



THE POSSIBILITIES ARE INFINITE

Consulting

IT Solutions

Managed Services



**FINANCIAL SERVICES**  
**OVERVIEW**  
FACING TODAY'S CHALLENGES



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# FINANCIAL SERVICES TODAY

Long term trends have made managing a financial services business more challenging than ever before in Australia and New Zealand.

Easier access to product and service information has empowered the customer, making them more demanding of providers. New entrants both domestic and overseas have increased competitive intensity in key segments once the sole domain of incumbents. Products are increasingly commoditised and introducing new product variants is not the same boost to profits it once was.

For example, third parties such as mortgage brokers are taking increasing mind share of the customer for the purchase of products and services. Fujitsu Consulting research shows the average actual duration of all mortgages in Australia is falling, while broker origination is rising (Figure 1). Compounding this, regulation has increased the cost of doing business.

These trends are happening across Banking, Wealth Management, and Insurance.

## FUJITSU RESEARCH: BROKER ORIENTATION

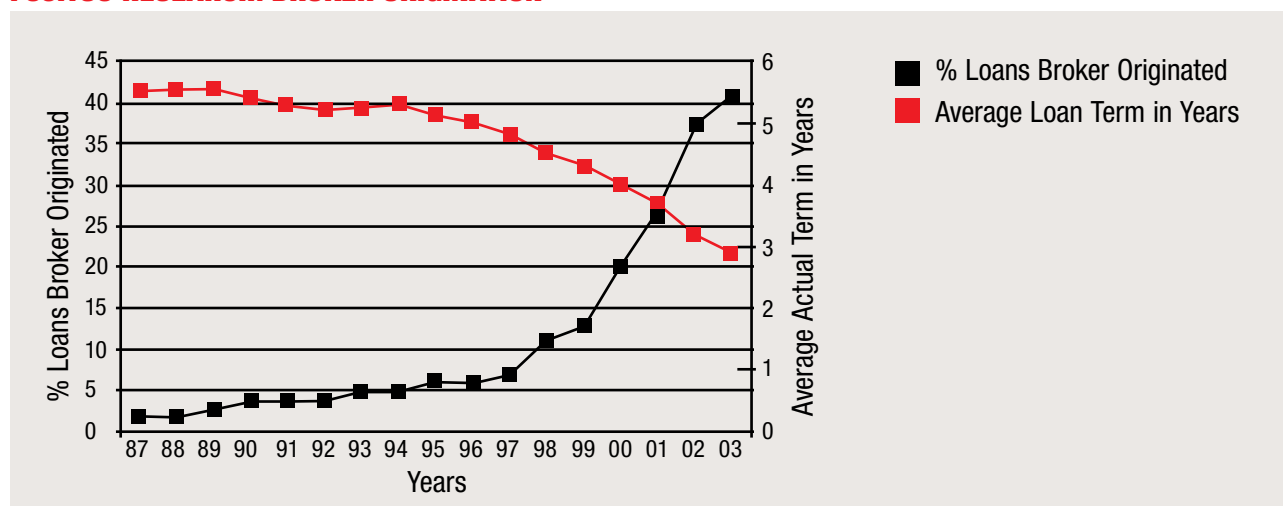


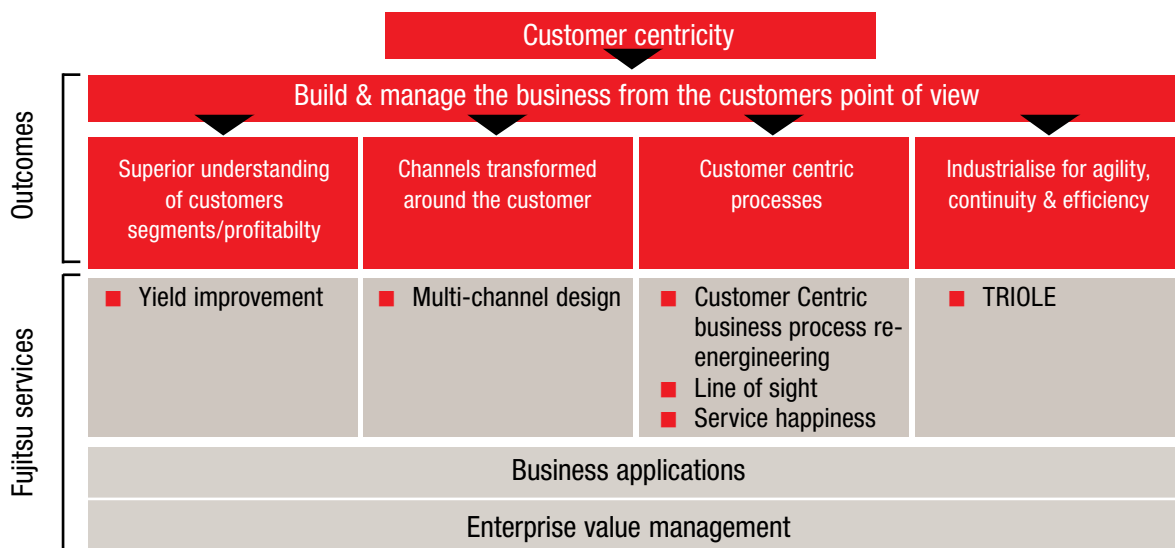
Figure 1

