

experience Banking

Retail Delivery Channel
Business Overview



Building a foundation for innovation

Software Solutions to Help Banks Realize Their Full Potential

Banking, an industry known worldwide for predictable business practices and measured evolution, is facing sweeping and unprecedented change. Customers demand personal service whenever and wherever they would like, seven days a week, twenty-four hours a day. With the competition a mouse click or a street corner away, these challenges, compounded by megamergers, decreasing margins, regulatory changes, and fierce competition, present both challenges and opportunities.

Today, banks must adapt quickly to survive; they must find new value in existing systems and ways to explore new market opportunities, and relentlessly improve their service delivery and quality of products and services. Microsoft technology helps banks gain a clear view of resources, open lines of collaboration, and support adaptable, integrated systems that will change customer, employee, and operations experience.

To maximize productivity across multiple resources, banks increasingly rely on information technology. Too often, the operations and maintenance costs of today's complex, proprietary systems eat up the very value they create, or the technology fails to match the ways business is done. The new and old systems fail to work together, creating hurdles instead of solutions.

experience Banking and the Industry

Individuals and business owners demand a lot when it comes to their financial services needs. Customers expect top-notch service when they seek account access or help from their banking institution. As the industry has increased service delivery options by adding ATMs, call centers, and Internet banking, customer expectations for a seamless cross-channel experience has grown.

This is particularly true at a branch office, which continues to be the primary delivery channel for banks, thrifts, and credit unions. According to recent research from the Tower Group, 92% of U.S. households visit the branch office at least once a month and 50% consider the branch their primary contact point.

Although customers may prefer one channel over others, there is a growing use of multiple channels. This places a growing challenge to banks in delivering a seamless and branded customer experience across all of their multiple channels.

This can be as simple as ensuring that a customer's checking account balance is the same in all channels, or as complex as a customer applying for a mortgage on the Internet and closing the process in the branch.

The banking industry continues to find it difficult to provide a seamless, multichannel experience for its customers. There are a number of reasons. Many banks lack integration between the various customer service and sales applications in the branch offices and other channels. Often, larger banks acquired their branch teller system, branch platform, Internet banking, call center, IVR, and other channel applications independently over a period of many years. Banks selected these solutions for their "best-of-breed" features, and integration with other channel systems were, in many cases, in silos applications.

The desire to provide a smooth, cross-channel experience requires that employees must have a 360° view of the customer. This requires integrating customer data from multiple, disparate applications systems and have their own customer accounts of record with multiple CIFs. This data must then be presented to employees in an intuitive, easy-to-use user interface. Microsoft and its partners recognize that the employee experience and operations experience must be addressed in order to meet this goal. More importantly, experience Banking encourages banks and other retail financial institutions to create a future vision that uses the customer experience to differentiate themselves and build their brand. Today's technology decisions require a long-term view to ensure that the infrastructure can support these future brand-building capabilities.

Business Challenges in Banking

Improve customer retention—Annual customer attrition is significant and can exceed 15% at some major banks. This attrition is increasing as individuals exhibit less institutional loyalty and greater willingness to shop for better service and greater value. In general, the banking industry has yet to differentiate its core banking services in the eyes of the retail customer. As a result, most customers feel that banks provide commodity services that they can duplicate with another bank, thrift, or credit union.

To address this problem, the industry has placed a laser focus on improving the customer experience. This has led to a wide range of changes in the retail delivery channel for banking. These efforts include changes to the interior layout of branch offices,

use of retail merchandising techniques within the branches, recruitment of more sales-oriented personnel for branches and call centers, better customer information systems to support sales and referrals, and more competitive product pricing.

Increase the value of each customer relationship—The 80/20 rule applies to retail customer profitability. Therefore, while customer retention is a critical first step, finding ways to enhance household profitability is essential. The issue is complex since current customer profitability is not the sole criteria. Life-cycle profitability is even more important. As banks move to provide more attractive options for the mass affluent customer segment, they must rely on more sophisticated analytics to identify potentially attractive customers.

A widely held goal of the industry is to increase household product usage. This achieves two goals for the bank: the first is potential for increased household profitability. The second goal is retention. The argument is that customers will be less inclined to switch banks if they have multiple relationships.

Reduce costs—The banking industry spends over 15% of revenue on information technology. This makes banking one of the highest spenders relative to other industries. There was significant focus on cost reduction within the industry over the past several years as IT budgets were reduced. The result was that operating costs were squeezed from budgets, but meaningful cuts in costs are yet to be made.

Many banks are now exploring opportunities to initiate changes that will produce a change in ownership and operating costs. This includes looking at migration of expensive mainframe systems to the Microsoft® Windows® platform, infrastructure upgrades, changes in telecommunications, improved software distribution, and management software.

