# RBS

The Royal Bank of Scotland Group

# RBS
The Royal Bank of Scotland Group

# Fred Goodwin
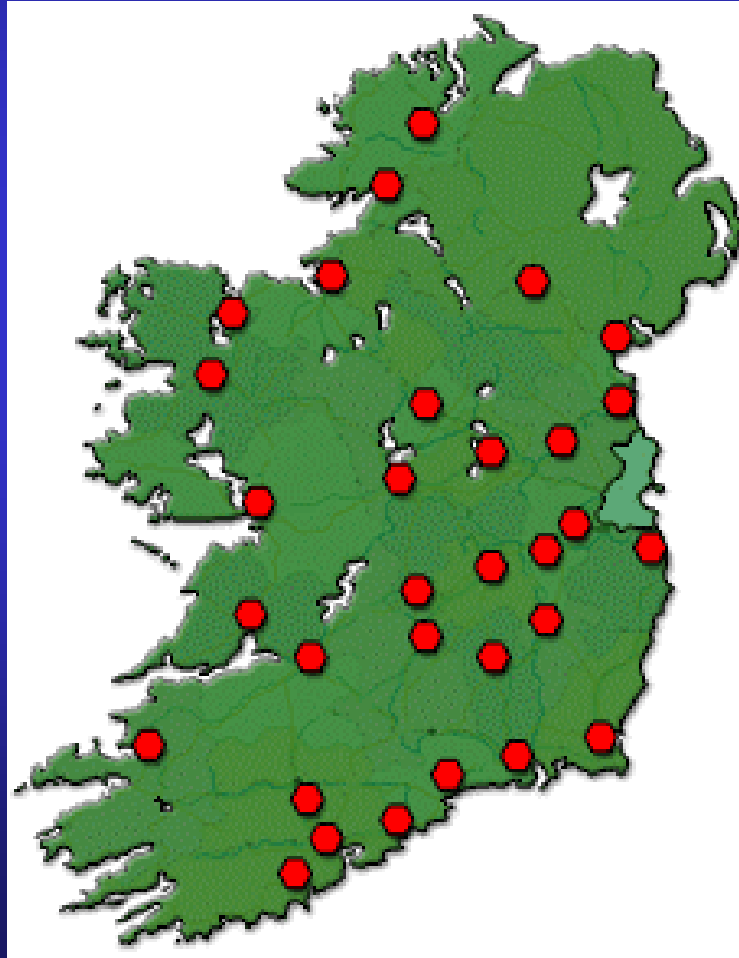
## Group Chief Executive

# First Active

## *Offer*

- Cash offer of €6.20 per share

- Values First Active at €887 million

- Recommended by First Active Board
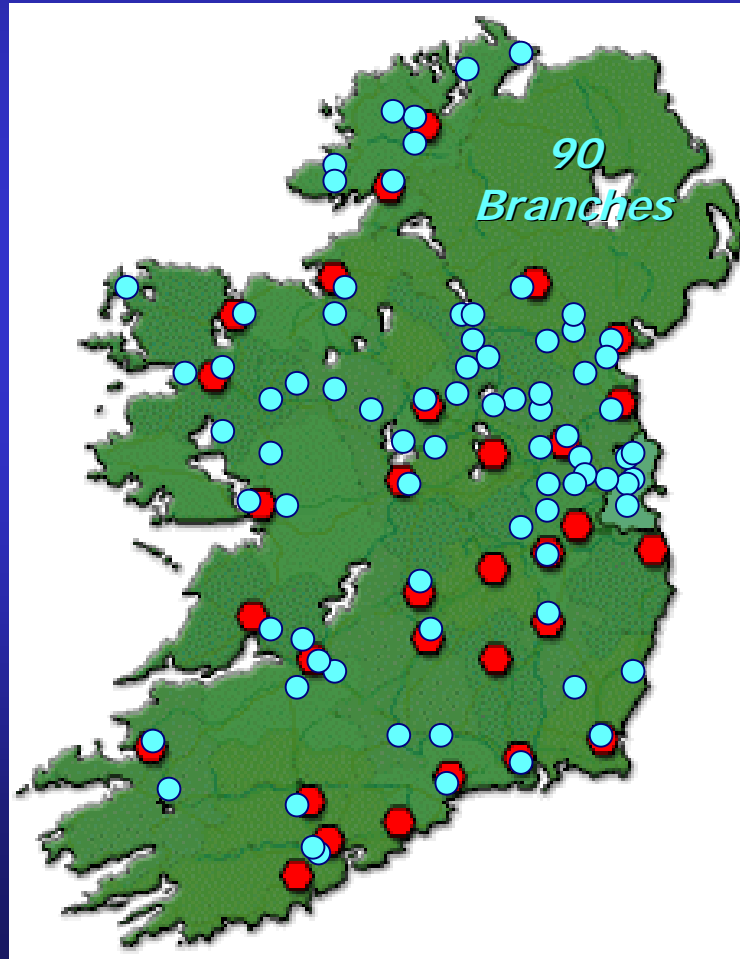
- Accretive to RBS earnings