Sources: RBA Monthly Statistics, Australian Financial Review, Australian Bankers Association, Australian Bureau of Statistics, Fujitsu Consulting Research

# CUSTOMER CENTRICITY

These industry dynamics require an unconventional response - to build and manage the business from the customer's point of view. Customer centricity is the key tenet to Fujitsu's response, which translates to the following key business outcomes for financial services organisations:

1. Developing a superior understanding of customers needs, behaviours and profitability
2. Customer channels transformed around the customer
3. Customer centric business processes
4. Industrialise all of this in systems for flexibility, agility and efficiency



Fujitsu has a range of services to support the delivery of each of these outcomes.

# SUPERIOR UNDERSTANDING

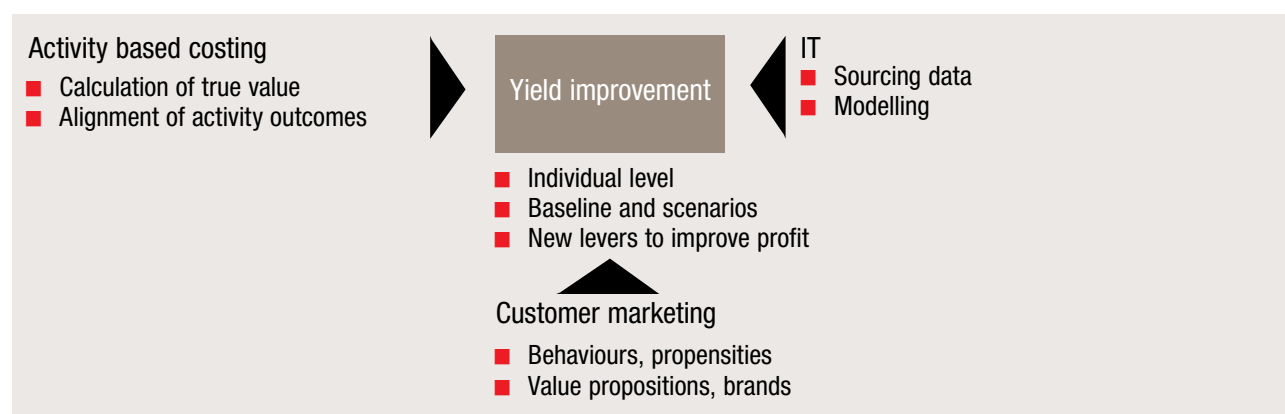
OF CUSTOMER NEEDS AND PROFIT OUTCOMES

Different customer groups have different profit profiles, needs and behaviours, and require different handling. Executing strategies for specific customer groups or segments will achieve superior profitability.

Fujitsu's yield improvement service combines activity analysis and customer insight across your customer portfolio to determine your customer segments, and craft the right value propositions and delivery mechanisms.

