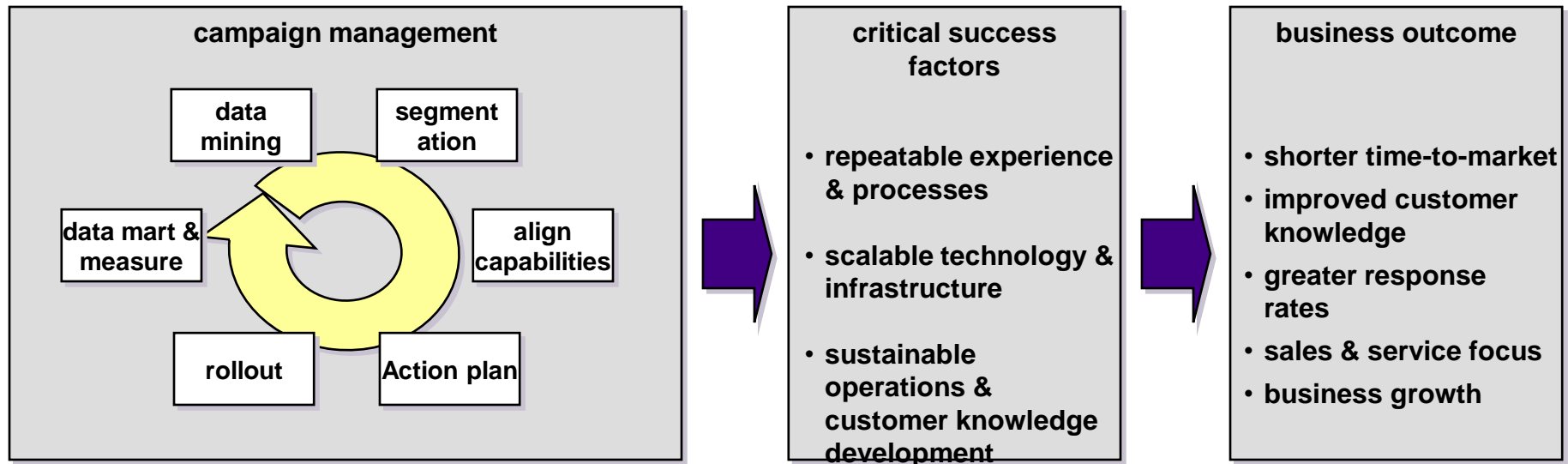
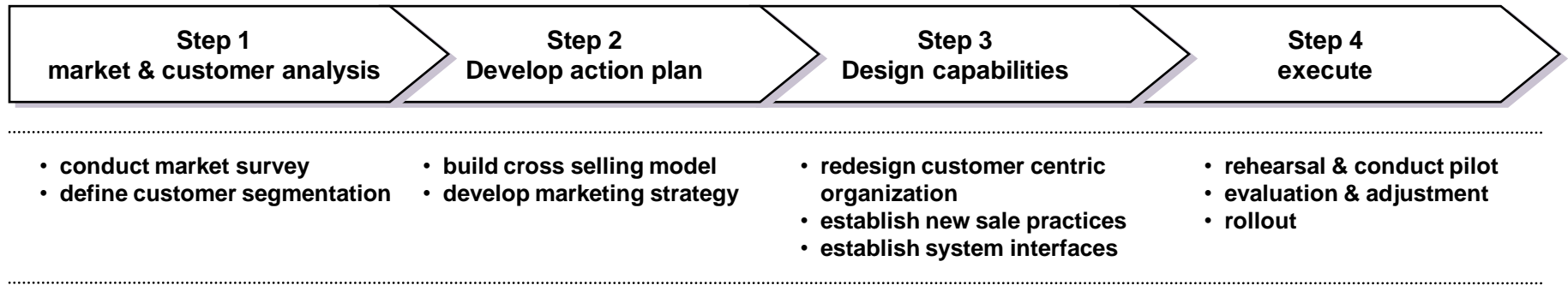
4. % of current profits of total sample size customers

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ACTIONABLE CUSTOMER SEGMENTATION