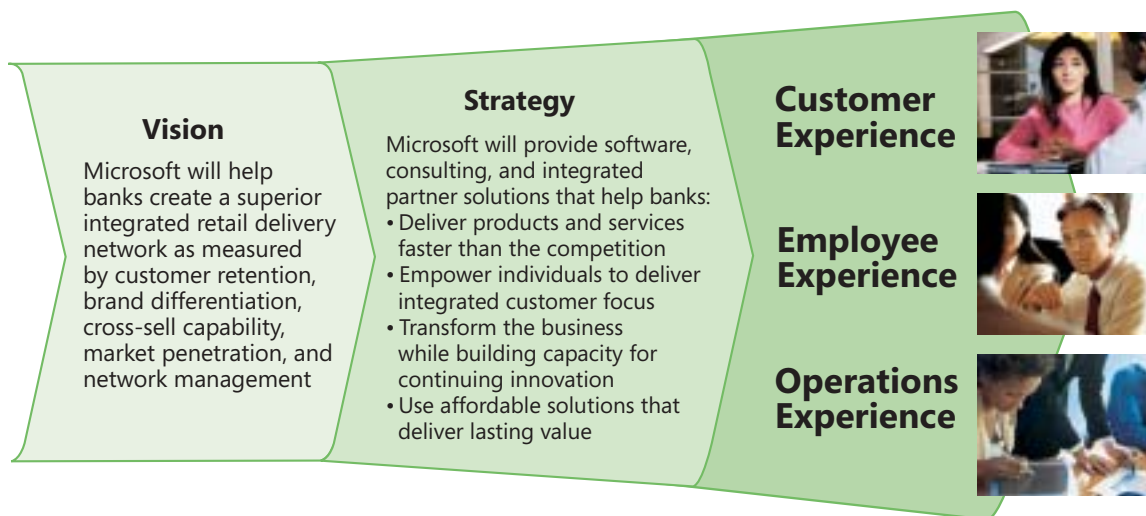
Drive sales to new customers—The industry is raising its focus from cost cutting to revenue generation through growth. Expanded share of wallet is important, but long-term success requires banks to expand market penetration. Attracting new customer households and small businesses means building and reinforcing a strong brand.

At Microsoft, we are committed to helping customers realize their potential through an integrated IT platform—from servers to desktop applications to mobile devices—that provides a powerful yet affordable computing environment that leverages the legacy environment and is optimized for simplicity, customer choice, and productivity.

The experience Banking Framework

In discussions with Microsoft, bankers identified three key components—the customer experience, the employee experience, and the operations experience. These areas are strategic focal points where banks will make investments during the next five years to drive four primary strategies: improved customer satisfaction, increased customer retention, ability to extend current relationships through cross-selling, and improved cost management. At Microsoft, we believe technology has an important role in transforming the banking experience by improving those three areas. As a result, we have made the customer, the employee, and operations the focus of experience Banking.

Together with its ever-growing partner community, Microsoft has developed industry-specific offerings to meet the business needs of banking around the globe. These solutions help banks realize a powerful blend of cost-effective, rapidly implemented solutions today that lay the groundwork for future integrated innovation—something financial institutions have long sought.



Customer Experience: Providing What Customers Want and Expect

- > Responsive, personal service
- > A trusted financial provider that will do what's best for the customer
- > Products and services that can be tailored for each customer's needs
- > Convenient, accurate, and consistent access to accounts and services from all channels
- > Security of personal financial data
- > Seamless, error-free transactions
- > Customer control of relationship
- > Integrated, multichannel delivery structure
- > Consolidated/aggregated information and tools
- > Great customer service

Employee Experience: Improving Employee Productivity and Satisfaction

- > Tools that help front-line staff access comprehensive customer data from disparate sources
- > Flexible systems that allow staff to quickly find and communicate information to customers
- > Engage product experts and management from the point of sale
- > Technology that lets employees identify cross-selling opportunities and make referrals
- > Automatic notification of high-value customers in the branch
- > Streamline manual work-flow processes to handle customer requests

Operations Experience: Delivering a Superior Employee and Customer Experience

- > Efficiently communicate marketing messages to front-line employees engaged with customers
- > Improve outdated reporting processes
- > Effectively reduce operational risk
- > Realize a return on nondiscretionary investments
- > Improve employee satisfaction and reduce turnover
- > Flexible applications that can change as the business changes
- > Ability to effectively manage workers in single branch, multiple branch, or regional office

Toward a Better Banking Experience

The Microsoft vision for retail banks includes an integrated retail delivery network that streamlines and secures operations, while enhancing the banking experience for customers and employees. Because it is more economical to retain existing customers than to acquire new ones, banks must first maximize wallet share with their current clients. This will result in greater profitability per household and strengthen customer loyalty—because customers with multiple relationships are less likely to switch banks.