# First Active

*Branch Network*



- First Active

# First Active

*Branch Networks*



90 Branches

- First Active
- Ulster Bank

# First Active

|  | *First Active* |
|---|---|
| Branches | 51 |
| Customers | 335,000 |
| Market shares | |
| – Mortgages | 12% |
| – Savings accounts | 3% |
| – Personal loans | 1% |

# First Active

| | Ulster Bank Republic of Ireland | First Active |
|---|---|---|
| Branches | 122 | 51 |
| Customers | 506,000 | 335,000 |
| Market shares | | |
| – Mortgages | 3% | 12% |
| – Savings accounts | 4% | 3% |
| – Personal loans | 3% | 1% |
| – Personal current accounts | 9% | – |
| – Credit cards | 7% | – |
| – SME accounts | 14% | – |

# First Active

*Ulster Bank* + *First Active*
*Republic of Ireland*

| | |
|---|---|
| Branches | 173 |
| Customers | approx 800,000 |
| Market shares | |
| – Mortgages | 15% |
| – Savings accounts | 7% |
| – Personal loans | 4% |
| – Personal current accounts | 9% |
| – Credit cards | 7% |
| – SME accounts | 14% |

# First Active

| Mortgages | Market Ranking |
|---|---|
| Irish Life and Permanent | #1 |
| **Ulster Bank + First Active** | **#2** |
| Bank of Ireland | #3= |
| AIB | #3= |

# First Active

| *Savings Accounts* | *Market Ranking* |
|---|---|
| AIB | #1 |
| Bank of Ireland | #2 |
| Irish Life and Permanent | #3= |
| **Ulster Bank + First Active** | **#3=** |

# First Active

| | *Ulster Bank 1H03* | *First Active 1H03* |
|---|---|---|
| Profit before tax | €191m | €34m |
| Loans to customers | €14.9bn | €7.6bn* |
| Customer deposits | €12.9bn | €3.9bn |