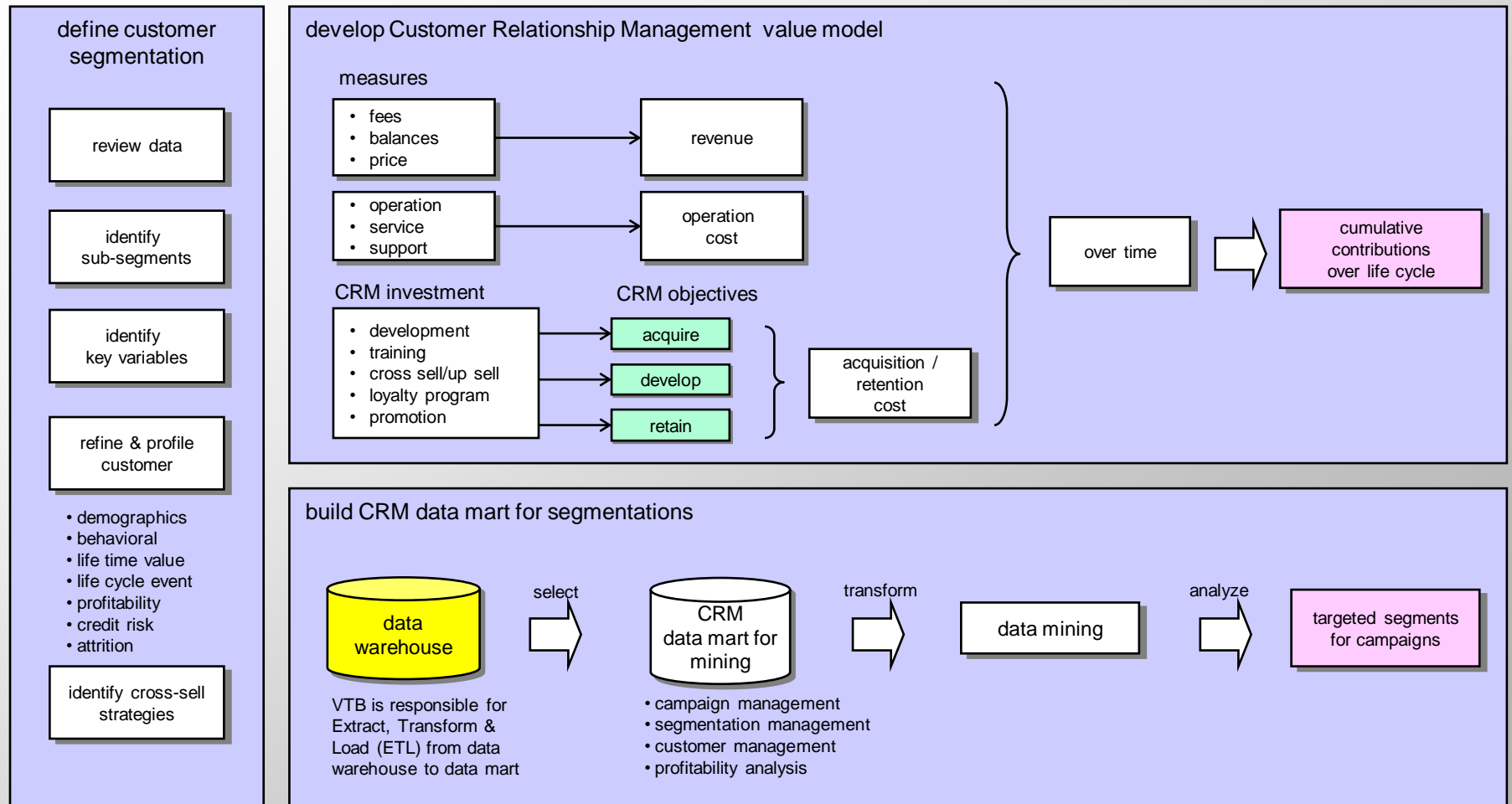
A four step process

Approach of Retail Sale Stimulation Project of VTB



In stage 1, you need to carry out data mining for an actionable customer segmentation

