

# Banca Popolare di Milano improves the client experience with an integrated multichannel solution.

## Overview

### ■ Challenge

To enhance cross-selling and strengthen customer retention, Banca Popolare di Milano (BPM) needed a more integrated and customer-centric view of their clients. But “siloeed” processes and fragmented, complex systems got in the way.

### ■ Why Become an On Demand Business?

BPM needed to re-engineer the way it interacted with branch customers. Implicit in this goal was the need to establish a coherent, unified “picture” of the customer as the basis for a more customized, efficient interaction—the kind that builds customer loyalty and profitability.

### ■ Solution

BPM teamed with IBM to create a multichannel banking solution that enables seamless service access for customers and a single view of the customer for branch employees. IBM used a component business modeling approach to analyze, transform and integrate processes.

### ■ Key Benefits

- Single customer view enhances cross-selling revenue opportunities
- Seamless user experience raises customer satisfaction and retention
- Flexible architecture enables shorter development cycles and faster time to market



With 600 branches, 7,000 employees and EUR 18 billion in assets, Banca Popolare di Milano is one of Italy's largest banks.

With competition more intense in the wake of deregulation, privatization and industry consolidation, Italian banks are now under more pressure than ever to control costs, execute efficiently and—perhaps most importantly—please their customers. Indeed, in today's mature banking climate, retaining and growing customer relationships has emerged as absolutely critical to winning market share and maximizing profit. But with customers' expectations for service rising steadily, the goal of keeping customers satisfied represents a moving target. In the Italian banking market, the

*“Our main goal was to integrate all of our channels so we could have a single view of our customers. Channel integration gives us a competitive advantage because we can be more reactive to business demands and cut the cost of implementing and maintaining the system.”*

– Clive Whincup, CIO, Banca Popolare di Milano

**On Demand Business Benefits**

- Integrated view of the customer enables a more tailored experience, enhances cross-selling revenue opportunities and ultimately strengthens customer retention
- More flexible, open architecture enables shorter, more efficient development cycles and faster time to market with new services
- Consolidation of branch servers and use of Linux (at the mainframe and client) sharply reduces software licensing costs and support costs, minimizing total cost of ownership
- Support for standards like J2EE establishes a foundation for Web Services, which will enable the rapid formation of partnerships with other financial service providers

*“We saw IBM as the only global partner that had the depth of skills and expertise—in both processes and technologies—that we needed for such an intensive effort. IBM’s strong support for open technologies like Linux was also key.”*

– Clive Whincup

retail branch is the primary point of contact between banks and their customers and, as such, represents the front line of competition. While non-traditional channels such as the Internet are a key part of their mix, the branch is the main conduit to the bank’s services—from savings accounts to investment advice—and thus the foundation for customer satisfaction. But for branches to fulfill this multifaceted role, simply offering these services is not enough. Instead, banks need to coordinate and align branch resources in a way that ensures a coherent customer experience, while making themselves flexible enough to adapt rapidly to their changing needs. It was this imperative that drove Banca Popolare di Milano (BPM) to reengineer its branch system.

Having grown into one of Italy’s largest banks, with 600 branches and EUR 18 billion in assets, BPM faced a number of critical challenges to its future growth. Like most of its peers, BPM had added new delivery channels like Web and telephone-based banking incrementally, alongside—but not integrated with—its existing branch-based operations. By creating independent process “silos” for each channel, BPM made it practically impossible to create a common, seamless experience for the customer. So while customers had more channel options, the overall quality of service was compromised because the channels were unable to share information about the customer’s interactions. This inability to coordinate across channels led to inconvenience for the customer and—because BPM lacked a single, comprehensive view of customer account information—inhibited the bank’s efforts to cross-sell or up-sell products within its existing customer base. Yet another downside of BPM’s process silos was their inherent inefficiency and duplication of effort, which raised costs and sapped vital marketing resources.

**Burdened by complexity**

BPM’s process issues were exacerbated by an aging and siloed branch system, which employed distributed servers running a disparate base of proprietary client-server applications. As BPM deployed more and more applications—such as CRM—at the branch level, its systems had become increasingly complex and costly to support and maintain. At the same time, the bank’s proprietary, distributed systems were becoming less and less flexible, undermining the bank’s ability to adapt. This inflexibility was most evident for new service rollouts, in which case the requirement that applications be deployed at the branch level proved costly in time and money. Inflexibility had also begun to increase the complexity of the bank’s systems management processes, which—combined with decentralization and proprietary technology—made

security and system availability an increasing challenge. What's more, because siloed systems made it impossible to balance processing across its infrastructure, BPM was unable to optimize its system utilization.