*\* Gross of securitisation of €2.7bn*

# First Active

### *Strategy*

- Retain First Active and Ulster Bank brands and branch networks

### *Cost Savings*

- Combine technology, processing activities, central functions
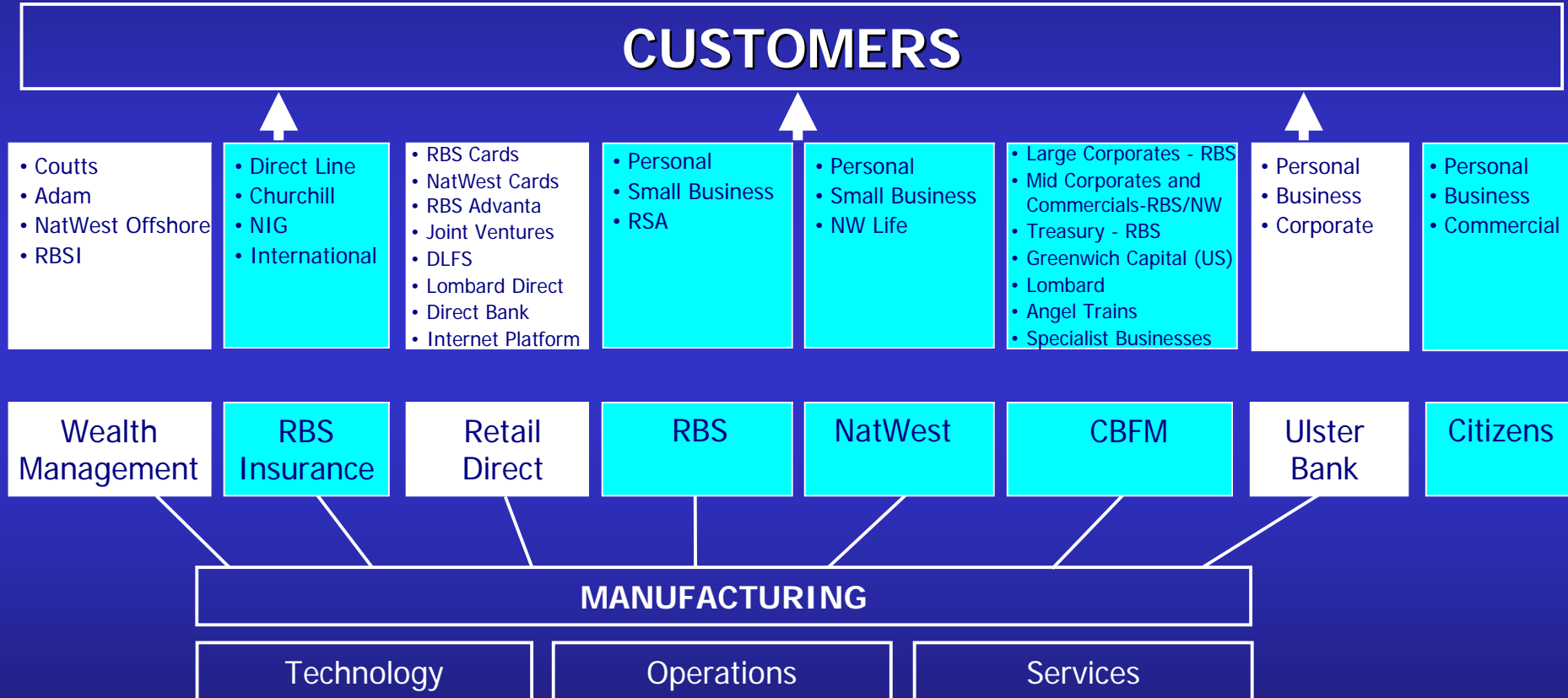- Leverage Group functions
- Lower funding costs

### *Revenue Benefits*

- Strengthen Ulster Bank's mortgage offering
- Broaden First Active's product range

# RBS

## The Royal Bank of Scotland Group

# Fred Goodwin

## Group Chief Executive

# Group Structure

**CUSTOMERS**

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| • Coutts<br>• Adam<br>• NatWest Offshore<br>• RBSI | • Direct Line<br>• Churchill<br>• NIG<br>• International | • RBS Cards<br>• NatWest Cards<br>• RBS Advanta<br>• Joint Ventures<br>• DLFS<br>• Lombard Direct<br>• Direct Bank<br>• Internet Platform | • Personal<br>• Small Business<br>• RSA | • Personal<br>• Small Business<br>• NW Life | • Large Corporates - RBS<br>• Mid Corporates and Commercials-RBS/NW<br>• Treasury - RBS<br>• Greenwich Capital (US)<br>• Lombard<br>• Angel Trains<br>• Specialist Businesses | • Personal<br>• Business<br>• Corporate | • Personal<br>• Business<br>• Commercial |
| Wealth Management | RBS Insurance | Retail Direct | RBS | NatWest | CBFM | Ulster Bank | Citizens |

**MANUFACTURING**

| Technology | Operations | Services |
|---|---|---|

# Group Employees

|  | *Employees*<br>*31 Aug 2003* |
|---|---:|
| **Corporate Banking and Financial Markets** | **16,100** |
| **Retail Banking** | **30,000** |
| Retail Direct | 7,000 |
| Manufacturing | 21,200 |
| Wealth Management | 5,500 |
| **RBS Insurance** | **19,600** |
| Ulster Bank | 4,500 |
| **Citizens** | **13,800** |
| Centre | 1,700 |
| **Group Total** | **119,400** |

# Group Operating Profit

| | 2002 £m |
|---|---:|
| **Corporate Banking and Financial Markets** | **3,203** |
| **Retail Banking** | **3,019** |
| Retail Direct | 701 |
| Manufacturing | (1,682) |
| Wealth Management | 432 |
| **Direct Line Group** | **355** |
| Ulster Bank | 244 |
| **Citizens** | **766** |
| Central items | (587) |
| **Group operating profit** | **6,451** |