Stage 1



ACTION PLAN

In stage 2, you will develop a customer segment action strategy

Formulating Strategy for Actionable Targeting

entire universe

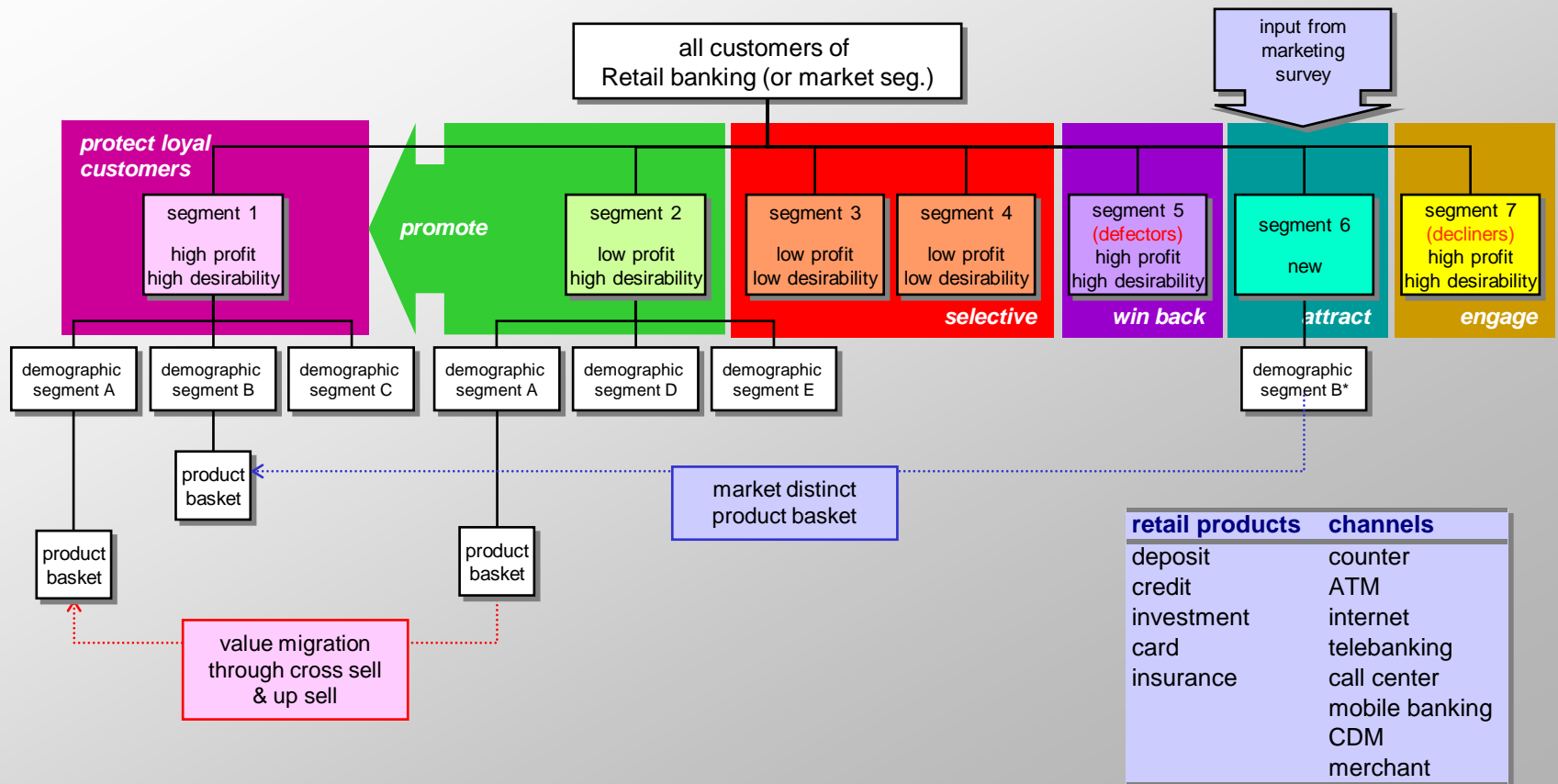
behavioral segmentation

- frequency
- recency
- value
- place
- type

demographic segmentation

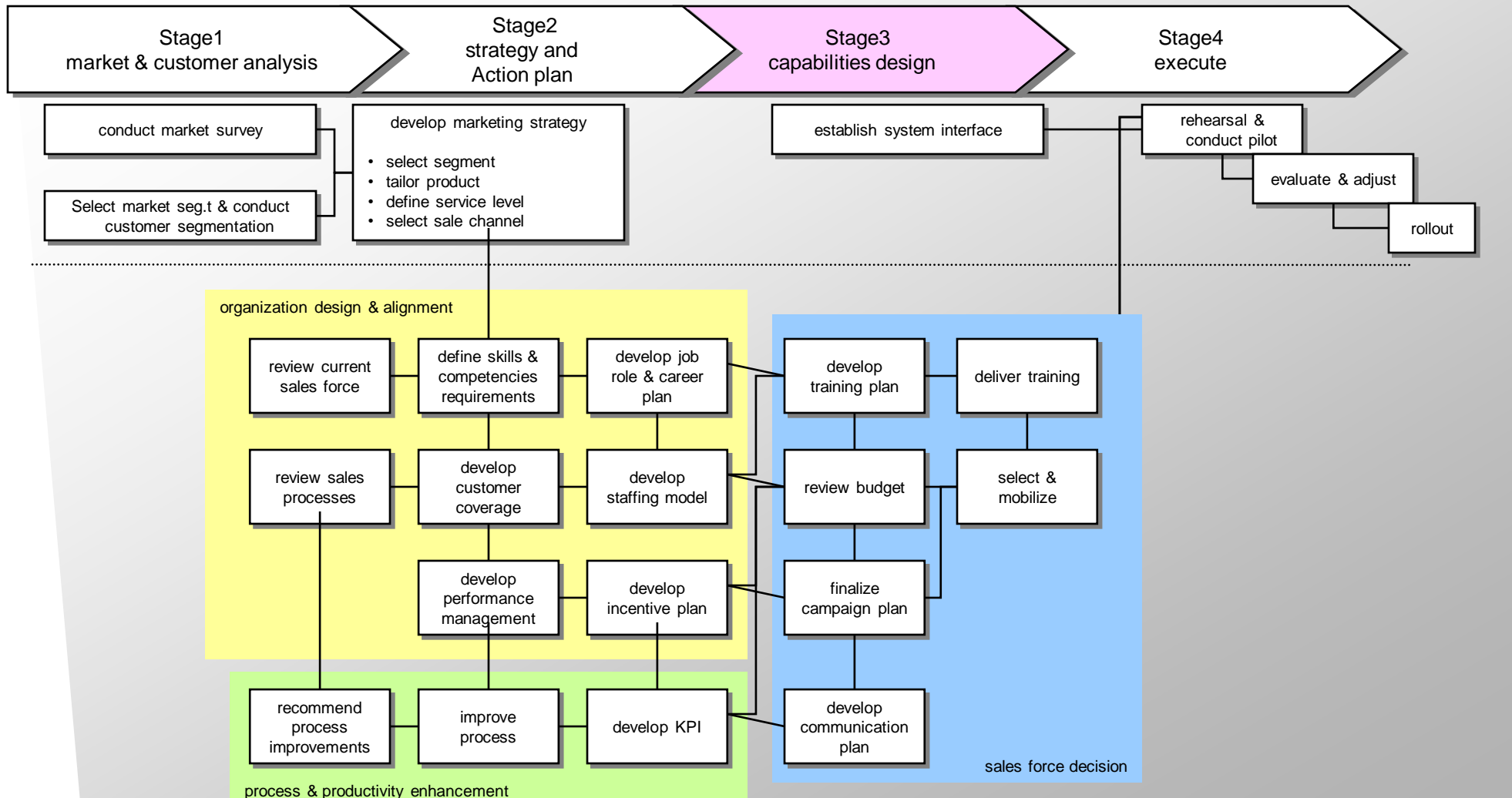
- age
- income