Our yield improvement service can:

- Develop your customers segments using multi-dimensional segmentation
- Determine profit per customer for each segment
- Design the right customer value proposition including all elements of product, price, service, brand, channel and the right customer experience
- Guide you as you execute the delivery of your segment specific value propositions
- Systemise Yield Improvement work for long-term profit improvement



Having completed over 30 Yield Improvement profitability reviews of lending portfolios in Australia, New Zealand and the United Kingdom, you can take advantage of Fujitsu's extensive intellectual property in mortgages, credit cards, personal lending, business banking and wealth management. For example, when assessing the lifetime profit of mortgages, through Fujitsu's yield improvement modelling, we have discovered that 10% of loans contribute 100% of profit (Figure 2). This tells us that mortgage profit is skewed towards a proportion of customers – so growth and profit are not well aligned.

## FUJITSU RESEARCH: MORTGAGE LOAN LIFE TIME PROFIT

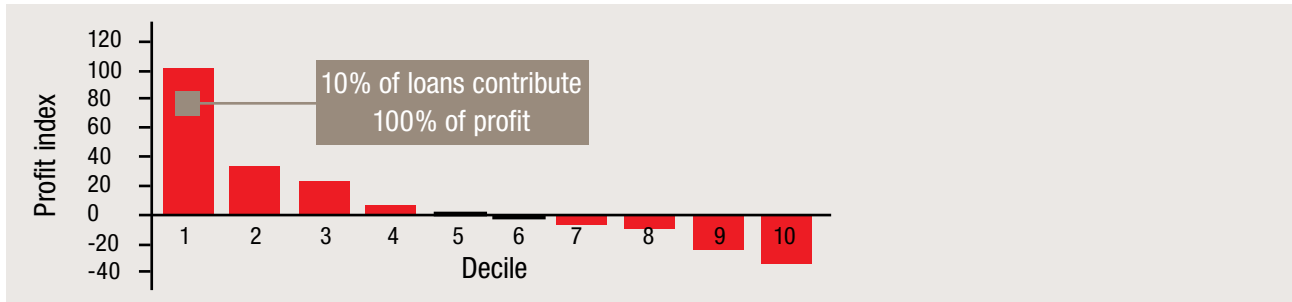
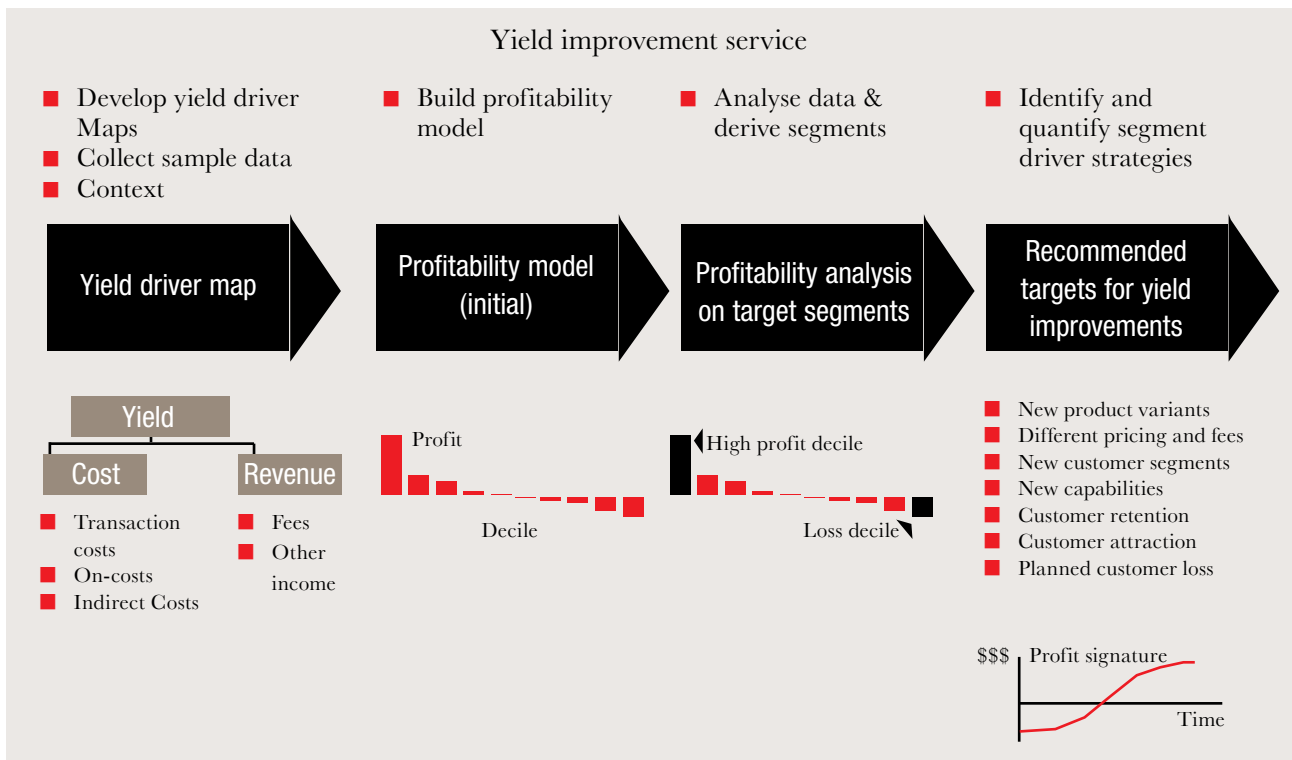


