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Analysis • Insight • Intelligence

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## EDITOR'S LETTER

# Select opportunity for Santander

The potential significance of Santander's mass-affluent initiative, Santander Select, really cannot be underestimated (*see pages 10-11*).

If Santander can tap into the growing mass-affluent segment – Latin America is being used as a launch pad for a wider marketing effort around the world – it really could be onto a winner.

Working with UK-based design consultancy allen international, Santander has developed a new range of branches designed to connect with its target audience.

Promoting the sub-brand Santander Select, the bank believes that it can become a hub for networking, where social events, seminars and third party luxury brand launches can take place. If it can get close to the market share gains it has set, Santander will also improve its bottom line.

Santander believes it can promote the Select brand in a number of markets: in Europe, the UK, Spain and Portugal are obvious targets to augment the Latin American markets of Brazil, Mexico, Chile and Argentina.

It is a strategy which has paid huge divi-

dends for the mass-affluent market leader, HSBC.

In fiscal 2010, HSBC Premier's availability had grown to 47 markets while customer numbers passed 4.4m. HSBC attracted over 980,000 net new Premier customers in the last fiscal, of whom over 50% were new to the bank.

In Hong Kong for example, the HSBC Premier customer base increased by 31% to more than 500,000 customers while in the rest of Asia-Pacific, Premier customer numbers grew by one-third year-on-year.

In the Middle East, HSBC signed up a net 35,000 Premier customers, with over one-half of the new customers first time HSBC clients while in North America, the growth rate was 37%, taking the Premier client base to over 700,000.

What will particularly interest Santander were the figures for Latin America, where HSBC Premier customers reached over 790,000 at the end of 2010. ■

**Douglas Blakey**

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## MARKETING

# Ally drops 'love' to focus on 'sense'

Only 12 months after launching its 'Love' campaign, US online bank, Ally, has changed tack.

Ally Bank has rolled out an ad campaign focused on the notion of 'people sense' – the idea that the bank is centred on doing right by customers.

Promoting the ad tagline 'No nonsense. Just people sense', an integrated marketing campaign incorporating print, radio, online and outdoor advertising kicked off on 19 September.

The banking arm of GMAC rebranded itself to Ally in 2009 in an effort to distance itself from its troubled General Motors parent.

Ally chief marketing officer Sanjay Gupta, said: "The fundamental message we hope to convey to customers is that they don't have to accept 'nonsense' from their bank. They can choose a bank that offers something better.

"Features like no monthly maintenance fees, 24/7 live customer service, flexible products like the Raise Your Rate CDs and

features that give back to customers. Our debit card rewards programme Ally Perks just make 'people sense'." ■



Making sense: Ally Bank advertisement

# Santander Mexico gets selective

In an attempt to grow its market share of the growing mass affluent segment, the Mexican arm of Santander is to open 150 Select branches by 2013. Jose Antonio Alonso Mendivil, co-managing director of retail and business banking at Santander Mexico, sets out his stall with **Ivan Castano**

The stakes do not come much higher. In what is potentially one of the most important strategic decisions taken by Spain's largest bank, Santander, it is to target the mass-affluent segment via its new sub-brand, Santander Select.

In addition to the new brand, Santander is rolling out Santander Select branches, containing class leading design features, offering enhanced levels of customer service.

In Mexico, Santander aims to open 150 Santander Select branches by 2013.

For Santander, the potential benefits to be accrued from getting its mass-affluent strategy right, cannot be under-estimated.

In its sights are global rivals such as HSBC, which has enjoyed phenomenal success via its mass-affluent, HSBC Premier service.

Santander's targeting of the mass affluent segment comes as Mexico's premier banking clientele grows at the rate of 10% per year. For its part, Santander is aiming for 15% annual growth from the key mass market segment in the next two years to help its boost its retail banking profits.

Jose Antonio Alonso Mendivil, co-managing director of retail and business banking at Santander Mexico met up with *RBI* to discuss the bank's ambitious targets.

"It is a very important project for us," said Alonso.

He added that Santander's Select clients do 60% more business with the bank than its regular premier customer base, meaning this is a potentially lucrative venture for the lender to develop in coming years.

Alonso won't provide ROI targets for the fledgling franchise but says break even point will be reached in 18 months and payback in 36 months.

"We can sell many more credit, investment and insurance products that generate higher commissions," he says.

"The Select offering is working very well and we are very excited about it."

The Select model will end the year with 35 dedicated branches. It is now operating in eight wealthy neighbourhoods across Mexico's largest cities including Mexico City, Guadalajara and Monterrey.

## ■ LATIN AMERICAN GROWTH

### Santander - Latin America at a glance

	Branches	Customers (m)	Market share (%)	Ranking
Mexico	1,100	9.1	15.5	3rd
Brazil	3,593	21.0	12	3rd
Chile	498	3.2	20	1st
Argentina	258	2.0	10	2nd

Source: Santander

Future openings will include other key Mexican cities such as Cancun, Villahermosa, Acapulco, Torreon and Tijuana, according to Alonso.

Alonso said that one third of the branches will be located in Mexico City and a large number in Guadalajara and Monterrey, Mexico's second and third-largest cities respectively.

In terms of getting its branch design strategy right, Santander turned to UK-based design consultancy, allen international.

Founder Michael Allen told *RBI*: "We wanted to develop a more contemporary and unique premier banking environment for Santander Select and not the usual business type lounge that most banks have.

"Using the existing corporate values of Santander we expanded them to be more prestigious, distinctive and with more of a lifestyle image that would appeal to the affluent customer.

"We developed a branch environment that would attract customers to the branch by using complementary lifestyle brands in art, fashion and technology, while designing the branch to be a venue for seminars, social events and third-party luxury brand launches."