- occupation

product associations



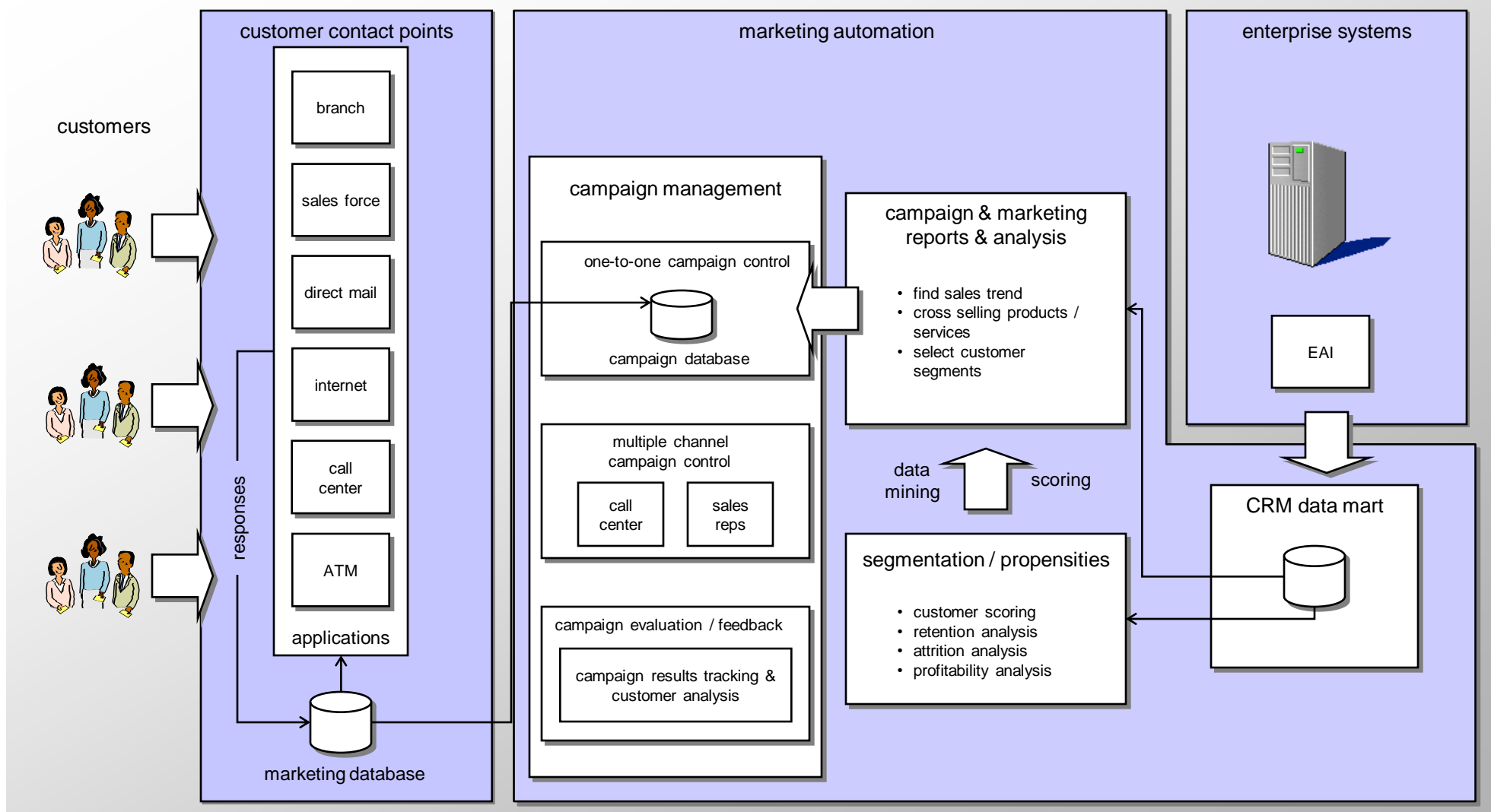
The target operating model is a cornerstone to effect goal alignment

Overview of Activities for Capabilities Design & Implementation Planning



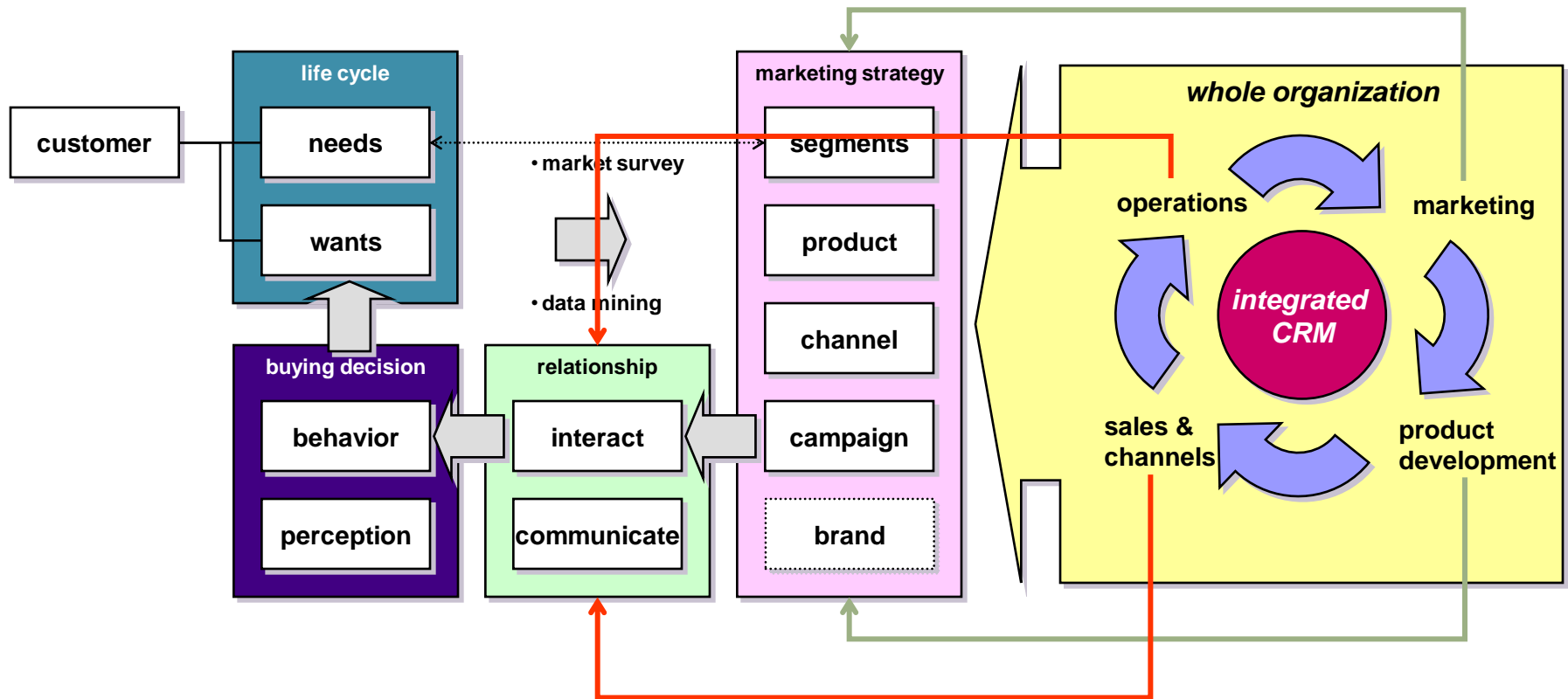
Enabling technology is used for customer segmentation and action, e.g. campaigns