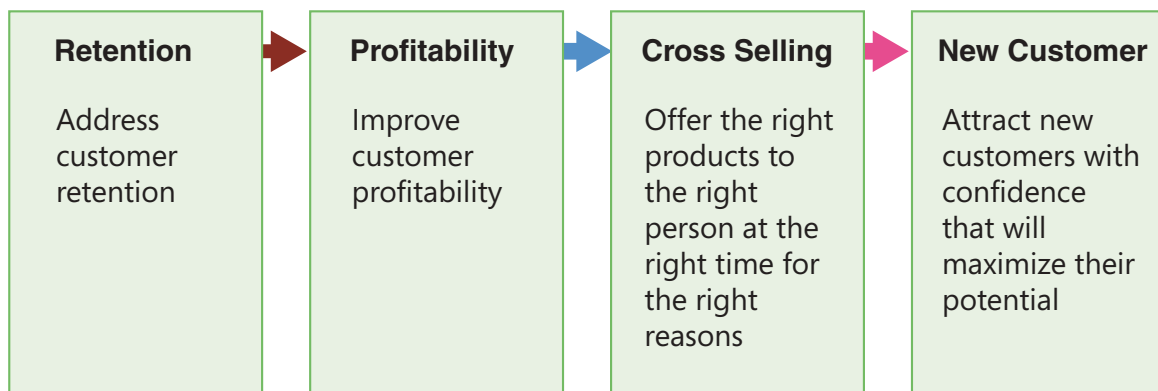
The second stage is to generate strong customer attraction capabilities. By improving the customers' experiences through technology, banks can more easily solve their retention problems before taking on expensive acquisition projects.

The direction a bank chooses to pursue will greatly influence the strategic emphasis within its delivery channels. Microsoft solutions offer enough flexibility to support evolving bank strategies from a full-service, cross-country retail operation to a specialist firm that focuses on specific geographies or products.

Whichever approach a bank embarks on, it is important to optimize the banking experience for everyone. Microsoft

software, consulting, and partner solutions can help banks optimize operations and realize their full potential through integrated innovation:

- > Fully integrated account information is provided in an easy-to-understand format
- > Integrated e-mail, scheduling tools, and information worker tools enhance productivity
- > Customers can contact employees using enhanced tools, improving the customer experience, and driving higher retention rates
- > Process efficiency is enhanced to provide customers with faster, more accurate service
- > Customers have a choice in the delivery of information and services, and can get live assistance from any channel
- > Employees are empowered to cross-sell customers and provide superior service
- > Branch applications are run in a secure and locked-down manner
- > Maximum value is leveraged from existing branch technology



A Better Experience for All Stakeholders



Customer Experience

- The perfect experience
- Give them what they want, when they want it
- Same information everywhere



Employee Experience

- Empowered employees
- Complete financial picture of clients



Operations Experience

- Enterprise agility
- Entrepreneurial
- Management tools

Customer Experience, Employee Experience, and Operations Experience

These three themes deliver a framework for understanding how Microsoft helps banks improve their retail banking performance. They provide focus on the areas where bankers will make investments during the next three to five years to drive improved customer satisfaction, customer retention, and customer cross-selling.

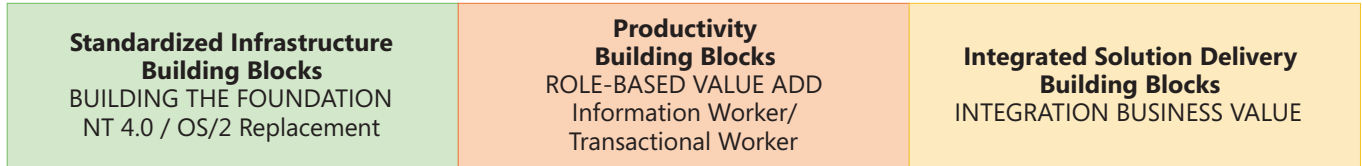
Microsoft and its partners provide tools and solutions to support front-line employees and help improve the customer experience, resulting in higher customer retention rates.

This framework relies on the establishment of a base infrastructure. Adopting an application framework and operations excellence provides a solid foundation for identifying and positioning the landscape for improving productivity and integrated service delivery channel solutions.

Three key building blocks support the bridge from today's typical bank branch to tomorrow's integrated retail delivery system.

Three Building Blocks

Microsoft provides a foundation for implementing multiple retail delivery channel applications. These range from efficient self-service to advice-based product sales and dynamic management of customer-centric environments. This infrastructure provides the basis for productivity improvements that can ultimately free up resources needed to fuel the transformation of the branch, call center, Internet, and other service delivery channels.



Standardized Infrastructure

By creating a multichannel retail delivery infrastructure, Microsoft can provide the desktop and server software to deliver a powerful and easily deployed approach. This infrastructure is sufficiently flexible to support smart, rich, or thin client transaction processing applications in a multichannel approach. It also offers tools to improve productivity and can provide the foundation for the new technologies that will sustain the transformation in later stages.