Figure 2  
Source: Fujitsu Yield Improvement Modelling

The yield improvement service typically takes four to eight weeks, leading to a series of quick wins, medium-term plays, and long term profit improvements. Customers who have implemented these recommendations have achieved at least 20% uplift in profit within six to twelve months.



# TRANSFORM CHANNELS AROUND THE CUSTOMER

Today's financial services businesses sell more products than ever before - home, personal, and commercial lending, general insurance, life insurance, investment products and more, accessible through more channels than ever before.

Channels ranging from retail outlets, the web, phone, ATM, IVR, mail, mobile phone, third parties are on offer. Fujitsu Consulting research shows 60% of banking customers prefer multiple channels (Figure 3). So orchestrating the right mix of channels for the customer is a major challenge.

## FUJITSU RESEARCH: CUSTOMER CHANNEL USE PREFERENCES IN %

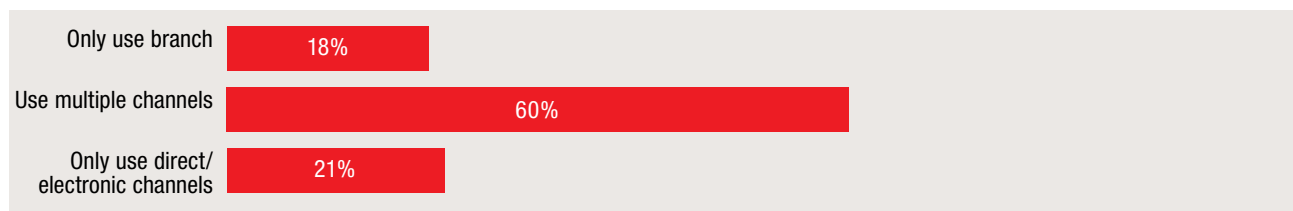


Figure 3  
Source: Fujitsu Consulting research

Fujitsu have a range of techniques for channel transformation based on our yield improvement approach which include:

- Modelling product sales, revenue, profit by channel or outlet
- Segmenting the customer base by key characteristics e.g. business type (consumer, small business, middle market), need or behaviour
- Running scenarios to accurately forecast potential for growth of existing branch, cost savings from reconfiguration, and growth from new locations
- Re-designing formats

## POWERING UP THE BRANCH NETWORK

To understand Fujitsu's transformation approach, consider the branch network. Branches are assets on the balance sheet as well as large consumers of operating cost, making optimisation of their performance an imperative. Third parties continue to take mindshare of the customer, requiring financial services businesses to fight back with owned channels. Fujitsu's work in channel transformation demonstrates the need to design the branch around the customer.