Technology Architecture for Customer Management



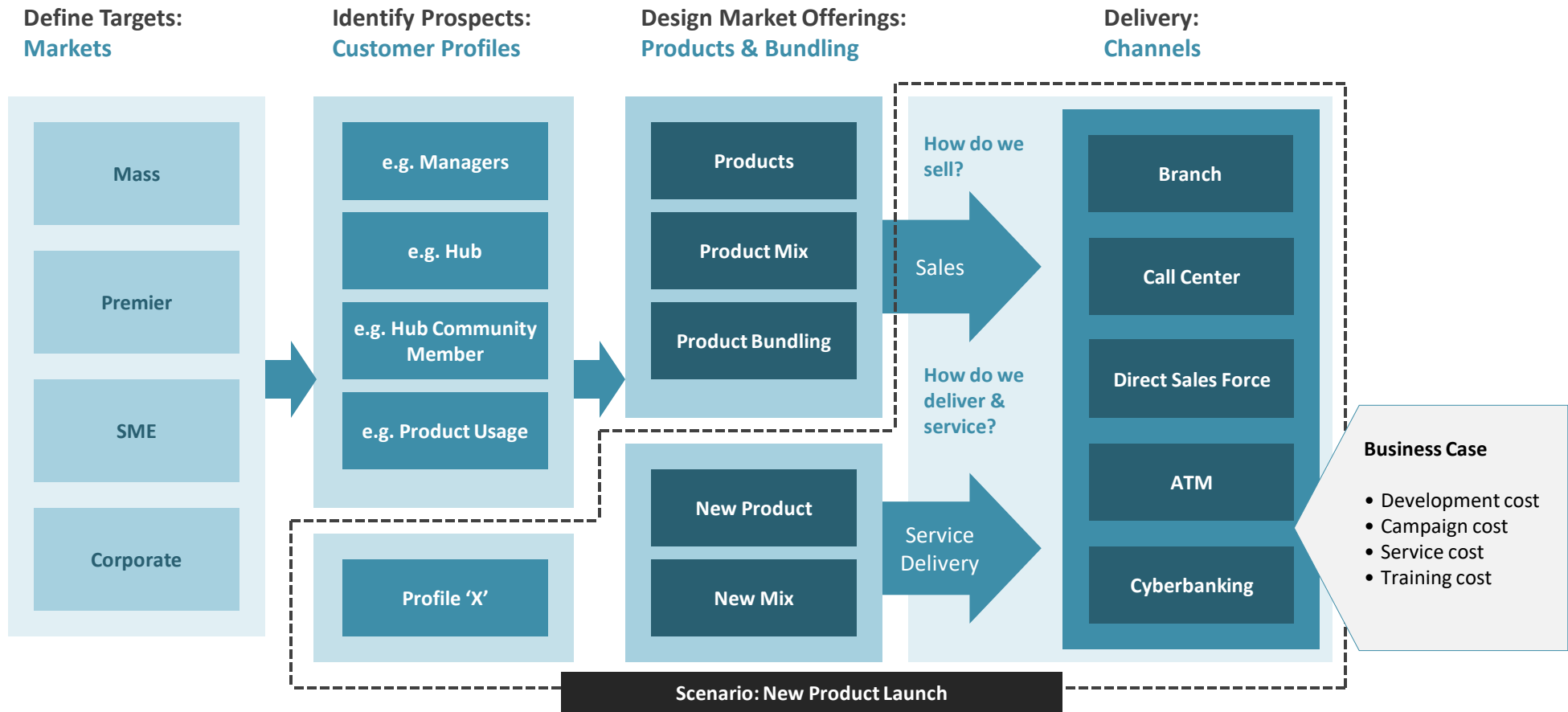
CUSTOMER MANAGEMENT CYCLE

customer management cycle



Products

Develop going to market strategy

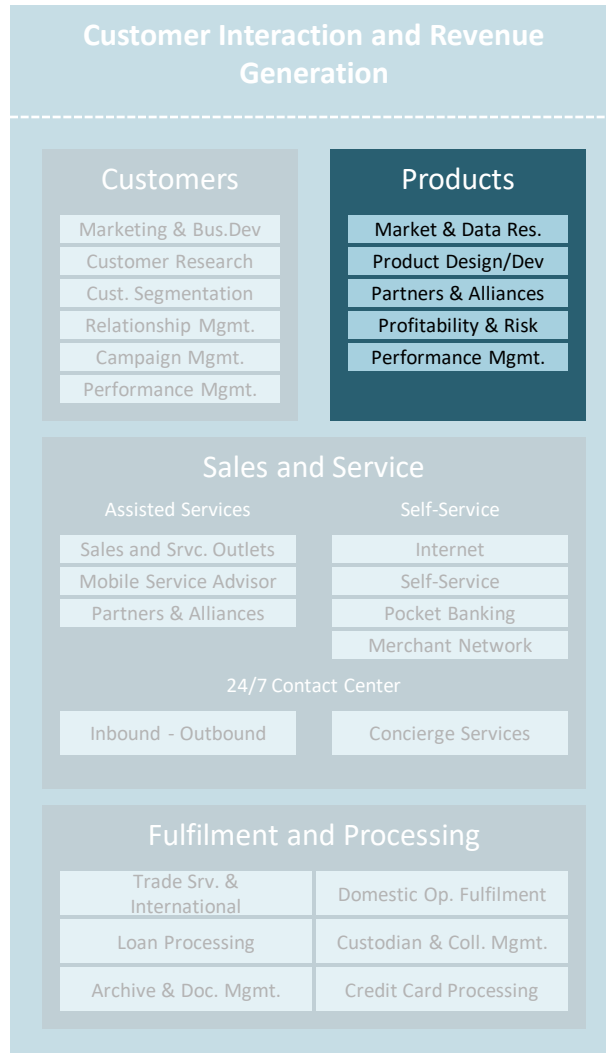


Enabling Technology:

- Funds flow analysis
- Customer profiling
- Data mining
- Customer insight analysis
- Customer scoring
- Product profitability
- Campaign tracking & management
- Campaign effectiveness
- Channel utilization/efficiency
- Channel profitability



Product Management



What is the Product Management Process?

