Customer **PROFITABILITY** Self-assessment

**LENDING FOCUS
(RETAIL BANKING)**

COGNOS®

THE NEXT LEVEL OF PERFORMANCE™

Welcome to the Customer Profitability Self-assessment from Cognos. As a world leader in performance management solutions, we are pleased to provide you with the tools you need to improve your competitiveness and financial performance.

All of the top 10 banks in the U.S. turn to Cognos for better reporting, planning, and performance management. See how you measure up by taking 20 minutes to answer the questions below. Once done, you will have a clear understanding of what you can do to improve customer retention and profitability.

Optimizing overall bank profitability and performance means improving profitability one customer at a time. No where is this mantra more apparent than in the bank's lending operations, where attracting, retaining, or expanding the relationship with one customer can lead to thousands of dollars in incremental profit…and conversely, where losing one major customer can have huge ramifications.

It's not easy to improve customer profitability. It depends on many factors that come together in the right balance. They include:

- Strategy and organization

- Customer experience

- Workforce

- Comprehensive data measurement, analysis and reporting

The first step to optimizing customer profitability is assessing how well the bank is doing in these areas. This self-assessment tool poses several questions in each category to help you understand areas of strength and areas for improvement. Self-scoring will quickly identify where your bank needs to improve!

Let's begin…

STRATEGY AND ORGANIZATION	YES	NO
Is the bank organized by customer vs. product?		
Do you have customer-segment managers and teams? Within the mortgage lending area, is there a team focused only on low-income borrowers, for instance?		
Does your bank know which customer segments and specific customers are profitable? Is there a customer-segment-level P&L?		
Can your bank plan and forecast by customer segment?		
Does your bank use the customer information it collects to guide customer retention and loyalty efforts? For instance, do you proactively contact mortgage customers whose loan rates are about to adjust in order to prevent them from shopping around to refinance?		
Can your bank use its customer segment information to plan initiatives that will increase customer profitability? For instance, can it plan a mortgage loan program that offers 1% off to a very specific, high-profit segment?		
Does your bank measure the quality of the customer experience? Do you use metrics to accurately measure this?		
Can customer-facing employees – such as loan officers, CSRs, and call center personnel – easily access all of the information they need about each customer, including all account, transaction, and preference information?		
Are loan applications pre-filled with known customer information, or is the customer required to repeat information on forms that the bank already knows?		
Are underwriting decisions communicated quickly to the loan officer via alerts or pushed reports, allowing them to provide timely service?		

PEOPLE	YES	NO
Are employees and executives paid incentives based on customer experience metrics?		
Do loan officers and other customer-facing employees have personal scorecards that include customer experience metrics?		
Are these scorecards aligned with corporate strategy?		
Is the loyalty of loan officers and customer-facing employees measured?		
Do you have a high turnover rate among your loan officers, call center, or branch personnel?		
Is turnover compared to customer experience metrics to determine the impact of high turnover on customer satisfaction and profitability?		

DATA	YES	NO
Does your bank have a 'single view of the customer' that shows all accounts across deposit, lending, and other systems, transactions, customer contact preferences, etc?		
Do your bank's employees trust their reporting data?		
Does your bank have a systematic approach to using its customer data: in marketing, business lines, or other areas to create initiatives?		
Can loan officers and other customer-facing employees interact with the data to get more detailed information? For instance, can a loan officer drill down from the interest rate to learn when an adjustable rate mortgage loan will adjust, and by how much? Can the loan officer or marketing segment manager look at all customers in a segment in the region, then narrow his or her sample to include only a specific geo-code, then narrow the search further to look at only customers above a certain income in that geo-code?		
Is customer insight fed back into the planning system to provide more accurate forecasting? For instance, if the data indicates that 70 percent of customers in a certain segment typically pre-pay a loan, is that factored into forecasts?		
Does your bank know the true costs of serving each customer segment or customer?		
Does it use average costs that treat all customers the same?		

MEASUREMENT	YES	NO
Does your bank measure:		
• Key customer experience metrics in total?		
• Key customer experience metrics by customer segment?		
• Average number of products and services?		
• Customer retention rate?		
• Cost to acquire a new customer?		
• Lifetime value of a customer?		
• Risk-adjusted value of a customer?		
• Consumer pull-through rate (closings per application)?		
If a metric is not performing well, are stakeholders notified via an alert?		
Can customer metrics on your scorecard be used in the strategic planning and forecasting system?		

Scoring

For every "Yes", add 1 point. Every "No" add zero. Total your score for each section and refer to the table below.

