

# Profit Enhancement in Retail Banking

Mazars Financial Services Consulting

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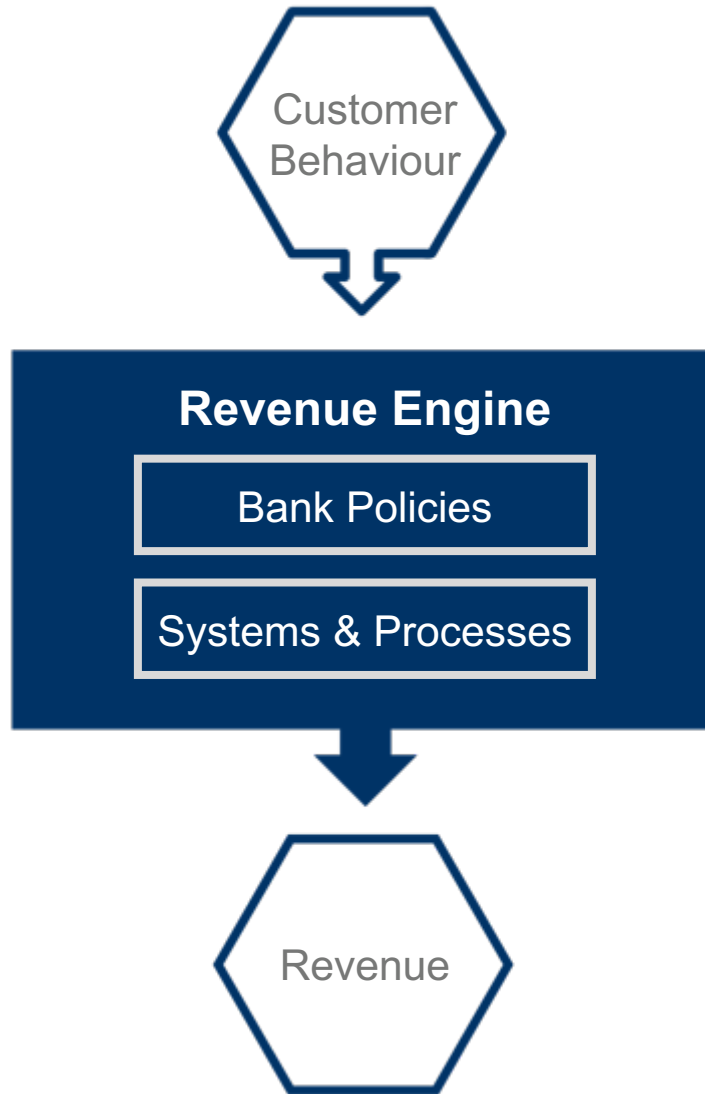


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# Product revenue: simple or complex?



## In theory

The core revenue model for retail banking products such as transactional bank accounts and credit cards is very simple;

- Banks charge fees for holding certain products and making certain transactions
- Banks make a profit or “spread” on the difference between the interest rates applied to deposits and loans.

## In practice

Things are a lot more complex:

- Banks offer multiple products, each with different pricing policies
- Policies need to be coded into IT systems with many possible variations, and also enforced by staff in branches and call centres
- Additional revenue streams such as interchange are governed by complex agreements and can change frequently

A full understanding becomes formidably difficult.



# What issues can arise?

With such complexity there are many issues that can arise:

- Policies can fall out of line with market norms.
- Intended policies can be miscoded in the system or applied incorrectly by staff.
- Policies can be applied inconsistently across products, systems or different parts of the business.
- Disconnects can also occur between product and operations teams hindering organizational effectiveness.

More often than not, these issues lead to revenues falling below what should have been achieved.



# Introducing Profit Enhancement

## Profit Enhancement in retail banking

Profit Enhancement refers to the process of examining these policies, systems and processes both individually and holistically in order to improve the profitability of the business.

Originally developed in North America, the approach has been used to good effect in many markets across the world. It has consistently been proven to be effective in both developing and highly developed markets.