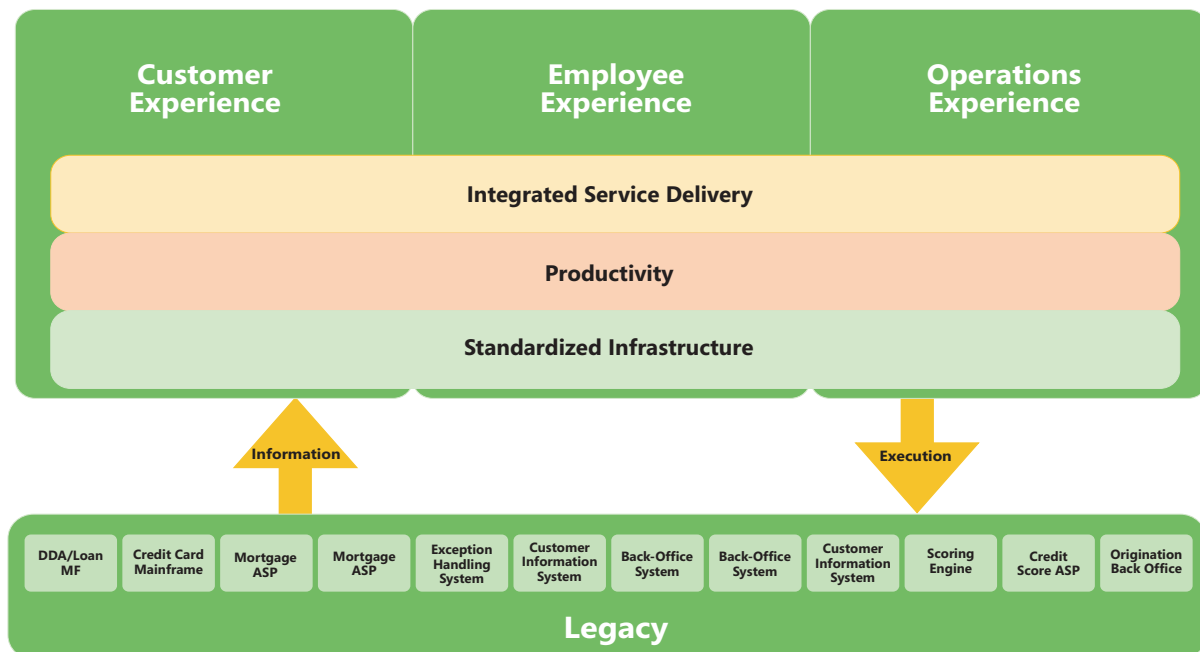
Productivity

Microsoft and partner applications help banks improve productivity and operational efficiency in the retail bank with familiar applications that empower people to improve productivity in a collaborative environment.

As the business changes and the customer service representatives and call center agents move from transaction to service orientation, more like those of other knowledge workers (for example, loan officers), Microsoft assists with advanced portal-based collaboration, distance-learning technologies, and improved business intelligence.

Integrated Solution Delivery

As the banking institutions move away from transaction processing to a more proactive, customer-centric, sales-oriented retail delivery environment, they will focus on business applications. Many will look to packaged solutions from independent software vendors (ISVs), while others will prefer to develop these business applications in-house. A third group will consider working with service bureaus to manage some or all of their business applications.



Building Block #1: Standardized Infrastructure

In the branch and call center, great customer service is dependent on complete information about the customer. Unfortunately, the infrastructure supporting the typical retail banking network is often unable to easily achieve this goal. Today's branch and call center environments are typically an expensive set of disjointed, single-purpose servers with limited delivery channel integration and minimal central management capabilities.

Many retail banking networks are running legacy operating systems like OS/2® and Microsoft Windows NT® Server 4. While quite powerful in their day, these systems are not capable of supporting today's customer service and sales requirements. Simply put, customer expectations of service are outstripping the ability of the existing banking delivery networks to deliver.

Top-Notch Infrastructure (Operations Excellence)

In today's environment, it is difficult and costly to operate a retail banking network. The issues of systems management, software distribution, and connectivity are complex because of the older infrastructure and multiple-server operating systems in the branch office and call center network. Remote management is difficult in this environment.

Microsoft Windows Server™ and the Microsoft .NET platform address these problems through:

- > Integrating information from many sources, computing platforms, and operating systems
- > Increased computational power that allows a single server to meet many of the needs of a single branch or even a cluster of branches
- > Technology that allows applications to be easily distributed to branches
- > Remote management of servers using Microsoft Operations Manager (MOM), Systems Management Server (SMS), and scripting tools
- > Reducing server sprawl by consolidation using Windows Server 2003 and Virtual Server
- > Host Integration Server for mainframe and other connectivity
- > Secured remote access and tiered authority

Superior Customer Service (Flexibility/Agility)

The current infrastructure in many retail banking networks does not provide the flexibility needed by front-line staff to deliver a superior customer experience. For example, today's branch customer service representatives are often challenged in the smooth transition from back counter to front counter. This limits the ability to configure branches as needed to properly service customers and maximize real estate and physical assets. Multiple application log-ins make "signing on" in front of the customer embarrassing and slow. In today's tethered environment, computers (and users) are not portable and cannot move around the branch or between locations.

A substantive customer experience cannot be achieved with these constraints.

Microsoft Windows Server and the .NET platform address these problems through:

- > Microsoft Tablet PC with built-in wireless capabilities
- > Smart phone or Microsoft Windows-based Pocket PC
- > Smart cards for identification
- > Single sign-on
- > Terminal server sessions that can be accessed anywhere within the branch
- > Inexpensive thin clients located throughout the branch
- > Audited instant messaging

Superior Customer Service (Self-Service and Branch Congestion/Efficiency)

Often, the current branch office environment inhibits customer self-service and increases the burden on the teller and other branch staff. Customers experience frustration when they enter the branch only to realize they could be more productive at home using the bank's Web site. The branch incurs unnecessary costs when personnel perform low-value transactions that could be done more efficiently by customers.