### Big growth

Currently, Santander Mexico has around 6,500 Select clients representing 2% of its 320,000 premier client network. Alonso hopes that number will grow to represent 25% of the bank's premier client base by 2013 which in turn is forecast to grow 15% annually.

Overall, Santander's Mexican unit is the second-biggest in Latin America account-

ing for 6% of group net profits of €3.5bn (\$4.7bn) in the first half of 2011.

Latin America accounts for 43% of group's profits with Brasil accounting for 25%.

In Mexico, the bank has 9.1m clients, served by 1,100 branches and ranks third in the market with a 15.5% market share in the first half.

According to Alonso, Select spaces are currently located inside Santander's best branches straddling wealthy Mexico City quarters such as Polanco, Perisur and Satelite, as well as similar locations in other key cities.

The sections are usually located in the back of the branch or upstairs to provide banking exclusivity.

Alonso says most spaces will be located inside branches but there will also be some independent ones opened next to branches in key markets, particularly Mexico City where three such offices are planned at the moment.

Unlike Brazil and Chile (where Santander also has Select corners), Mexican premier customers are more concerned with privacy than atmosphere, Alonso said.

"In Chile, Select spaces are open while in Mexico they are more enclosed and private," he explained.

"Clients want privacy here. They don't want other people to know they are there because they can be managing a lot of money."

In Brazil, Santander calls the select service 'Van Gogh' as spaces are wrapped inside glass dividers featuring etched images from the Dutch painter's art.

Spaces are also more private such as in

Mexico. However, they are staffed by an average of 5 banking executives who offer slightly more sophisticated banking and investment products.

### Privacy please

Each Mexico Select branch is served by an average of 3.5 full-time banking executives, offering a range of premium and sophisticated banking and investment services.

The latter include special fixed income and stock investment funds only available for select customers.

In addition, clients can hire meeting rooms to conduct business and are offered creature-comforts such as iPads, free internet access and TV.

Receptionists are bilingual, especially in locations which attract a high number of business clients, and they can do all their banking while sitting down in chairs and desks. Premium coffee are always available.

"It is a totally different, elegant, very selective and private atmosphere," Alonso said, adding the units are very modern with contemporary furniture and artwork.

Mexico's growing mass-affluent customers appreciate the exclusive and more upscale atmosphere, he says.

### MXN35,000 per month entry barrier

The Select service is only available to customers who earn at least MXN35,000 per month (\$2,600).

For MXN220 a month, Santander offers an account package offering a new Visa Black unlimited credit card without having to pay its standard MXN1,500 annual fee, free checking and double reward points for each card transaction.

For customers with deposits in excess of MXN500,000 between checking and investment accounts, the Select service is completely free.

Asked why Santander launched Select in Mexico, Alonso said the country's expanding number of customers earning over than MXN35,000 per month means such customers "needed a differentiated treatment".

He said Santander can attract more premier customers in Mexico, where word of mouth works wonders in new client recruitment.

"When these clients receive special treatment, they call their brothers, mother in laws and other family members to try it out," Alonso notes.

Naturally, customers stay with their banks and as their wealth builds up, so does their capacity to sign up for more premium investment and banking products.



*For the select few: Santander Mexico Select branches, inside (right) and out (above)*

### Tough competition

Mexico's growing number of premier customers has of course not gone unnoticed by competitors such as HSBC and Santander's Spanish compatriot BBVA, as well as Banamex (a unit of Citigroup) and other leading international banks. These include Scotiabank and ING, which are beefing up their premier offers with some also offering selective banking spaces.

HSBC has long been regarded as the global leader in the mass affluent segment, with more than 4.5m Premier customers around the world.

HSBC has estimated by the end of 2011 it can achieve average revenue per Premier customer of over \$1,000 a year, meaning that, with more than 4m clients, the segment could be worth over \$4bn to the bank.

Alonso said Santander has a number of key competitive advantages as it looks to tap into this segment.

"The concept is pretty similar at the other banks but we have a very strong selection," Alonso said.

"All our Select staff have a university degree and at least four years' experience in retail banking.

"They also hold the 'Amif' Mexican certification for investment management and advice, similar to the US's Series 7."

Alonso added that Visa Black's anti-fraud protection is also higher than the other banks.

"If you have a 200,000 client line and your card is stolen, you will receive reimbursement of your losses in full. With the other banks you get a lot less," he said.

With an eye to the future, Alonso expects Santander's select Model to develop on par

or surpass growth experienced in Chile's in coming years, though it is unlikely to outstrip Brazil's customer growth because of that economy's much bigger size and growth rates.

In the premier banking universe, "Brazil is Santander's biggest [Latin American] customer and the Select officers are bigger and more numerous than in Mexico", Alonso said.

"But Santander's earnings are bigger in Mexico than Chile," he added.

Alonso said Santander is very satisfied with how Select is working so far and that a new and more ambitious growth plan will probably be introduced after 2013 when the bank hopes to achieve at least the same growth dynamic expected for the next two years.

"We will see how things go by 2013 but we will very likely come up with a more aggressive plan," Alonso said.

He added: "The strategy is working very well and we are very happy and enthusiastic about it. It is probably going to provide a big boost to our retail banking results."

It looks as if Santander has found a way to continue boosting its earnings in Mexico, a country where the financial sector has become deeply competitive in recent years.

For the Iberian bank, staying ahead of rivals in the fast-growing and lucrative premier banking segment will be a key growth strategy in coming years.

Analysts expect the lender also to roll out its premium offerings in other potentially lucrative Latin American countries, in sharp contrast to the gloomy economic conditions prevailing in its Spanish domestic market. ■