Until recently, the branch was seen as becoming less important compared with other distribution channels. According to APRA, the number

of Australian branches has decreased by approximately 28% over the last 25 years, with a number of players having significantly reduced their footprint. This migration was driven by the rise of electronic channels, independent brokers and a desire to cut costs. Many branches were also turned into shop fronts with all decisions and processing being centralised.

Fujitsu believes that the focus should be on making branches more effective – not reducing them. By designing branch locations, formats and services around different customer segments, it can become a key strategic weapon for players. Branches can be a major investment in organic growth by learning from retailers. They need to be built for convenience. Traditional banks were built for neither convenience nor relationship building. Leading overseas institutions are using retailing philosophy to drive a different branch experience. For example, instead of the customary teller windows, one bank now use teller “towers” that automatically dispense cash and allow easier interaction between customers and service representatives. These teller stations are arranged in a circle with no partitions. The tellers stand at the “teller towers” and invite the next person in line to join them.

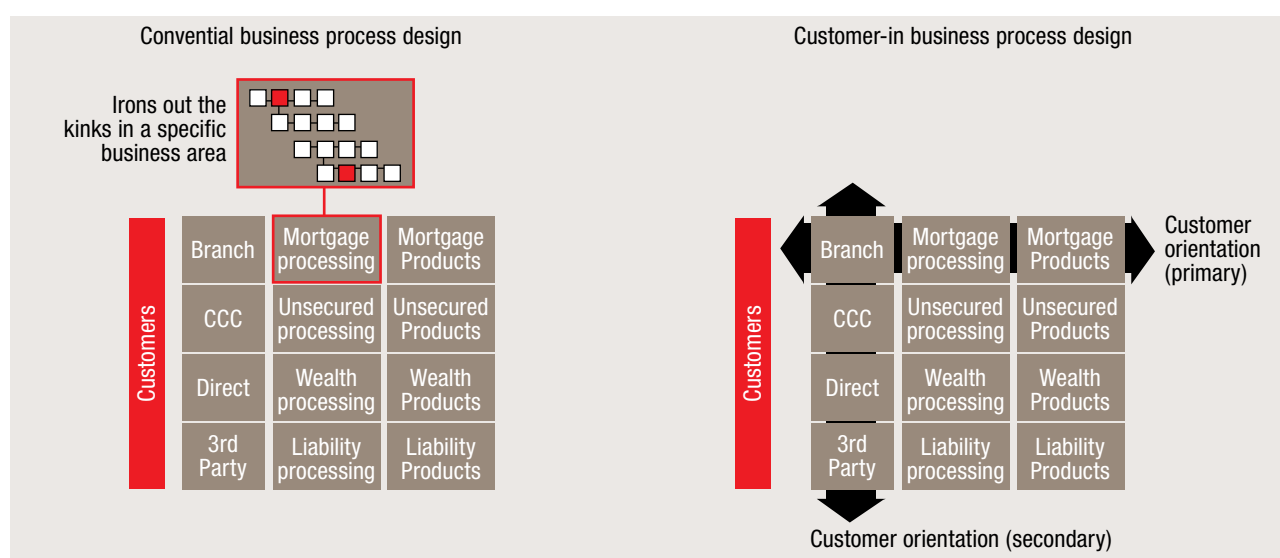
“The analysis completed by Fujitsu, and the strategies recommended to both grow our mortgage portfolio and improve its profitability were outstanding. To be honest, I cannot recall seeing another piece of consulting work of this quality previously, particularly relating to the often misunderstood mortgage business”

Steve Weston, former General Manager  
Mortgages, St George Bank

# REALISE VALUE WITH CUSTOMER CENTRIC PROCESSES

Conventional business process design has an incremental approach to performance improvement, and is often organised around products, but not the needs of the customer.

This traditional approach to process improvement “irons out” the kinks within specific business areas, but does not optimise overall. A customer centric business process is required. Fujitsu’s “Customer-in” approach creates process definitions from a customer viewpoint, and is agnostic to conventional line of business organisational boundaries.



Our ‘customer-in’ approach uses “right to left” thinking – that is, it defines a desired end state from a customer viewpoint.