This situation arises because options for customer self-service may be limited in the branch. Self-service today usually means an ATM and a deposit drop box. As a result, the perceived value of the bank's brand may be lower.

Additionally, many customers do not trust ATMs for deposits, which creates more work for tellers and increases congestion in the branch. Today's teller typically has no access to the bank's Web site and may not be able to duplicate the transactions that the customer had issues with at home.

Microsoft Windows Server and the .NET platform address these problems through:

- > Windows-powered kiosks
- > Access to online banking in the branch for both tellers and customers
- > Scanning ATMs that print instant check images on customer receipts
- > Extension of e-banking functionality to tellers using .NET and Web services

Customer Service (Data Aggregation and Timely Service)

It is often difficult for branch and call center personnel to quickly find and communicate information to customers, largely because customer information resides in multiple incompatible systems. Customer service representatives must log in to each system separately and navigate each interface. Generally, no single screen will provide a comprehensive customer profile.

Teller applications, such as transactions and check imaging, have been deployed as separate, discrete systems that typically are not integrated. Users are forced to switch frequently among various applications, which creates delays in customer service.

Referrals in this environment are especially difficult, and cross-selling is virtually impossible. The existing branch systems do not have a sense of "customer state" so that any referrals must be manual and paper-based. Customers often have to repeat their service issue to several people in the branch to obtain resolution.

Microsoft Windows Server and the .NET platform address these problems through:

- > Microsoft Active Directory®
- > Single sign-on
- > Reporting and analytics using Microsoft SQL Server™ and Microsoft Office Systems
- > Branch portal using Microsoft SharePoint® Portal Server
- > .NET to integrate various applications for seamless use
- > Mini-CRM for the branch using Microsoft Office System and Microsoft CRM

Customer Service (Customer Presence and Segmentation)

In most cases, it is difficult to know when a specific customer enters a branch. Without this information, it is impossible to direct the customer to an appropriate representative. This could lead to situations where high-value customers endure unnecessary delays in service. The need to be more responsive to high-value customers is equally valid in the call center.

Microsoft Windows Server and the .NET platform address these problems through:

- > Support for radio frequency identification (RFID)
- > Card swipe
- > Alerts generated for appropriate branch personnel regardless of location on any device
- > GPS-enabled wireless phones/Smartphones

Marketing (In-Branch Customer Communications)

It is cumbersome and costly to disseminate marketing messages to employees and customers at the branch. Paper brochures and posters are static and need to be distributed and eventually discarded. They cannot be tailored to the needs of a specific branch or local community. Today's branch does not have the infrastructure to support electronic message screens for the delivery of targeted marketing and community information.

Microsoft Windows Server and the .NET platform address these problems through:

- > Windows-powered marketing message screens synchronized with corporate branding and marketing campaigns

Building Block #2: Productivity

Process Efficiency + Automation = Improved Productivity

Retail banking operations have always valued process efficiency, which lies at the heart of improving productivity. In the quest for agility, the ability to dynamically reconfigure processes has become a competitive weapon. Efficient processes and customer satisfaction go hand in hand.

Customers want to interact with their bank easily and effectively, whether it is at the branch, through a call center, or using the Internet. A comprehensive customer communications strategy can provide consistent access across all of the delivery channels.

Branch banking operations now face the challenge of meeting customers' increased expectations at the same time they maximize efficiency. To increase the productivity of each information worker, banks must provide each worker with access to comprehensive and readily understood customer information.

Gain More from Current Investment in Microsoft Office System

Microsoft believes banks can achieve this through increased use of Microsoft Office System and other productivity tools they already own. This is an area with the potential for high returns and minimal investments in time and resources. Most importantly, this is an area that banks can begin to work on now, either in small incremental pieces or in larger phases. Many banks already provide Microsoft Office System to their information workers. The key question is whether they are maximizing this investment.

Through discussions and research, banks have identified the following information-worker concerns:

- > Employees do not have ready access to data they need to do their jobs effectively. Data might reside on large intranet systems that are hard to navigate, in outdated product and reference manuals, or in back-end systems that are inconvenient to access or are in paper versions. Critical data includes current product and rate information, compliance information, procedure and policy information, and marketing and promotional information.
- > Branch employees, particularly branch managers and lending officers, spend too much time gathering data and preparing reports for their regional or corporate offices.
- > Customer and branch data is often rekeyed, wasting time and creating the opportunity for errors.
- > Branch and call center employees do not have a simplified view (or dashboard) of key metrics they need to manage their jobs.
- > Branch and call center employees do not have a simplified way to collaborate with their peers within their own location, at other locations, or with regional and corporate offices. Collaboration is required for certain transactional processes, such as lending and investments, as well as best practice sharing.
- > Forms management can be time-consuming and wasteful. Training on different forms and user interfaces can be difficult and expensive. Many forms are also printed, filled out, signed, and then faxed or e-mailed for reentry into a core banking application.
- > With many banks centralizing mail processing and telephone access, the branch has become difficult to reach. E-mail can provide a more productive means of communication.
- > Offering automatic alerts based on specific product conditions or transaction types is another potential basis for service differentiation.
- > There is an increasing need for workers who are mobile—either within a branch or spanning multiple branch or regional locations.
- > There is a need to maintain local contacts and campaign information by product specialists for lead generation and business development.
- > Branch and other information workers are not properly trained to use their productivity tools.