	0-11	12-22	23-33
STRATEGY & ORGANIZATION	A low score generally indicates an organization that is focused on products and feature sets in lieu of customer attributes that drive demand. Strategies primarily rely on reducing back-office expenses with little or no investment in customer-facing opportunities. Significant cost reduction can be achieved through comprehensive performance management that links shared data, reporting and analytics to key stakeholders.	A median score suggests continued focus on back-office cost reduction with pockets of investment in customer-facing opportunities. These pockets of investment are usually siloed and have difficulty accessing comprehensive and accurate data sets to maximize their ROI. Achieving a return on customer-facing initiatives requires solutions that support company-wide collaboration, measurement and management.	A leadership score indicates a corporate-wide investment that ties strategy to the operational demands of achieving a single view of the customer. Leading Performance Management solutions connect strategy and operations enabling managers to respond to both internal and external changes in real time.
THE CUSTOMER EXPERIENCE	A low score suggests a limited investment in understanding and improving the customer experience. The lack of visibility to behaviors, perceptions and responses impacts customer retention and share of wallet. Performance management enables banks to see who their most profitable customers are and, by extension, the drivers behind their actions.	Most banks have pockets of visibility to key customer data but are unable to get a single view. This compromises an institution's ability to up-sell and cross-sell effectively—limiting customer profitability. Performance management draws on data from multiple sources and formats leveraging existing IT investment and processes while facilitating data consolidation, reporting and analysis.	Growing customer relationships is the prerequisite to increasing customer profitability. Leading banks know this and have invested in the solutions that allow analysis at every touch point. Sharing and communicating the data across key stakeholders ensures that strategy and operations remain in lockstep.

	0-11	12-22	23-33
DATA	Customer loan information resides in disparate systems, precluding a complete view of the customer usually without extensive manual and time-intensive effort. Performance management enables bank executives to turn their data into actionable information. With improved visibility into their bank network, they can meet/exceed the bank's customer profitability goals.	Data consolidation and reporting initiatives are underway but incomplete. These initiatives may be sponsored at the department level but have yet to receive full executive management endorsement or coordination. With some investment in data management underway, an effort to secure leadership's approval for a comprehensive solution is necessary to reduce multiple data sets, reports and analyses.	Data silos, legacy systems and proprietary or home-grown solutions have been harnessed to a single performance management solution that is accessible, dynamic and responsive. The focus of planners has shifted from data gathering to analysis.
MEASUREMENT	A low score indicates an inability to measure key profitability indicators. The time and resource necessary to consolidate information outweighs the resulting value. This results in a negative spiral where decisions are based on some combination of intuition and outdated reporting. Competitive and cost pressures are such that banks can ill-afford to fall behind the market. Managers must base their decisions on accurate and timely measures of performance and profitability.	A median score suggests that key profitability indicators have been identified but require manual effort to monitor. Performance of these key indicators is not timely making any action taken ineffective. Proactive monitoring of key indicators in a highly competitive, interest rate-driven lending environment is critical for taking actions to improve profitability.	A leadership score indicates a corporate culture of measurement that drives business value and the agility to respond to changing market conditions. Performance management gives an organization the capability to quickly and consistently find answers to critical questions and drive performance.

Summary

Leading financial institutions around the world are actively grappling with these questions. Banks everywhere realize that competing with difficult-to-differentiate products depends on better execution. And that depends on better information.

Your answers may not be as important as the discussion any one question provokes. Your ability to win may be unlocked by focusing on just one of these questions, and making it a key part of your customer profitability strategy.

For additional information on Cognos, please visit **www.cognos.com/financial _services**.

About Cognos

Cognos is the world leader in performance management delivering an integrated solution for reporting, analysis, scorecarding, consolidation, and enterprise planning. Industry analysts and experts point to the breadth and excellence of Cognos performance management software as the source of this leadership.

Financial services leaders choose Cognos including:

- Nine of the top 10 banks in Europe

- All of the top 10 banks in the U.S.

- All of the world's top 10 investment banks

- Four of the top 5 global insurance companies

- Seven of the top 10 insurance companies in the U.S.

These industry leaders, and over 1,000 other banks, insurance companies and financial services institutions use Cognos software to increase customer, product and channel profitability, manage and reduce risk, address compliance issues, and improve the predictability of financial performance.

Founded in 1969, Cognos today serves more than 23,000 customers in over 135 countries. Cognos enterprise business intelligence solutions and services are also available from more than 3,000 worldwide partners and resellers. Leaders choose leaders. Leaders choose Cognos.

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(11/06)