Product Management is the process to manage the bank's products in line with the strategic intent and requirements of strategic business units, risk management and technology.

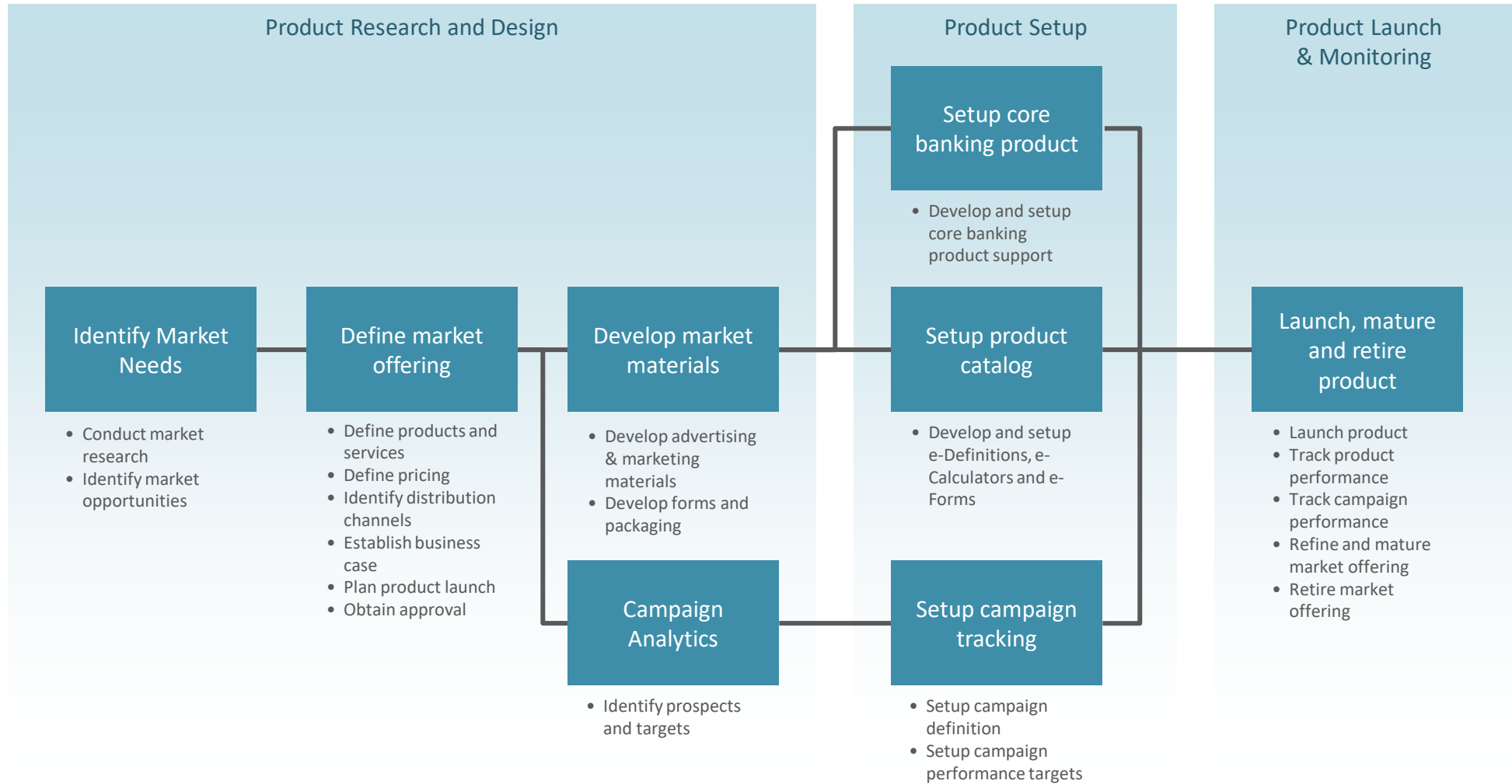
Products are designed in accordance with the bank's customer segment and customer needs analysis. There are ABCBank-owned products as well as partner products, resulting from product partnerships with third parties and product alliances.

For new product design, a business justification and product performance projection is needed, in addition to channel selection and product features.