# Group Structure

**CUSTOMERS**

| Wealth Management | RBS Insurance | Retail Direct | RBS | NatWest | CBFM | Ulster Bank | Citizens |
|---|---|---|---|---|---|---|---|
| • Coutts<br>• Adam<br>• NatWest Offshore<br>• RBSI | • Direct Line<br>• Churchill<br>• NIG<br>• International | • RBS Cards<br>• NatWest Cards<br>• RBS Advanta<br>• Joint Ventures<br>• DLFS<br>• Lombard Direct<br>• Direct Bank<br>• Internet Platform | • Personal<br>• Small Business<br>• RSA | • Personal<br>• Small Business<br>• NW Life | • Large Corporates - RBS<br>• Mid Corporates and Commercials-RBS&NW<br>• Treasury - RBS<br>• Greenwich Capital (US)<br>• Lombard<br>• Angel Trains<br>• Specialist Businesses | • Personal<br>• Business<br>• Corporate | • Personal<br>• Business<br>• Commercial |

**MANUFACTURING**

**Technology**  **Operations**  **Services**

# Manufacturing

- Manufacturing        Mark Fisher

- Group Technology        John White

*Coffee*

- Group Purchasing        Ed Smith

- Operations        Mark Fisher

- Conclusion        Mark Fisher

*Questions & Answers*

# RBS

The Royal Bank of Scotland Group

# Mark Fisher

## Chief Executive, Manufacturing

# Manufacturing

- **What is Manufacturing?**

- What does it deliver?

- Making it work

- More to come

# What is Manufacturing?

| Manufacturing | | |
|---|---|---|
| **Technology** | **Operations** | **Services** |
| Group Technology<br><br>– IT Operations<br><br>– IT Development | Account Management<br><br>Telephony<br><br>Lending<br><br>Payments | Group Purchasing<br><br>Other support units |

# Group Technology

- 3,800 staff

- Locations
  - Edinburgh
  - London
  - Dublin

- Role
  - IT Operations
  - IT Development

- Scope
  - Group wide

# Account Management Operations

- 5,000 staff

- 15 centres (Customer Service Centres)

- Role
  - Opening and closing accounts
  - Standing orders and direct debits
  - Customer accounting

- Scope
  - NatWest Retail Banking
  - CBFM
  - Offshore Banking
  - RBS Retail Banking
  - Coutts/Adam & Co
  - Tesco Personal Finance

# Account Management Operations



**Bolton Customer Service Centre**

# Telephony Operations

- 3,700 staff

- 13 centres

- Role
  - Inbound customer requests to call centres
  - Support branch telephony

- Scope
  - NatWest Retail Banking
  - RBS Retail Banking
  - Tesco Personal Finance

# Lending Operations

- 3,800 staff

- 15 centres

- Role
  - Mortgage processing
  - Retail lending
  - Security for lending
  - Debt recovery

- Scope
  - NatWest Retail Banking
  - CBFM
  - RBS Retail Banking
  - Tesco Personal Finance

# Payment Operations

▮ 3,000 staff

▮ 17 centres

▮ Role
  – Coins, notes, cheques
  – BACS, CHAPS, SWIFT payments
  – ATMs

▮ Scope
  – NatWest Retail Banking
  – CBFM
  – Offshore Banking
  – RBS Retail Banking
  – Coutts/Adam & Co
  – Tesco Personal Finance

# Group Purchasing

▪ 1,000 staff (110 Purchasing, 890 Facilities Management)

▪ Locations
– Edinburgh
– London

▪ Role
– Group centre of excellence for purchasing
– Facilities and logistics management

▪ Scope
– Group wide

# Manufacturing

- What is Manufacturing?

- **What does it deliver?**

- Making it work

- More to come

# What Does it Deliver?

## *Need to Support Multiple Brands*

# What Does it Deliver?

*Need to Support Multiple Distribution Channels*

- Branches

- ATMs

- Telephone

- Internet

- Mail

# What Does it Deliver?

### *Challenge*

- Maximise efficiency and flexibility,
  whilst supporting multiple brands and channels

# What Does it Deliver?

## *Solution*

■ Single platform, multi-brand/channel

# Single Platform, Multi-Brand/Channel

- Single IT system
  - Banking engine
  - Payments engine
  - Cards engine
  - Desktop engine
- Common
  - Processes
  - Management
  - Infrastructure

