

Summary

Since its founding in 1889, Bank of Bermuda, a wholly-owned subsidiary of HSBC Holdings plc; has been its country's leading provider of fund administration, trust, custody, asset management and banking services.

Although this long tradition of service had helped the organization earn leadership status in Bermuda, the bank determined that it would not be content to rest upon its laurels. Rather, Bank of Bermuda identified an ambitious agenda of organizational and operational improvement designed to improve the customer experience, reduce operating costs, increase sales and improve the adoption of alternative sales and service channels among its customer base.

To achieve this, Bank of Bermuda tapped Kane Bank Services (KBS), a retail bank consulting and sales training practice, to help the organization achieve its objectives.

In total, KBS and Bank of Bermuda identified 13 areas of branch and employee performance that would be evaluated for productivity and accuracy, with specific recommended steps and clearly detailed target results for each area. These targeted areas ranged from the evaluation of the physical network, to workflow and risk management procedures, ATM strategies, and employee performance issues.

Having outlined the plan of action and targeted results, KBS' president and CEO Margaret Kane, flew to Bermuda and steadfastly resisted the lure of sun and sand to guide Bank of Bermuda through its service and profitability metamorphosis. The project kicked off in 2002, and was completed, with impressive results documented, by end of 2003.

Bank of Bermuda's perspective:

"We are achieving efficiencies through streamlined process, more flexible staffing models, and encouraging customers to use automated delivery channels. At the same time, we are improving service levels through training, enhanced recruitment processes, and new performance accountability and measurement systems."

- Charline Asphall, Head of Retail Delivery Services, Bank of Bermuda

Challenge

To meet the challenge of the project's multiple goals - improved customer service and sales, reduced costs, and enhanced use of alternative channels by the consumer; KBS needed to create a program that addressed the bank's performance needs on several levels: physical branch layout, internal processes, customer care and employee culture.

Solution

To accomplish this, Kane Bank Services detailed a road map of objectives that blended the key performance areas into a seamless action plan. Bank of Bermuda's performance improvement road map navigated the terrain of physical branch layout, technology and employee performance, with remarkable results.

The first issue addressed within this project was the increasing of sale and service levels. To accomplish this, Bermuda Bank and KBS instituted training and tracking strategies that introduced performance-based service standards for its branch employees; a sales training program for all employees was also designed and implemented, with sales tracking at both branch and individual levels. KBS then designed new recruitment practices for the bank, including the concept of hiring part-time staff to ensure that staffing levels mirrored customer traffic patterns.

Finally, an incentive in the form of a recognition and award program was introduced for top performers.

End result – up to 20% increase in branch sales.

At the same time, KBS moved to reduce costs and improve the adoption of alternative service channels by the banks' customer base. To accomplish this, KBS recommended that three of the eight branches be transformed into automatic branches with enhanced technologies; and the number of job categories was reduced by 41%. Finally, the bank aggressively promoted its efficiency-driving products and services, including the on-line banking and bill pay.

End result – branch network expenses were reduced by 10%; and overall-branch-based transactions were reduce from 50% to 48% of the total transaction mix.

A key element of this project was the further enhancement of the customer experience, with a supporting re-configuring of branch traffic flow, at Bank of Bermuda's headquarters. To accomplish the branch transformation, Kane Bank Services partnered with a New York design firm to create a dedicated service area for business customers, a sales zone for consumer loan and investment sales, and a drive to create increased use of self-serve devices (this portion of the project included staffing to help engage the customers in the self-serve offering, and to provide training in a comfortable and accessible manner).

Signage and branch office layout was configured to support and encourage the customers' use of self- and full-serve as appropriate for their needs.

The operational element was addressed as well in this project. KBS identified the need for consistency in operational practice across all the branches. To address this issue, KBS drafted an internal policy and control manual designed to drive operational consistency from branch to branch. The manual outlined correct procedures for a number of critical bank processes, and a Branch Service and Support Group was formed to carry out informal "checklist" audits to support this initiative – and as a supplement to the bank's formal audit program.

End result – operating losses reduced by 10% and cash levels at branches reduced by over 40%.

Results Summary

By planning and implementing, with consistency, an aggressive program addressing broad areas of profitability and operational efficiency over a two-year time period, Bank

of Bermuda and Kane Banking Services were able to effect significant and permanent positive improvements on behalf of the bank's profit, operational and customer service performance.

In brief, the program earned sales increases of 20% while substantially reducing operational cost in excess of 10%. The move to migrate customers to more self-serve offerings also succeeded with a reduction of branch-based transactions by 9%. Although not immediately quantifiable, the Bank of Bermuda and Kane Bank Services team feels that the human element – the incentive and training programs for its employees – helped to significantly contribute to the bank's overall success in meeting its operational and sales goals.

And, on a final note, the dual effect of the training and incentives program provided a substantial boost to employee effectiveness and morale, which in turn delivered better-served customers that enjoyed their banking experience *almost* as much as the tropical climes of their beautiful Bermuda.

About Kane Bank Services

Final copy to be inserted upon KBS approval of new web copy draft.