Microsoft Solution Scenarios

- > Creation of a portal to encourage improved collaboration within the branches, call centers, and among the regions. This would aid in delivering targeted information to front-line staff, including standardized templates for each of the key roles in the branch: branch manager, lending officer, customer service representative, personal banking officer, investment analyst, and teller.
- > Use of Microsoft InfoPath™ for the creation of standard banking forms, i.e., new account and lending, and internal processes, such as branch and call center manager weekly reporting.
- > Creation of Web services for connections to access critical customer data and to eliminate the need to rekey data to and from back-end systems.
- > Improved reporting and analytics through the utilization of Microsoft Office business intelligence capabilities. This would include new Microsoft Excel reporting and scorecards to deliver role-based scorecards and analytics, which would be template-based by key role, as well as dashboard, lending pipelines and analysis, customer profitability analysis, and customer portfolio analysis.
- > Equipping branches for “roaming advisors” operating between branches to meet with customers who have booked appointments.
- > Improving branch system flexibility with mobile solutions including Tablet PCs to collect form data and mobile devices for instant messaging and alerts.
- > Improved collaboration, instant messaging, and scheduling capabilities. For example, once a teller identifies a customer in need of a new product, he or she could refer that customer to an advisor and book the appointment using Schedule Plus.
- > Use of Microsoft Outlook® for customer contact and campaign management.
- > Targeted training sessions can be created to make specific branch and call center roles more efficient in their use of Microsoft Office functionality.

Potential Benefits

- > Increased work-flow process efficiencies
- > Improved individual employee productivity
- > Improved team productivity
- > Improved quality of data
- > Reduced cycle time in responding to customer needs
- > Improved level of accuracy in responding to customer questions
- > Creation of metrics to help manage branches more effectively
- > Improved decision making by having the right information at the right time
- > Ability to transform transactional relationships into consultative relationships

Building Block #3: Integrated Service Delivery

Integrated Service Delivery Building Blocks include business applications and software solutions that are developed by Microsoft partners, in-house development teams, or bank processing firms.

Most leading independent software vendors (ISVs) create their business applications based upon the Microsoft technology platform. This technology is designed to advance innovation across the bank's multiple delivery channels. Since Microsoft does not build a vertical line of business applications, partners are critical to the success of its experience Banking. Partners have always been a key added value for Microsoft customers, and they are a key asset in providing customers with the widest choice and most cost-effective solutions available.

The value of Microsoft to software developers lies in providing the software tools that they can develop in any language to deliver business solutions. Our goal is to deliver technology of choice for developers, who will in turn become more successful. Many banking customers make a conscious choice to develop and deploy line-of-business solutions themselves. They often see this approach as delivering competitive advantage compared to their competitors, who deploy solutions from the Microsoft partner community. The approach outlined in this document is just as relevant for customers who prefer an in-house development approach as it is for those who prefer an off-the-shelf software solutions approach. For the former, Microsoft provides a software platform with compelling time-to-market and total-cost-of-ownership advantages. For the latter, Microsoft is in the enviable position of offering solutions delivery from the broadest partner community of anyone in the software industry.

Success Through Partners

Choosing the right partners is critical when pursuing an innovative integrated retail delivery channel. Microsoft has a broad range of market-leading partners who have a long history of successful deployments at their banking customers. Microsoft software and solutions increase the ease of interoperability among its partner-driven solutions through initiatives such as Open Bank with Hewlett-Packard.

Technology Partners

The Microsoft framework is process led and technology enabled. A bank's roster of technology partners must lead the pack in developing new innovative hardware and software solutions.

Implementation Partners

Choosing the right implementation partner requires matching of the bank's innovation agenda with the assets, capabilities,

experience, and leadership that a consultant can provide. Microsoft relies on its system integration (SI) partners to assist with deploying the retail delivery network infrastructure and designing a multichannel approach for the future. Microsoft ensures its partners are equipped with the technical skills required to deliver cost-effective, systems-integration projects based on Microsoft technologies, such as .NET and Microsoft BizTalk® Server.

Independent Software and Hardware Vendors

Microsoft is committed to working with all its independent software vendors (ISVs) and independent hardware vendors (IHVs) to help ensure that they develop hardware and software solutions consistent with the Microsoft vision for branch renewal. Leveraging the Microsoft .NET-based Web services ensures a consistent approach to application integration, data integration, and application development.

Microsoft has engaged a number of IHVs to assist with performance optimization, tuning, and high-availability configuration testing to provide the highest possible scalability at the best price/performance in the industry.