# Single Platform, Multi-Brand/Channel

## *Turning Size into Scale*

- Aggregation gives size

- Aggregation with single platform
  and common processes gives scale

## *Bringing*

- Economies of scale

- Benefits of specialisation

# Scale

- So far today…

  - 3.5m cheques and credits processed

  - £38m dispensed from ATMs

  - £100m of Streamline payments acquired

  - £127bn of CHAPS payments made

  - £89m of mortgage lending drawn down

  - 18,900 Standing Orders and Direct Debits set up

  - 5,210 accounts opened

  - 132,700 telephone calls answered

# Specialisation

- Our core business

- Operational specialisation
  - Systems architecture
  - Business process design
  - Change capability
  - Operations management
  - Improvement capability

- Supporting specialisation
  - Property, purchasing, security

# Single Platform, Multi-Brand/Channel

- Scale

- Specialisation

*Enable us to*

- Support income growth

- Improve efficiency

# Support Income Growth

*RBS Group Income*



£m

20,000
18,000
16,000
14,000
12,000
10,000
8,000

1999   2000   2001   2002   2003*
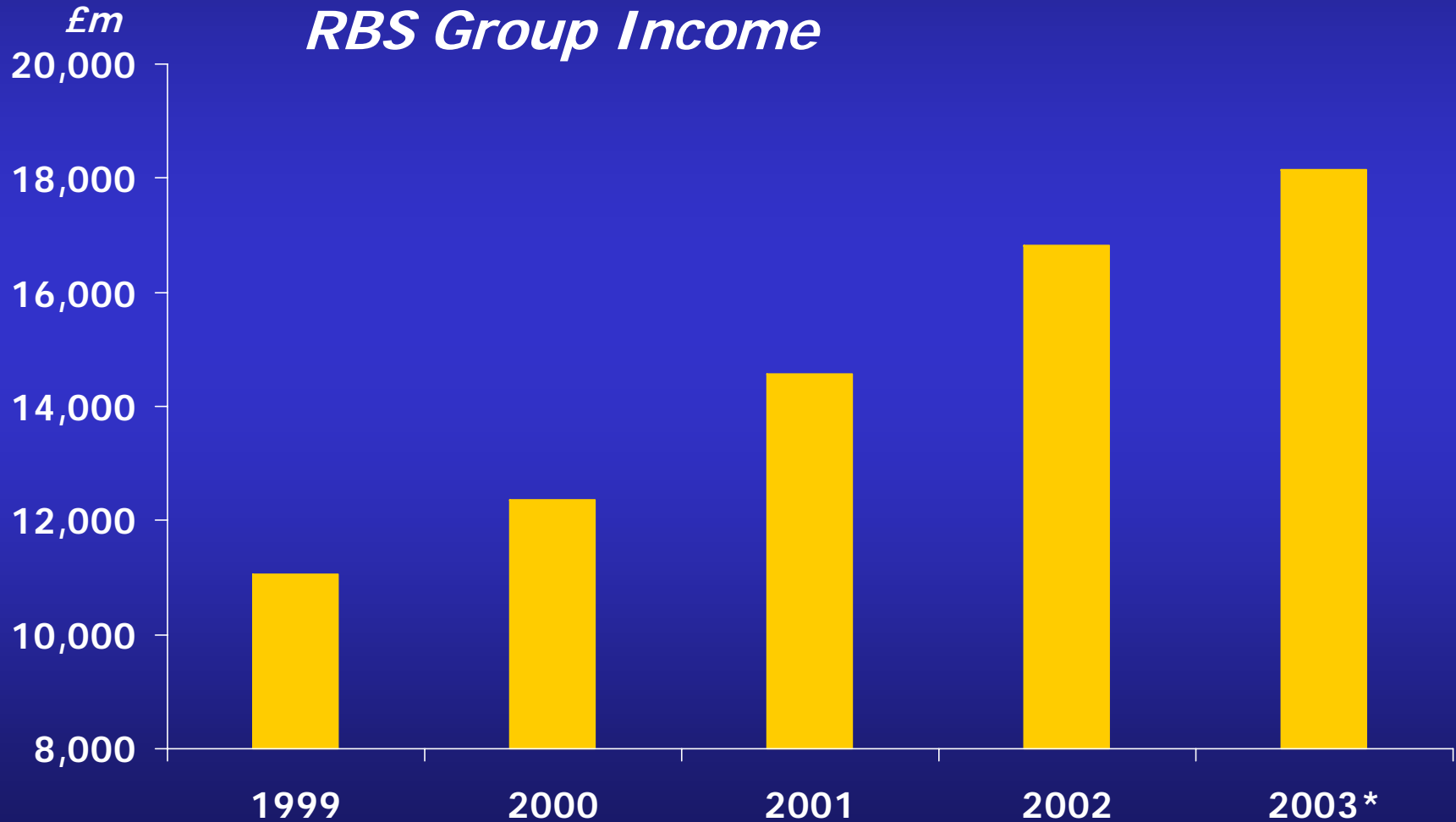
*\* 1H03 annualised*