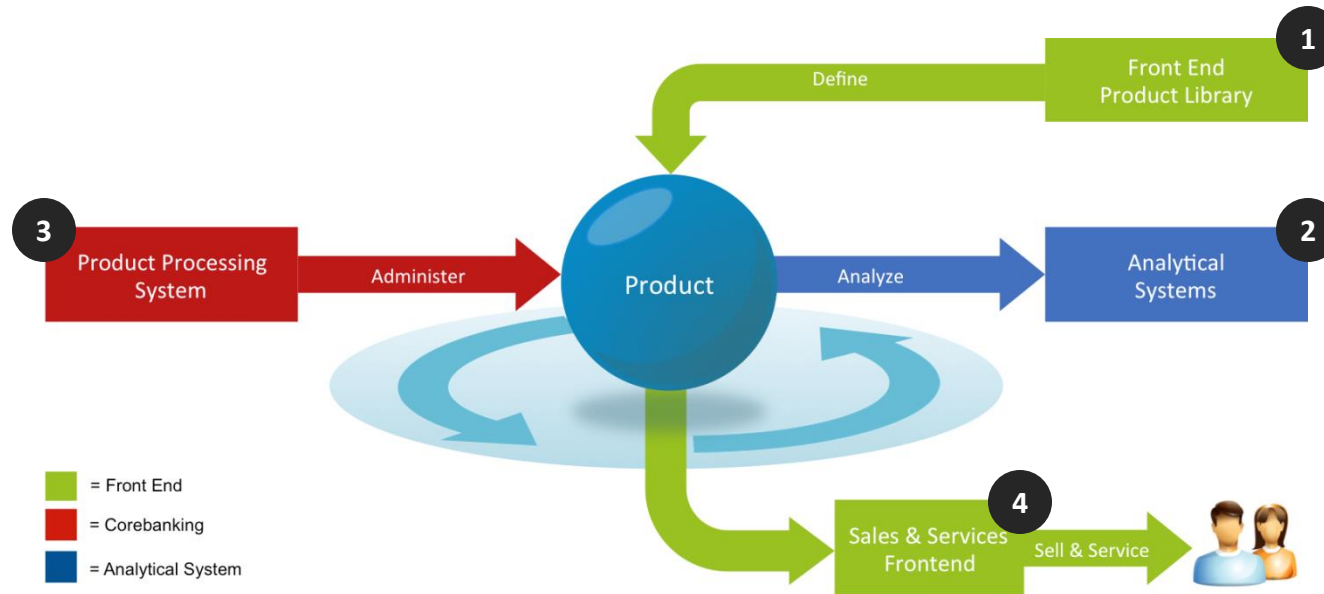
Product management also conducts regular product rationalizations and purges non-performing products and services. Product specialists are supporting the organization with specialized product knowledge.



The Product Lifecycle commences with market research and product development



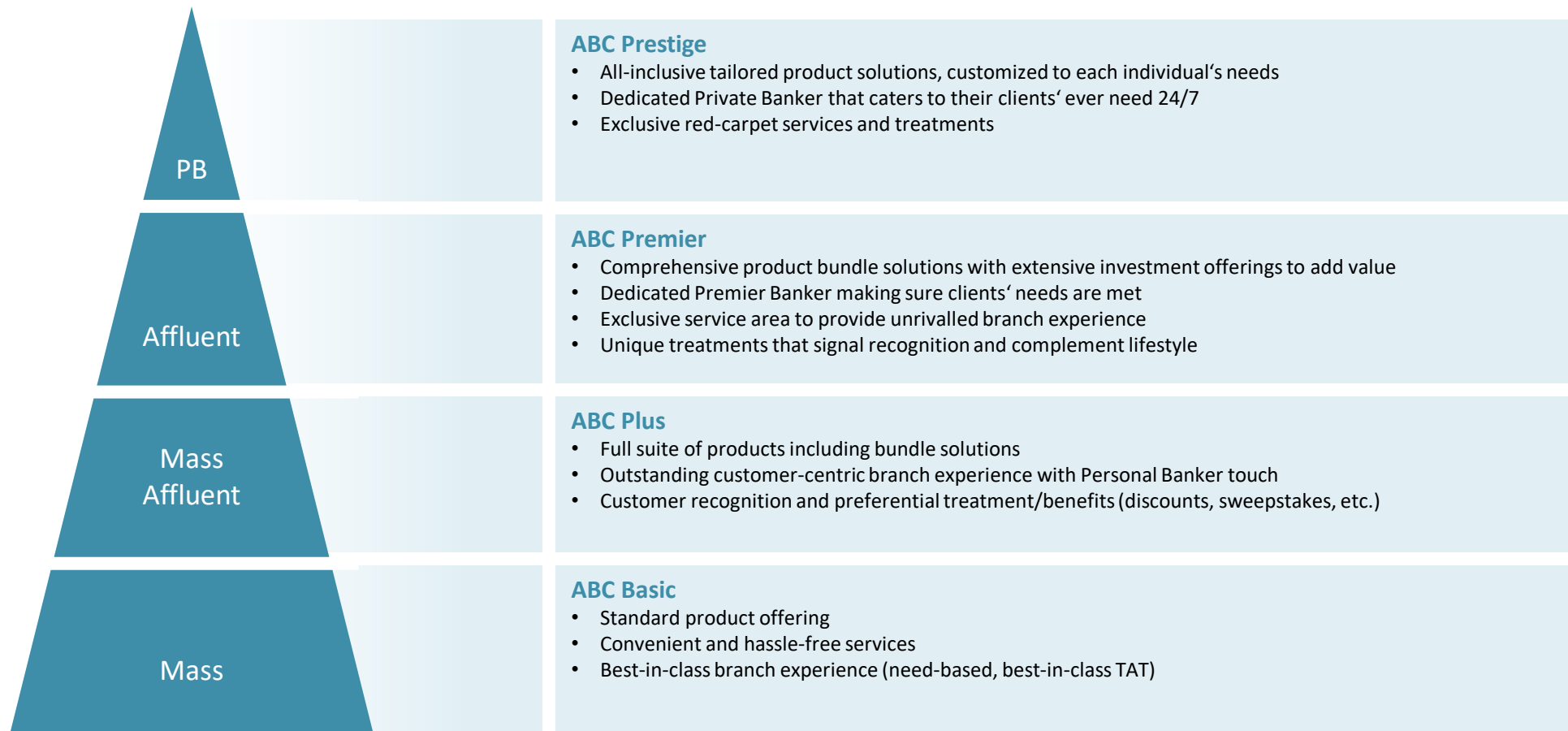
Each dimension needs its own distinct technology support to function. (continued)