This approach delivers significant improvements in customer service delivery, and cost savings through:

1. Defining the desired customer outcomes across organisational boundaries
2. Applying our techniques to map, optimise and manage the processes, and the surrounding program of change
3. Collapsing discrete cross channel and cross product processes into a single unified set

Fujitsu’s research of large financial institutions in the United States and United Kingdom shows that companies that adopt customer centric business processes outperform in share price (Figure 4).

## FUJITSU RESEARCH: 'CUSTOMER-IN' IMPACT

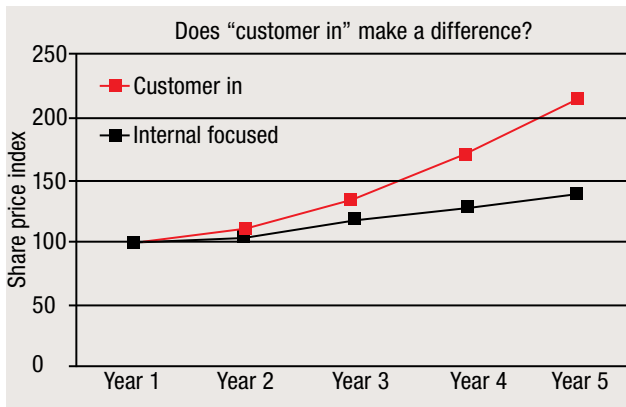


Figure 4

### LINE OF SIGHT

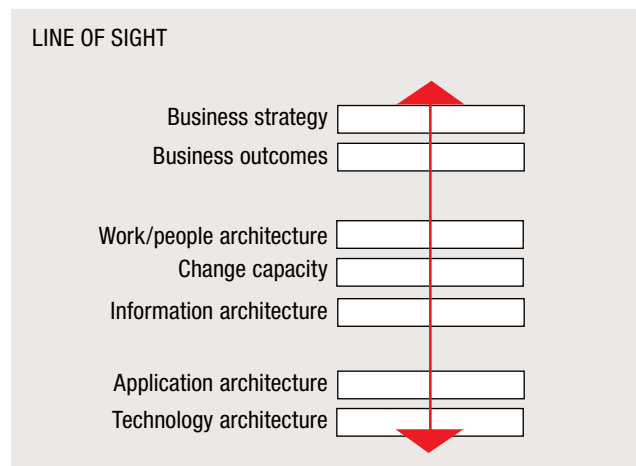
Another aspect to realising value, is to ensure there is a line of sight between alternate strategies and their implications. This requires a bridge between business activity and IT activity. For example, as business transactions reach a point where a step change in IT costs will occur, an IT manager would need to know when this will happen and to plan for an increase in IT capacity, while a business manager will need to decide whether the growth in volume offsets the step change in costs.

Fujitsu's line of sight work helps to better understand this relationship, answering the critical questions:

- How does business activity impact the IT service delivery chain?
- What choices and options does the business and IT have in terms of alternatives?
- Can we get a line of sight between alternative business strategies and the IT implications
- Is there a common basis of understanding for dialogue and charging?

By developing a line of sight between technology

assets and the business strategy, organisations will have a working model of the relationship between business and IT activity that can be used as either a stand-alone diagnostic to resolve a specific business issue, or for ongoing decision making.



Typically we can build a Line Of Sight diagnostic model within six to eight weeks, undertaking the following activities:

- a complete business analysis
- a line of sight mapping
- construction of the line of sight model
- scenario modelling
- delivery of insights and a working tool

# INDUSTRIALISING IT SERVICES & SOLUTIONS

Businesses want to focus on customers but all too often they are distracted by IT that is failing to provide the performance levels that they, and their customers expect.