# Improve Efficiency
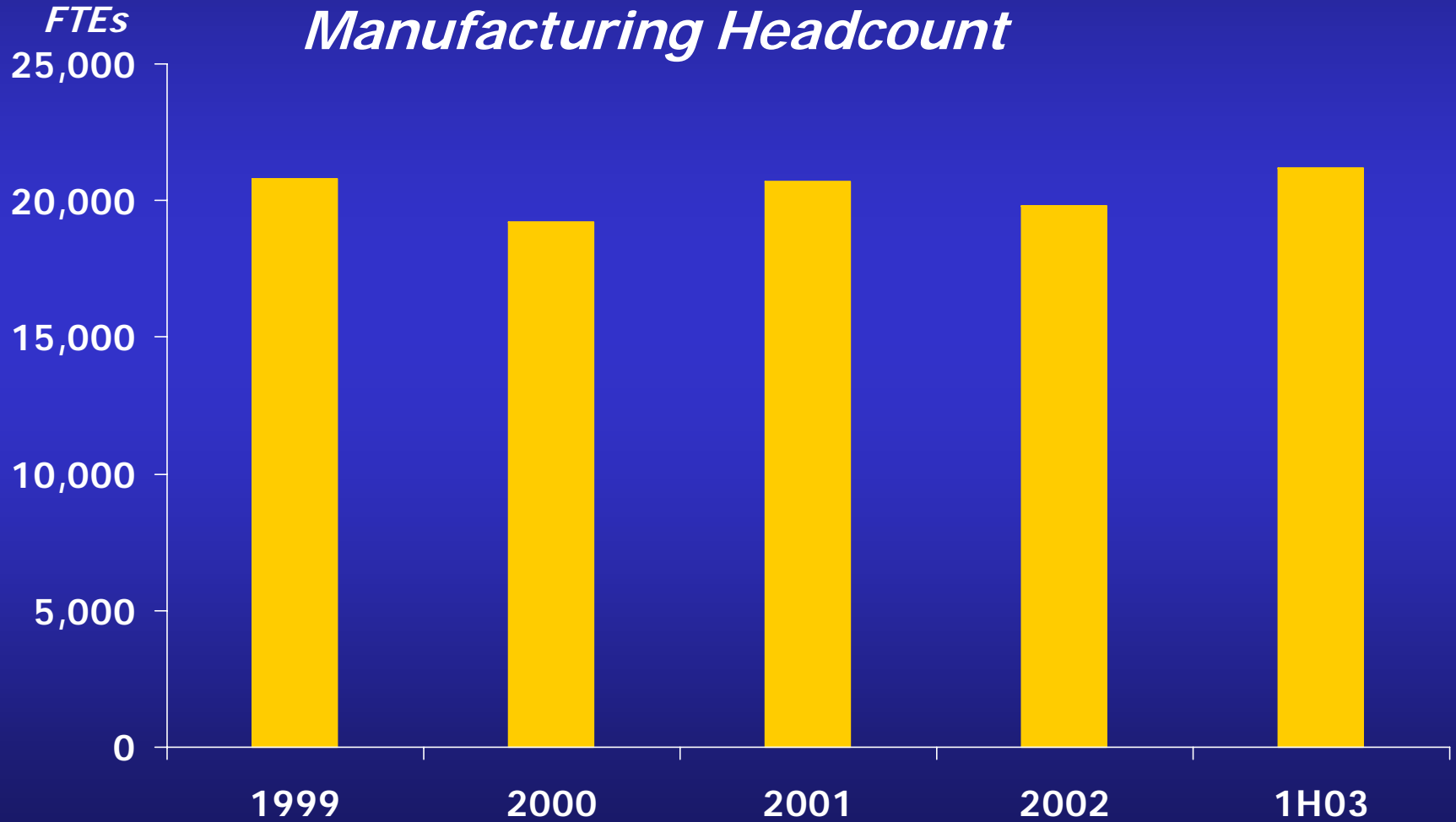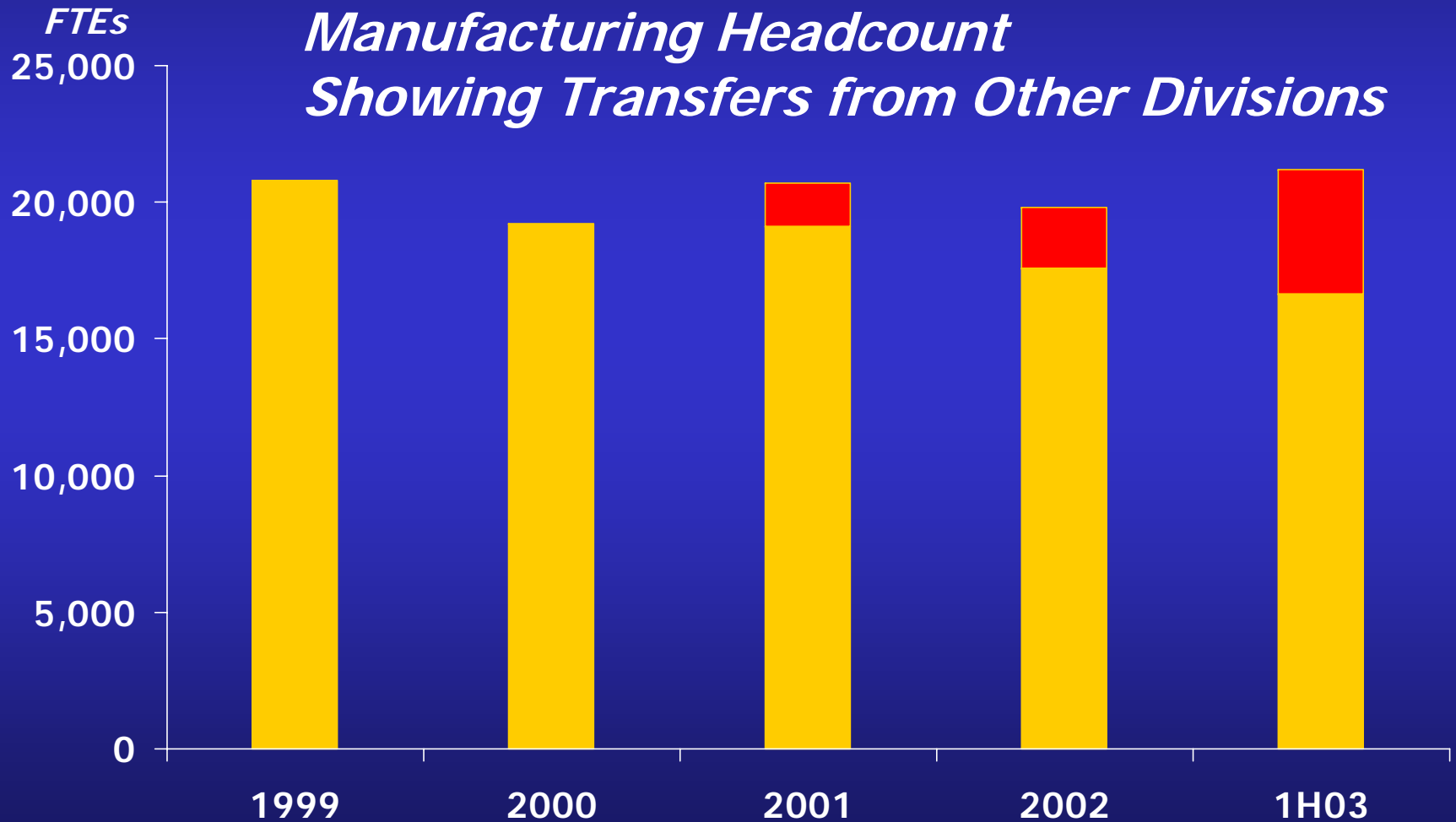
**FTEs**

## *Manufacturing Headcount*

| | | | | |
|---|---|---|---|---|
| 25,000 | | | | |
| 20,000 | | | | |
| 15,000 | | | | |
| 10,000 | | | | |
| 5,000 | | | | |
| 0 | | | | |
| **1999** | **2000** | **2001** | **2002** | **1H03** |