1	2	3	4
Product Library	Analytical Systems	Product Processing Systems	Sales and Service Systems
<ul style="list-style-type: none"> Provide catalog of products & services Provide product application and setup forms Provide product calculators 	<ul style="list-style-type: none"> Campaign Management – allocate and track campaign opportunities Customer Profitability – track profitability of the bank’s customers Product Profitability – track profitability of the bank’s products and services 	<ul style="list-style-type: none"> Core Banking – administer accounts based on the bank’s deposits and lending products Credit Cards – administer accounts based on the bank’s credit card products Other Product Processing Systems – administer accounts based on the bank’s other products (e.g. treasury, trade finance, etc.) 	<ul style="list-style-type: none"> Product sales support tools integration (e-definitions, e-forms, e-calculators) Management of channel-specific product-related workflow



Segment-focused value propositions is essential for ABCBank to harvest the fruits of its retail segmentation



ENABLERS:

- Multi-format branch
- Sales and Services efficiency
- Lean retail credit factory and excellent collection capability
- Data analytics capabilities for robust portfolio management

Source: McKinsey&Company

We need to innovate the way that our products are sold and serviced...

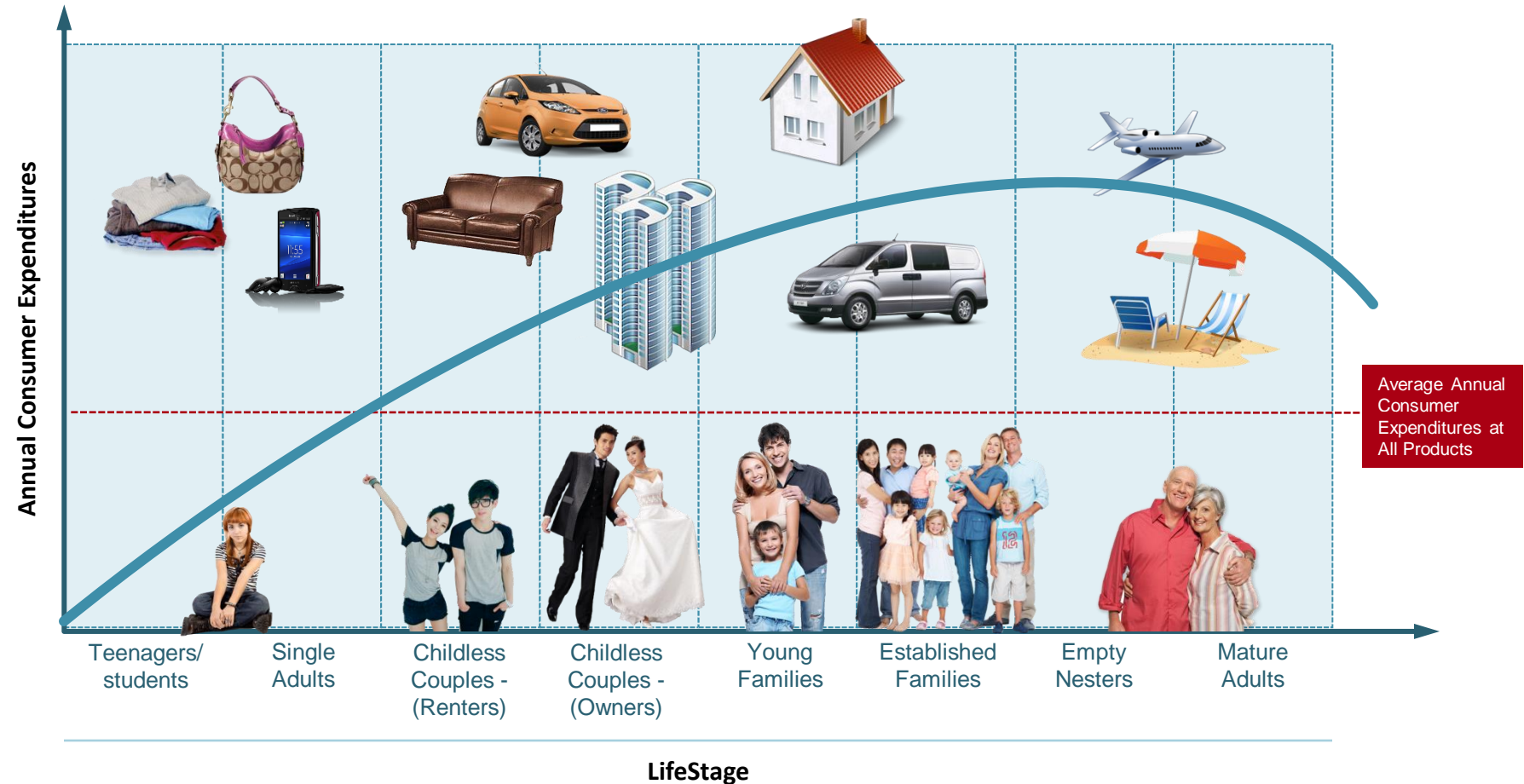


Thinking outside of the box:
New product design and delivery in the branch



Life stage marketing provides a framework for defining value segments and for facilitating loyalty and channel migration.

Increasing opportunities to upsell and cross-sell



The End