



New report charts way forward for retail-only banks

Focus on life-long confidence and customer loyalty

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On the eve of publication of the Independent Commission on Banking Interim Report, Lafferty Group has published a new report that provides a blueprint for managing retail-only banks.

This unique report, *Real Banks for Real People*, was written by Stefan Kaminsky, who was CEO of KKB in Dusseldorf, and has been updated by Tom Blass. Lafferty Group had published an earlier version of the report under the title 'Beyond Retail Banking' in 1989.

Commenting on the relevance of the report and the timing of its publication, Michael Lafferty, Chairman of Lafferty Group, said 'I believe this is the only modern text ever written on how to run a retail-only bank. Should the Vickers committee recommend a separation of retail and investment banking activities then this might have repercussions beyond the UK. This report will become compulsory reading for anyone involved in the running of a new type retail bank, be it in the UK or elsewhere.'

The report concludes that the defining characteristic of retail banking lies in customers' desire for income optimisation and that 'banks that decide to adopt this approach will see a wholesale change in their corporate culture, goals, procedures, staff and value systems'. The optimal use of an individual's income will vary during their lifetime as their needs change and retail banking is essentially a long term relationship, about building life-long confidence.

Other report highlights include:

- **Retail-only banks (or Integrated Consumer Banks) should be standalone and not mere components of larger financial services groups**
- **These banks are intended solely for individuals and not for businesses of any size**
- **Retail banking is more complex because retail customers want help on a much broader range of problems that are frequently influenced by emotion**

- The approach is not governed by sales volume but by 'the ability of a bank to provide solutions to the customer through the span of life changes'
- In place of traditional savings and loans customers should be provided with integrated instruments and integrated pricing, supported by integrated information
- The supreme goal is customer loyalty. A loyal customer base means low acquisition cost, low risk exposure, low administration expenditures, planned growth of revenues, less vulnerability from competition, greater freedom in fixing prices, and profit
- The banks should employ staff deeply committed to service delivery and who find satisfaction through lasting personal contact with customers. Staff should stay in one branch as long as possible, with premiums paid for 'continuity'
- It is anticipated that such a service will not suit all customers and that 'bargain hunters' will always look for a cheaper product.

Notes for editors

Lafferty Group

Lafferty Group provides research, intelligence, education and advisory services to banks and other providers of retail financial services worldwide. The company's activities include international Councils – where senior financial industry executives meet regularly to share best practices – conferences, newsletters, reports and customised research and advisory services.

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