

Financial Institutions Consulting provides its clients with fact-based recommendations resulting from our extraordinary expertise in the SME (small and mid-sized companies) space. Having completed over 100 engagements covering 20 countries, our experience incorporates virtually all aspects of SME banking including profitability analysis, product development, customer segmentation, distribution, and organizational issues.

Our clients include some of the world's biggest banks, as well as community players. Their needs can range from determining how to enter the SME arena for the first time to rethinking their established approaches. Our engagements may involve one specific area (for example, profitability analysis, product packaging, segmentation, organizational effectiveness) or encompass a broader assessment of the business.

We intend that the following examples provide insight into the client situations we are typically asked to address, the focus of our work, and the value we provide.

Focus on: Increasing Profits

- Improving Customer Profitability

- Quantifying the Economic Opportunity

Focus on: Market Performance

- Entering the Small Business Market with Impact

- Entering the Small Business Market in an Emerging Market

- Improving an Existing Small Business Effort

- Capturing the Owner's Revenue Potential

- Increasing Deposits

- Improving Distribution

Focus on: Non-Bank Opportunities

- Selling through Banks to Small Businesses

- Leveraging the Credit Card

FOCUS ON:

Increasing Profits

Improving Customer Profitability

- Situation:** Client (Midwest regional bank) had successfully focused on gaining share without sufficient consideration of client profitability and potential.
- Project Focus:** Assess today's client base versus potential; reposition current offer for priority segments.
- FIC Role:** FIC analyzed the current client base, profiling companies by size, industry and requirements. We contrasted the current client set with the overall market and recommended specific action steps to reposition the bank with targets considered most attractive.

Quantifying the Economic Opportunity

- Situation:** A highly targeted international financial services client wished to evaluate growth opportunities.
- Project Focus:** Quantify the potential revenue/profit pools from specific SME segments; determine if the economic potential merits developing a market entry strategy; detail the optimal entry strategy.
- FIC Role:** FIC assisted the client in developing key screening criteria. We then applied those criteria to multiple opportunities, highlighting two as attractive. FIC completed its engagement by developing an entry strategy and implementation plan.

FOCUS ON:

Market Performance

Entering the Small Business Market with Impact

- Situation:** A community bank was entering the market with an initial focus on providing credit to companies with less than \$5 million in revenues. It needed to determine key credit products and select the best infrastructure to originate, underwrite, and monitor loans.
- Project Focus:** Recommend the product set based on a competitive assessment, end-customer requirements, and client capabilities and preferences.
- FIC Role:** We developed a detailed entry strategy that emphasized not only credit but resulted in a strong deposit gathering effort.

Entering the Small Business Market in an Emerging Market

- Situation:** A major international bank decided to enter the SME space in a third-world market. Management wanted to target the most attractive segments within the country while avoiding excessive risk.
- Project Focus:** Evaluate the potential opportunity and optimal approach for market entry; assess customer trends and the current competitive environment; determine the trade-related requirements of SMEs; structure an offer that is competitive while minimizing credit risk.
- FIC Role:** FIC developed specific recommendations related to target customer segments, priority products and product packages, and optimal sales and underwriting approaches. We also identified key competitive and customer issues as well as credit and risk management concerns and developed a detailed implementation approach focused on mitigating risk and addressing customer and competitive issues.

FOCUS ON:

Market Performance *(cont'd)*

Improving an Existing Small Business Effort

Situation: The new manager of a top ten small business bank in the US wanted to evaluate his group's current approach to multiple areas, including marketing, sales and origination, credit/risk management, and cross-sell. His goal was to highlight opportunities for growth to senior management and gain their approval for required personnel and technology investments.

Project Focus: Compare current activities and approaches to international best practices; demonstrate performance gaps; quantify and prioritize opportunities for growth.

FIC Role: FIC detailed performance gaps, detailed best practices, recommended specific changes in approach and drafted communications addressing senior management issues and requesting investment for growth.

Capturing the Owner's Revenue Potential

Situation: Our client, a top 50 US bank, had an established position serving the commercial banking needs of its customers. However, few business owners either maintained personal accounts at the bank or took advantage of the bank's strong investment management capabilities.

Project Focus: Determine the current number and profitability of "twin" business and personal accounts; determine high priority opportunities; assess gaps in the current sales approach; evaluate the bank's current approach versus industry best practices.

FIC Role: We worked closely with the heads of Commercial and Private Banking to break down internal silos to gain the owner's business. Our areas of recommendation included product packaging, customer segmentation, pricing and incentives.

FOCUS ON:

Market Performance *(cont'd)*

Increasing Deposits

- Situation:** An active small business bank was experiencing a decrease in deposits. Management requested that we evaluate key factors impacting deposit growth and recommend specific changes.
- Project Focus:** Assessment of the current product set versus competitors'; analysis of the deposit sales process; evaluation of sales force activities and compensation structure.
- FIC Role:** FIC uncovered product gaps, detailed the need for a deposit-focused sales effort, highlighted incentive issues, quantified the potential opportunities and provided management with specific change recommendations.

Improving Distribution

- Situation:** A top five US bank needed to create a small business online banking strategy based on the current competitive environment and the anticipated future needs of the online small business customer.
- Project Focus:** Evaluate competitors' online business banking offers; analyze the current customers' online usage; assess the existing online banking platform; identify future online banking requirements.
- FIC Role:** We detailed gaps in the bank's offer versus specific competitors, recommended additional required functionality, and developed several price-based product/feature bundles targeting specific customer segments.

FOCUS ON:

Non-Bank Opportunities

Selling through Banks to Small Businesses

- Situation:** FIC has worked with multiple vendors (including insurers, foreign exchange providers, technology firms, leasing companies, and private equity firms) to determine how to sell to end-customers with the bank as intermediary.
- Project Focus:** Analyze the product versus competitors'; determine fit with bank channel and bank clients; provide introduction to potential bank buyers; assess likelihood of success.
- FIC Role:** Leveraging our extensive experience and industry contacts, FIC works with vendors to quickly determine how to work with banks, developing detailed implementation plans and providing insight on both the probability of and approach required for success.

Leveraging the Credit Card

- Situation:** A leading credit card association wanted to determine whether it could increase card usage by partnering with third-parties to offer leasing, insurance, legal services, or other capabilities.
- Project Focus:** Analyze size, attractiveness and likelihood of various ventures; provide "go"/"no go" recommendations.
- FIC Role:** FIC developed product features for inclusion on card platform, defined the necessary infrastructure to support the products, identified partner candidates, and negotiated partnership agreements.