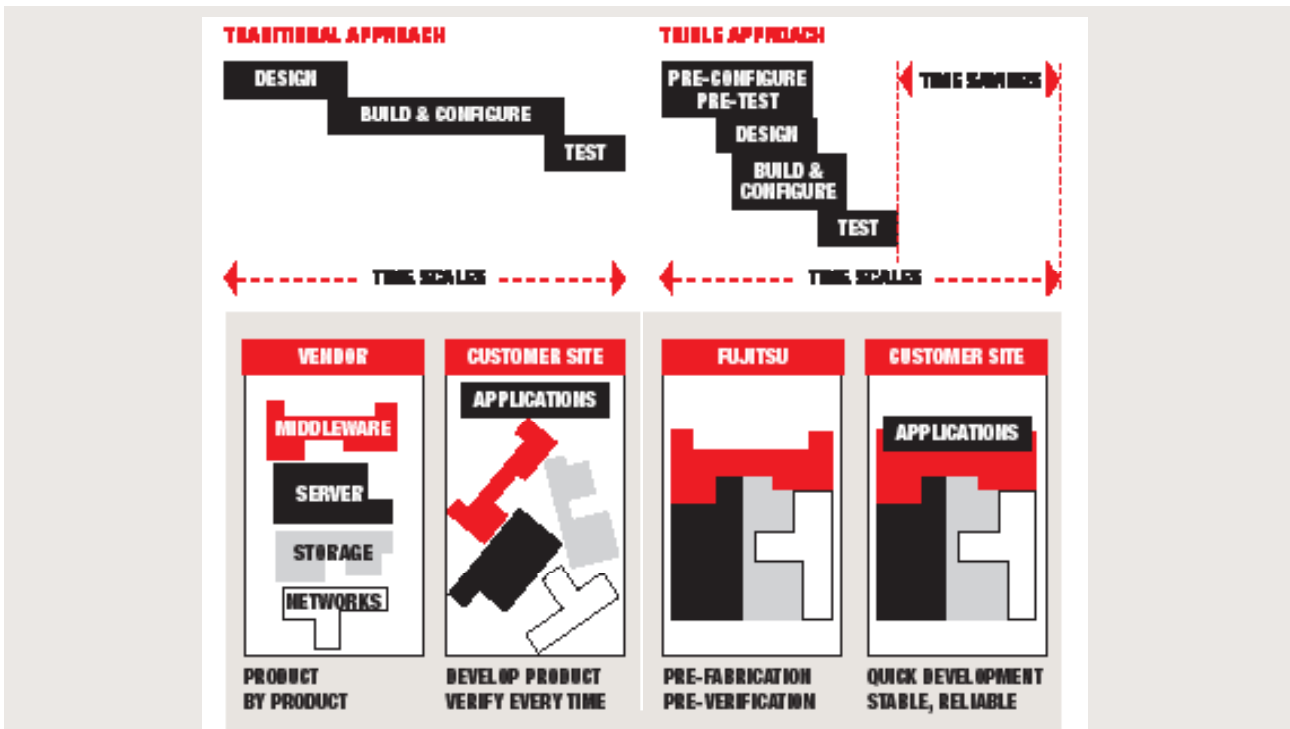
There's a movement sweeping through the IT industry, dedicated to removing needless complexity and cost. It's called industrialisation and it is bringing fundamental changes to the way IT is delivered.

At the heart of the industrialisation movement is the stark fact that around 80% of the IT needed in any business is standard. When you need a new system, the chances are that it has already been built – often many times over. It's effectively a commodity. If you could benefit from commoditisation of the 'standard 80%' of your business, you could redirect your IT investment to the 20% that needs to be unique, and where your business can really score: innovation, service excellence and differentiation.

While flexible, reliable and cost-effective functions are basic requirements for businesses to satisfy their customers, organisations are forced to trade off one against the other. Rather than becoming another mature, easy to manage business function, IT services are becoming more complex to administer. Through industrialisation we can reduce the effective complexity by 'boxing up' meaningful chunks of services and technology, while delivering 30% improvement in total cost of ownership, solution reliability and time to deploy.

## **FUJITSU'S KNOWLEDGE IN A BOX - TRIOLE**

TRIOLE is Fujitsu's complete industrialisation program for the delivery of all of our services in Australia and New Zealand. TRIOLE is both a Japanese-inspired management approach for continuous improvement and the manufacturing of core building blocks, called TRIOLE Templates. We invest in exhaustive design, testing and verification processes that create zero defect products. This keeps the major costs and risks with Fujitsu, not our customers, and therefore optimising the three benefits that IT solutions must provide businesses: efficiency, continuity and agility.



