



Woodgrove Bank

# Industry Simulation

**Financial services**  
Case study



## Woodgrove Bank

Woodgrove Bank is a large, international bank with branch locations in 10 countries and \$160 billion in assets under management. Founded more than 150 years ago, it is a recognized brand in most markets where it operates. Growth has generally been steady, though in recent decades it was accelerated by the acquisition of smaller banks and, occasionally, other complementary businesses.

### Business structure

Woodgrove Bank divides its business into two divisions: Retail banking and Universal banking. Both are further segmented into additional business units.

#### Retail banking

For the Retail banking group, the value proposition is straightforward: simple, transparent, personal products and services.

- **Consumer banking:** deposit solutions, credit card offerings, and basic banking services
- **Consumer lending:** lending solutions for homes, student tuition, and autos
- **Wealth management:** asset management and investment services for customers, with tiers of service based on the level of investible assets
- **Small business:** checking, cash management services, and lending for businesses with up to \$25M in annual revenue

The growth strategy of Woodgrove Bank's Retail banking segment is to build customer loyalty and to increase earnings by expanding its portfolio of digital offerings to reach a wide range of customers, wherever they are. This strategy is primarily achieved by acquiring new customers and increasing the share of wallet for current relationships.

Woodgrove Bank has made some initial moves to modernize its approach to customer engagement through online and mobile banking services, but it has not been able to differentiate either of those offerings from what competitors offer. In addition, the team has struggled to manage the vast volume of data generated by these services and to scale its infrastructure to support online and mobile performance.

### Universal banking

In the Universal banking division, the value proposition is thought leadership. Woodgrove Bank aims to acquire new customers by providing great ideas, industry expertise, and sound advice while establishing an initial credit relationship.

- **Corporate banking:** industry expertise and capabilities in lending, asset finance, and commercial real estate
- **Capital and global markets:** advisory and execution services in sponsor finance, syndications, foreign exchange, and interest rate derivatives
- **Treasury services:** cash management services, online tools, and foreign trade resources

Woodgrove Bank has a solid reputation and wide-ranging services that meet most universal banking needs. However, similar to the Retail banking division, the Universal banking division has failed to truly differentiate itself from competitors. Therefore, customers are less loyal, and they are more likely to switch banks for the slightest advantage.

## Fiscal year corporate priorities

To develop its strategy to drive growth and remain competitive in an increasingly crowded marketplace, Woodgrove Bank's leaders have been studying industry trends, including mobile technology, AI, big data, and security, and they have been considering how to position Woodgrove Bank for the future. With new competitors offering services typically available only through banks, leadership is concerned about the very survival of traditional banking.

As it moves forward in its digital transformation, Woodgrove Bank is focused on the following seven priorities:

1. **Increase shareholder value:** The leadership team wants to show returns on smart investments across Woodgrove Bank's business, especially its recent acquisitions. In addition, leadership needs to tightly manage the expense base while funding technology, compliance, and regulatory needs.

**2. Monetize data management and improve customer experience:** To accomplish this goal, Woodgrove Bank seeks innovative ways to harness the huge volume of customer data it gathers in order to improve everything from product development and service offerings to upselling and cross-selling opportunities. It will also use the data to uncover insights that will help identify churn risks and reduce customer churn.

**3. Ensure regulatory compliance:** As a global financial services company, Woodgrove Bank also faces complex regulatory requirements. Woodgrove Bank needs partners and solutions that can help reduce its regulatory burdens and ensure the protection of sensitive customer data in line with industry standards.

**4. Enhance security:** To build and retain customer trust in an ever-evolving threat landscape, security is always a central focus for Woodgrove Bank. Cybercrime and data security threats are never far from the thoughts of leadership, and the company is seeking ways to enhance its protection of customer and company information and assets. Woodgrove Bank has a robust know-your-customer (KYC) capability to enhance customer identity protection.

**5. Invest in innovation:** To succeed in a highly competitive, increasingly technology-driven industry, Woodgrove Bank is focused on hiring top engineering talent and providing them with the tools and infrastructure they need to respond nimbly to consumer expectations, particularly around mobile and other digital offerings. The bank's current offerings are not as advanced as what is available from competitors.