Historically Profit Enhancement engagements have led to increases in profits equivalent to:

- USD 2-7 per annum per active bank account
- USD 2-7 per annum per active credit card

Because the benefits re-occur year after year, a one-time investment typically delivers a **5-year ROI in excess of 1000%**.



# Could your organisation benefit?

Are any of the following true of your organization:

Do you have concerns about revenue leakage in your business?

Are your competitors growing revenue in ways you cannot explain from price and volume changes?

Are you facing regulatory or economic challenges that will impact existing revenue streams?

Are your loyalty/rewards costs growing faster than your portfolio?

Do you pay more than \$10m each year to Visa and Mastercard?

Are you looking to improve ROI from discretionary spend?

If you answered “yes” to any of the above, it’s likely that a Profit Enhancement exercise could be of benefit.





# The practical challenges of Profit Enhancement

## Practical Challenge

### Complexity & Scale

It is very hard to know where to start and almost impossible to analyse everything.

### Experience

Most banks do not have specific experience in revenue optimization. Doing anything for the first time can be challenging.

### Time & Cost

Internal programs generally yield poor results due to lack of expertise and conflicting priorities.

## Role of Expert Help

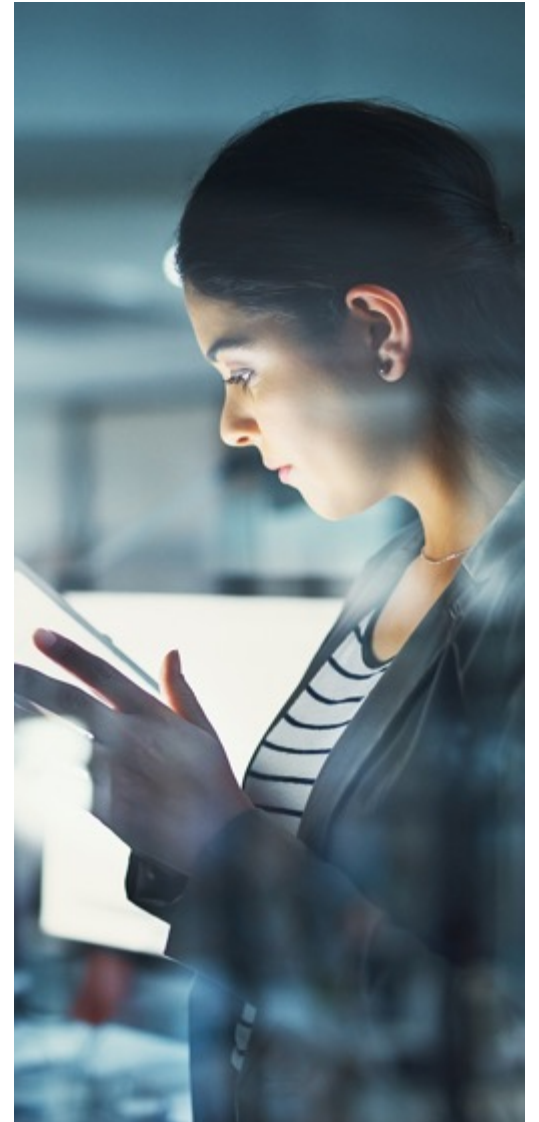
An expert knows which areas to prioritise based on:

- historical likelihood of error
- potential scale of impact

An expert can immediately apply a highly specialized skill-set developed over many years.

An expert review will:

- Increase the scale of benefits
- deliver benefits more quickly
- significantly improve ROI



# A Mazars Profit Enhancement Engagement

## Profit Engagement

In a Profit Enhancement engagement we look in great detail at the way your organisation's pricing policies interact with your systems and processes:

- We check for revenue leakages at multiple points along the chain.
- We identify small changes that can improve efficiency and portfolio yield.
- We support your implementation journey.

We maintain “skin in the game” aligning our commercial interests with yours.





## “Global expertise delivered locally

Our consultants have experience of delivering Profit Enhancement engagements for leading banks in Europe, Asia, Australasia, South America and Africa. Project teams are drawn from our Profit Enhancement Centre of Excellence in Singapore and our 91 local offices around the world.”



# Our Contacts



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