The company also nurtures and supports an entire ecosystem of ISVs with best-of-breed applications based on the .NET Framework. These include vendors that provide software for:

- > Branch automation applications
- > Call center applications
- > ATM systems
- > Internet banking systems
- > Loan origination and underwriting applications
- > Multichannel integration solutions and platforms
- > Customer relationship management
- > Product servicing applications
- > Core systems with integrated channel support
- > Business intelligence

The need for competitive differentiation through a more intimate connection with the customer has never been clearer. Microsoft understands these business issues and has a vision of how to help banks to bring more value to customers. Through a combination of people, process, technology, and industry-focused ISV partners, Microsoft is dedicated to the transformation of the branch environment into a more efficient, customer-centric operation. The Microsoft approach for the retail banking industry is not just a concept but also an emerging reality. The infrastructure to transform the customer experience is available today.

How It All Comes Together

Microsoft has defined the building blocks that will enable business value in retail banking. It is impossible to describe a single solution that would address all the potential customer, employee, and operations scenarios at once. As such, Microsoft has designed clusters of themes that describe a variety of banking scenarios. These four clusters represent scenarios in place today and showcase future scenarios for the retail bank environment.

Each cluster is aligned to an experience category: customer, employee, and operations.



Customer Experience

- 1. My bank knows me, but I'm in control**—The customer's experience within the banking center environment. Technology makes the customer "known" to the bank, while ensuring that the customer has full control over what the bank knows and over their actual visit to the bank branch office.
- 2. Partners in financial matters**—Creating an environment in which the branch office plays a central role in working with customers to help them manage their financial life.



Employee Experience

- 3. I can be a hero**—The employee's experience from the teller to the office manager. Several research studies show that one of the most important aspects to a good customer experience is to have "satisfied" employees. By creating a work environment that is well structured and allows employees the personal freedom to perform, job satisfaction should rise.

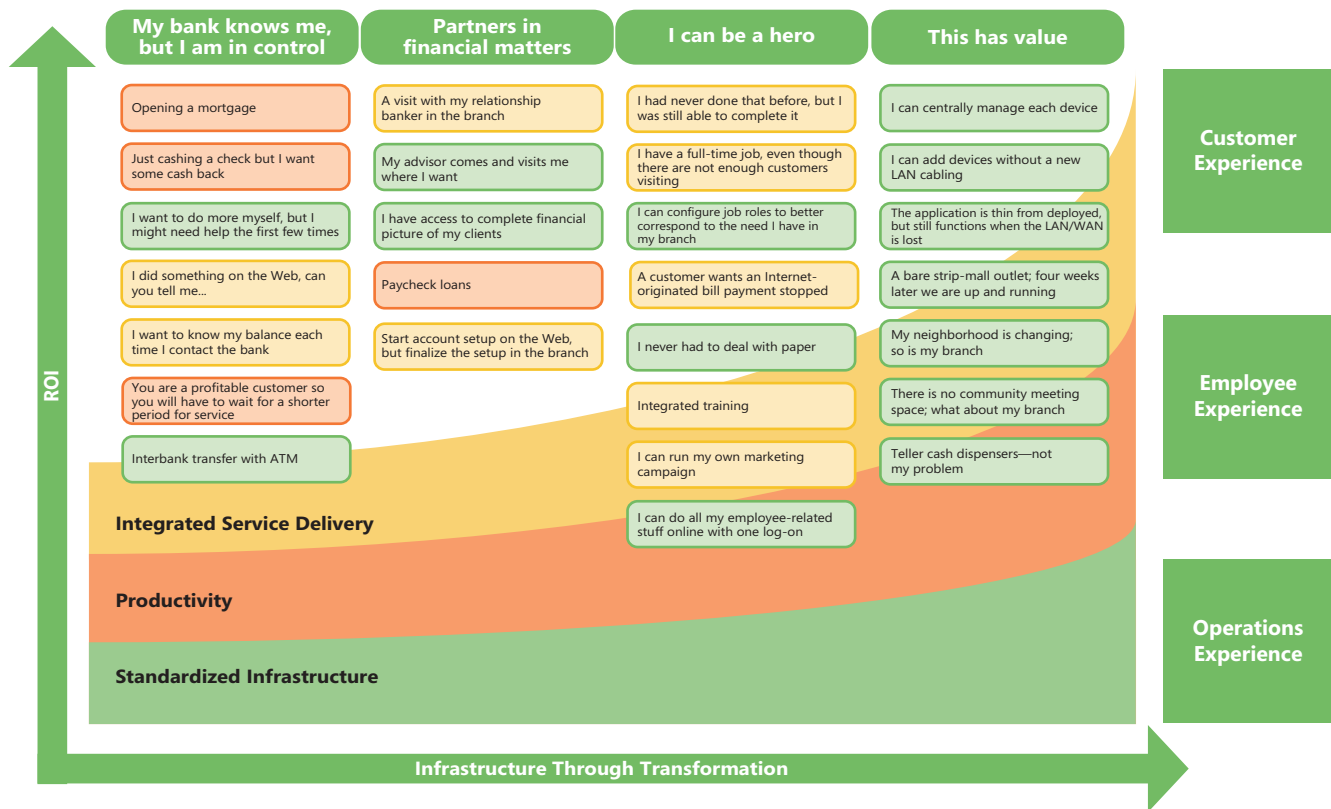


Operations Experience

- 4. This has value**—The costs associated with the flexible infrastructure described in the first two clusters. Microsoft will focus on three sets of costs: the initial setup of a branch, a branch reconfiguration, and the ongoing run-rate cost.