## SERVICE HAPPINESS

One area that significantly benefits from industrialisation is IT desktop service. Our service happiness offer is aimed at better managing the gap between the IT desktop service delivered and the expectations of the business. Service levels are improved by creating a line of sight between end customer satisfaction, customer service delivered by the business, and the IT help desk.

The building blocks of service happiness are:

- End to end process management of the IT helpdesk where the key performance criteria is customer satisfaction
- A move away from 'one size fits all' to a segmented approach for IT helpdesk Service Level Agreements
- Driving down the number of low value calls to the IT helpdesk
- Move the IT help desk to being the single point of contact for all questions

# SUPPORTING CHANGE

Critical to supporting the delivery of these business outcomes are having the right applications and systems that reflect business processes and segmentation, and managing the change program to effectively prioritise initiatives to deliver value.

## **BUSINESS APPLICATIONS**

Effective customer segmentation and execution is not a once-off static exercise. It needs to come to life in the business day to day. Having the right business applications supporting your segmentation will ensure the sustainability of benefits over the long term.

Fujitsu has a comprehensive range of business application solutions to ensure the effective execution of segmentation strategies and customer centric processes, from business intelligence and CRM, through to digital media solutions.

## **BUSINESS INTELLIGENCE**

Once the customer segmentation model is created and executed against, organisations must track and monitor the customer portfolio to ensure benefits are being realised, and continually enhance the segmentation with the ongoing learnings from customer interactions. With Fujitsu's business intelligence solutions, organisations will be able to track and monitor the execution of segmented activities in the field, while also ensuring ongoing processes of data refinement to improve predictive modelling.

## **CRM**

It is critical that organisations have the right tools so that day to day customer handling is aligned to customer segment specific strategies. Fujitsu has significant experience in implementing CRM solutions to meet these needs.

## **DIGITAL MEDIA**

Digital media enhances the customer experience. As a leader in the development of future technologies, Fujitsu has been working with leading retailers in the digital media space. The bank branch is a prime candidate for enhanced customer experience using digital media. Digital media screens and devices, placed in selective locations, can be used to deliver targeted communications and messages.

## **ENTERPRISE VALUE MANAGEMENT**

Once the strategic intent is set, it is necessary to select and prioritise the various options and actions to pick those which will create the greatest value for your organisation.

Supporting the achievement of these outcomes is Enterprise value management. Fujitsu uses EVM to assist organisations form coherent programs of change, ensure the intent of the programs are focussed on business value, or reduce the overall number of projects on the wish list. Fujitsu is a leader in this area, as represented by the "Information Paradox" book, which remains an international best seller. Some of our services include:

- Portfolio Management
- Benefits Management
- Strategic Governance
- IT Governance

## **OUR COMMITMENT**

Fujitsu has increased its commitment to the Financial Services Sector with a set of capabilities that map to these trends. We have worked with leading financial services players across Australia and New Zealand on the following:

- Competitor Benchmarking
- Business Strategy
- Customer Segmentation
- Customer Value Proposition Development
- Product Design and Development
- Marketing and Brand Development
- Business Process Improvement and Benchmarking
- Programme Management
- Business Architecture
- Cultural Change
- Organisational Design
- Economic Modelling
- Systems Architecture
- Application Development
- IT Outsourcing and Co-Sourcing

## **FOR FURTHER INFORMATION PLEASE CONTACT**

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## **ABOUT FUJITSU**

Fujitsu Australia and New Zealand is a leading service provider of business, information technology and communications solutions. Throughout Australia and New Zealand we partner with our customers to consult, design, build, operate and support business solutions. From strategic consulting to application and infrastructure solutions and services, Fujitsu Australia and New Zealand have earned a reputation as the single supplier of choice for leading corporate and government organisations. Fujitsu Australia Limited and Fujitsu New Zealand Limited are wholly owned subsidiaries of Fujitsu Limited (TSE: 6702).

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