**6. Streamline technology across all operations:** Woodgrove Bank is focused on finding more-efficient ways to manage capital expenses and operating expenses. The existing process for integrating a new subsidiary is a painful and drawn-out exercise. To ease that pain and to lower its total cost of ownership (TCO), Woodgrove Bank is seeking partners who can simplify and automate its IT landscape to ensure that its systems can be supported and managed in a faster, more standard way. The bank is also exploring automation opportunities.

**7. Develop a high-performing, customer-centric organization and culture:** Woodgrove Bank recognizes that its people are its most valuable resource, and it seeks to improve talent management by attracting, developing, and retaining great people. This will include skills transformation training as the bank seeks to position itself for future growth. Woodgrove Bank will continue to focus on its customer-centric culture of excellence, leadership, and teamwork. Also, the bank recognizes that it needs to improve in the areas of customer service and omni-channel communication.

## Company performance and key metrics

Woodgrove Bank's leadership must balance the short-term focus of financial analysts, who demand increasing results year-over-year, with the long-term repositioning of the brand, which is necessary to attract future customers. In the end, all of these challenges are summarized by the need to drive shareholder value.

Woodgrove Bank's top five goals:

- 1. Grow revenue by increasing wallet share:** This metric tracks the increase in wallet share, or the share of total banking products and services that customers have with Woodgrove Bank (including depository accounts, loans, etc.). As wallet share increases, so will revenue.
- 2. Improve risk profiling to reduce charge-offs:** Charge-offs are bad debts that are deemed uncollectable by the bank. This metric tracks the dollar value of charge-offs. Improving risk profiling should decrease the cost of charge-offs.
- 3. Increase customer satisfaction:** This metric tracks customers' overall satisfaction with the bank, measured through customer satisfaction surveys..
- 4. Reduce operational expenses:** Operating expenses are the expenses associated with running the business, including wages and salaries, rent, insurance, office supplies, etc. The more efficient and streamlined the business is, the lower the operational expenses will be.
- 5. Drive innovation through accelerated new product introductions (NPIs):** This metric measures the number of new product or service introductions or enhancements that are brought to market in a given period of time.

## Financial snapshot (Retail banking)

In millions	Year -2	Year -1	Year 0
Interest & investment income	5,900	6,100	6,500
Interest expense	3,245	3,350	3,600
Net interest income	2,655	2,750	2,900
Non-interest income	2,215	2,380	2,500
Revenue	4,870	5,130	5,400
Non-interest expense	3,340	3,530	3,700
Efficiency ratio	68.6%	68.8%	68.5%
Net charge-offs	360	370	400
Net income before tax	1,170	1,230	1,300
Customer satisfaction	75%	73.0%	70.0%

## Key performance indicators (retail bank)

KPI	Current status
<b>Assets under management</b> <i>The total market value of deposits held, or investments managed, on behalf of customers</i>	160 Billion
<b>Front office – to – back office staff ratio</b> <i>The ratio of customer-facing staff to non-customer-facing staff</i>	2:5
<b>Loan-to-deposit ratio</b> <i>The ratio of money loaned to money on deposit. A ratio under 100% indicates the bank has more money on deposit than is being loaned; a ratio over 100% indicates the bank has more money loaned than it has on deposit.</i>	110%
<b>Percentage of products not available through all channels</b> <i>The percentage of products not available to customers through all Woodgrove Bank sales channels</i>	72%
<b>Percentage of transactions/inquiries not completed</b> <i>The percentage of transactions or inquiries begun but not successfully completed</i>	45%
<b>Share of wallet (products held)</b> <i>The average number of Woodgrove Bank products held by customers</i>	2.5 products held per customer
<b>Regulatory report creation cycle time</b> <i>The time it takes Woodgrove Bank to create its regulatory reports</i>	1.2 weeks

## Benchmark data

	Woodgrove Bank	Regional industry average
<b>YoY revenue growth:</b> total revenue growth year-over-year	5.20%	5.80%
<b>Yield:</b> the yield that customers have to pay for credit/loans	2.40%	2.27%
<b>Efficiency ratio:</b> non-Interest expenses as a percentage of revenue	68.5%	64.0%
<b>Charge-offs as percentage of revenue:</b> the loss from borrowers' inability to pay back loans or credit	7.40%	7.00%
<b>Customer satisfaction:</b> customers' satisfaction across all of Woodgrove Bank	70%	65%