Value-Targeted Technology and an Improved Experience

Enablement of retail banking scenarios relies on the establishment of a base infrastructure that supports productivity and integrated service delivery innovations. Standards-based technologies that leverage Web services for integration and interoperability are strong starting points. Even more fundamental, the deployment of the latest operating systems from Microsoft positions the banks for new solutions. A well-planned iterative implementation strategy will help banks justify and realize value.



Deployment Release Strategy

Once a bank has decided what innovations to implement, it faces the daunting task of deciding its overall release strategy. Bigger, fewer releases enable more long-term capabilities, which require significant amounts of development, testing, and overall change management coordination. The focus is on building sustainable business benefits, enhancing people capabilities, and facilitating fundamental business process change. This release strategy is typically used when the change is big, complex, and profound in its implications to the retail enterprise and the bank.

Microsoft suggests that future release strategies be more iterative and value-based. This approach allows banks to

implement a flexible infrastructure for gradual introductions of new productivity and integrated capabilities in a more componentized fashion.

Smaller, more frequent releases target service delivery driving rapid business benefit. This release strategy prioritizes specific benefit goals and first addresses the opportunities that have the greatest immediate impact. The implication is to develop and deliver multiple pilots and prototypes and accrue benefits in the short term to fund the next set of programs. When innovative opportunities are more compartmentalized, this approach works well and builds momentum along a track record of success.

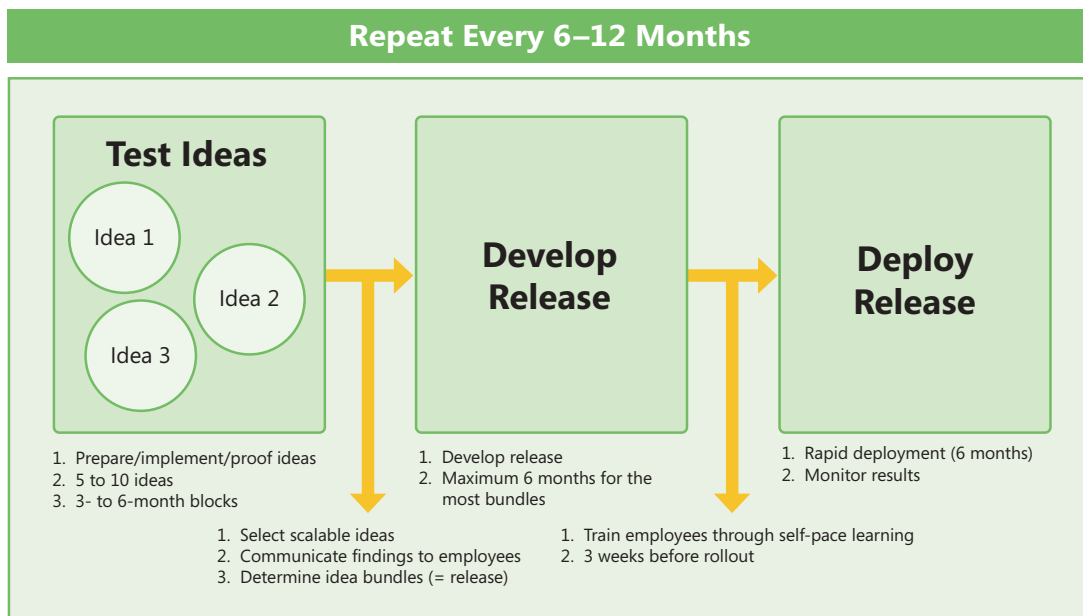
Many organizations will find success in leveraging the “quick-win” strategy of shorter releases to generate the business benefits and, ultimately, the funding for larger, more complex programs. This combination of implementation approaches effectively creates a self-funding innovation engine, which will provide the financial justification of the Microsoft approach for retail banking.

Microsoft believes that this “quick-win” strategy can be based on an approach called “value targeting.” These short-duration analyses can help banks understand the matrix of the feasibility and time line of implementation execution along with the time to value and amount of value for various capabilities. This information allows banks to target or prioritize the features that drive value most quickly at the lowest amount of risk. This

approach-to-value targeting will be critical to quickly unlocking the operating improvements that are available to banks now.

Branch banking has historically had long release cycles. Development cycles of two to three years, coupled with two- to three-year deployment cycles, are typical. With the current focus on return on investment and the need for rapid innovation, it is not practical to develop and deploy in a big-bang approach. Any infrastructure should support the rapid testing of new concepts and then the rapid deployment of these concepts.

Microsoft believes that retail banks that follow the “test/select/develop/deploy” approach enabled by an agile technology platform will be the banks that deliver new capabilities fastest with the highest value to customers, employees, and operations.



Learn more about experience_ΔBanking and how it can benefit your business.

For more customer examples of Microsoft-based solutions and how they are currently being implemented in retail banks, visit us at www.microsoft.com/experiencebanking or contact your local Microsoft Representative.

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