#### Reinventing the branch

BPM needed to reengineer the way it interacted with branch customers. The bank needed to redesign and integrate its customer-facing processes, as well as underlying customer data, so that bank personnel could deliver a seamless experience across all of its channels. Implicit in this goal was the need to establish a coherent, unified "picture" of the customer as the basis for a more customized, efficient interaction—the kind that builds customer loyalty and profitability. More broadly, BPM needed to increase the flexibility of its systems to cut time-to-market, thereby enabling faster response to new service opportunities. To achieve this, the bank needed to standardize and simplify its systems as well as incorporate such efficient practices as software reuse, which would reduce the time required to develop new applications and services. Platform standardization would also improve resiliency by streamlining systems administration and—with continued growth through acquisition highly likely—would provide a clear roadmap for the integration of newly acquired companies over time.

To meet the challenge, BPM teamed with IBM to design Europe's first integrated multichannel banking solution. The team relied on a CBM (Component Business Modeling) compliant approach, under which customer-facing processes were essentially deconstructed and reassembled in a way that eliminated process duplication, enhanced efficiency and provided a single view of customer data across the enterprise. This property of the solution was instrumental in supporting the bank's multichannel sales activities. From the bank customer's viewpoint, the solution enables a seamless, customized experience since all channels share the same information about the customer relationship.

Redesign of the bank's system architecture was guided by the need to move from an IBM proprietary platform (OS/2®) to an open standard platform, which would provide more flexibility, portability and scalability. Toward this end, the plan called for the consolidation of BPM's branch-based servers onto a pair of redundant IBM eServer zSeries mainframes running Linux on "virtual servers" within the z/VM operating system. Another example of strong standards support was the use of a J2EE-based architecture, which enabled faster and more efficient application deployment through the reuse of core application elements. Using Linux at the client level allows the bank to reuse existing hardware and makes it easier to manage its portfolio of IT skills. Branch employees accessing the solution are authenticated via IBM Tivoli Access Manager, which sets access levels based on the user's role (e.g., teller, private

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## Key Components

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### *Industry Solution*

- IBM Banking Solution for Multi-Channel Transformation

### *Software*

- IBM WebSphere® Application Server for Linux
- IBM WebSphere Portal
- IBM Tivoli® Access Manager
- IBM Tivoli Monitoring
- IBM IMS™ and IBM CICS®
- IBM z/VM®

### *Servers*

- IBM eServer™ zSeries®

### *Services*

- IBM Business Consulting Services
  - IBM on demand New Technologies Group
  - IBM Global Services - Integrated Technology Services
  - IBM Software Labs
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banker, etc.). Once logged on, users enter a portal running IBM WebSphere Portal, where they are able to see a consolidated view of a customer's service history. Employees using the system submit service requests through a single Web interface. Upon receiving a service request, Java programs running in IBM WebSphere Application Server for Linux automatically connect with one of a number of legacy systems on the mainframe, perform required operations, extract the data and return it to the user. This contrasts with previous branch practices, where employees would almost always be required to sign onto multiple environments to solve a customer's problem.

With a unified view of its customer across all channels, BPM is poised to strengthen relationships with its branch customers—a key source of competitive advantage. In addition to higher retention, the bank expects to capitalize on the vastly improved cross-selling and up-selling capability it gained by integrating its customer-facing processes. Moreover, because its J2EE-based architecture enables faster and more efficient application deployment, BPM can also respond more adeptly to new opportunities. This rapid development capability is complemented by the ease and cost-effectiveness with which

BPM can expand on the zSeries mainframe by simply adding virtual servers on demand. BPM's server consolidation is also expected to yield major reductions in the total cost of ownership of its branch infrastructure. One key driver was the bank's adoption of Linux, which drastically cut its software licensing costs. Another was BPM's ability to streamline systems management by reducing its servers and by deploying Tivoli for systems and applications monitoring.

Clive Whincup, CIO at BPM, sees the bank's embrace of open standards like J2EE as giving it the flexibility and responsiveness it will need to thrive in its dynamic environment. "We look forward to building on our platform by adding Web Services, which will give us the means to expand our revenue opportunities through service partnerships—without having to build them ourselves," explains Whincup. "This is the essence of on demand business, and it wouldn't be possible for us without IBM's vision and guidance."

#### For more information

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