*Published headcount per statutory accounts*

# Improve Efficiency



**FTEs**

*Manufacturing Headcount
Showing Transfers from Other Divisions*

25,000

20,000

15,000

10,000

5,000

0

| 1999 | 2000 | 2001 | 2002 | 1H03 |

*Published headcount per statutory accounts*

# Improve Efficiency



*Account Management Operations
Accounts per FTE*

# Improve Efficiency



*Lending Operations Accounts per FTE*

Chart axis values: 4,000 — 8,000 — 12,000

Categories: 1H02, 2H02, 1H03

# Improve Efficiency

*Payments Operations
Payments per FTE*

# Improve Efficiency

## *RBS Group Cost:Income Ratio*

%
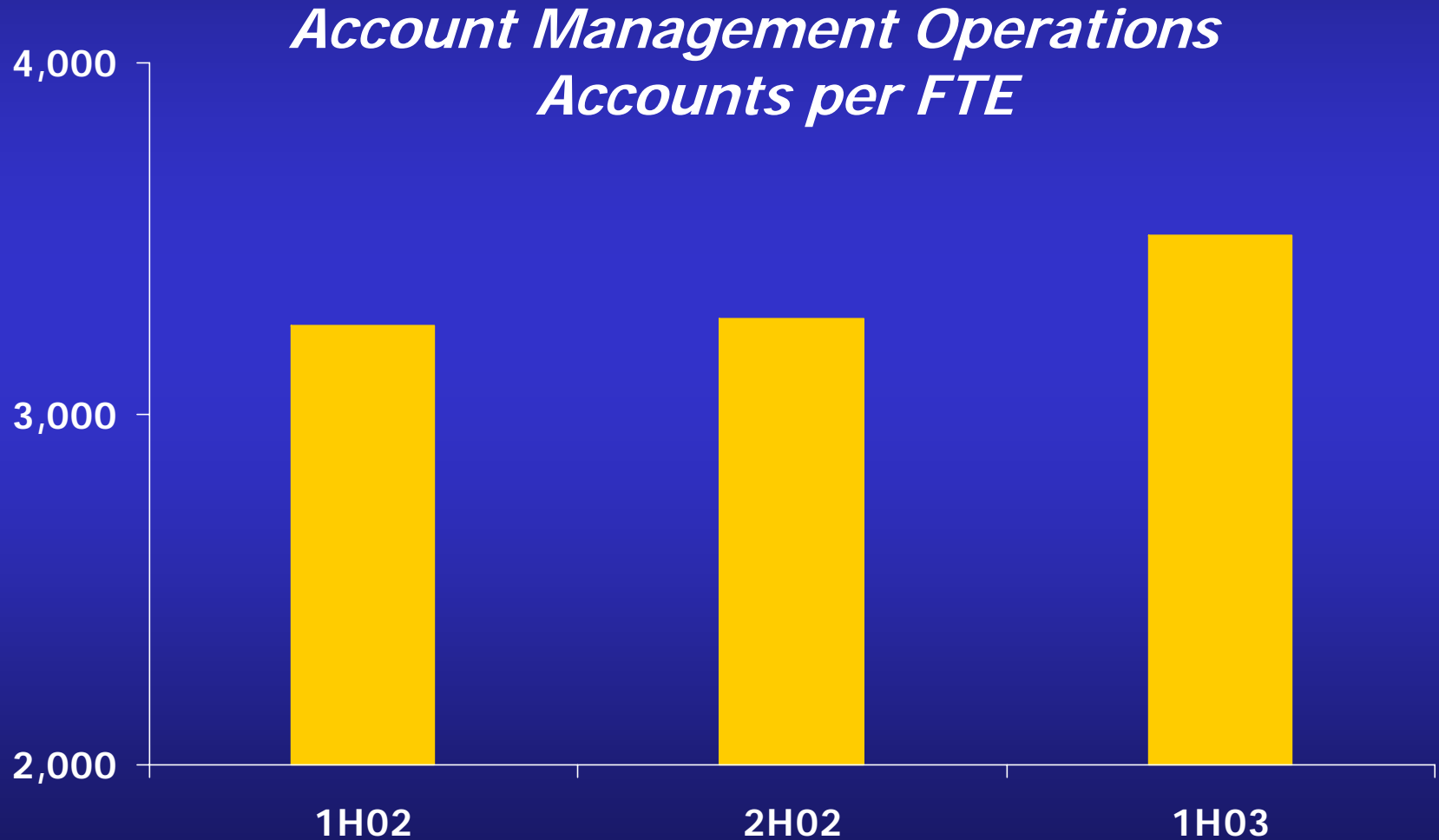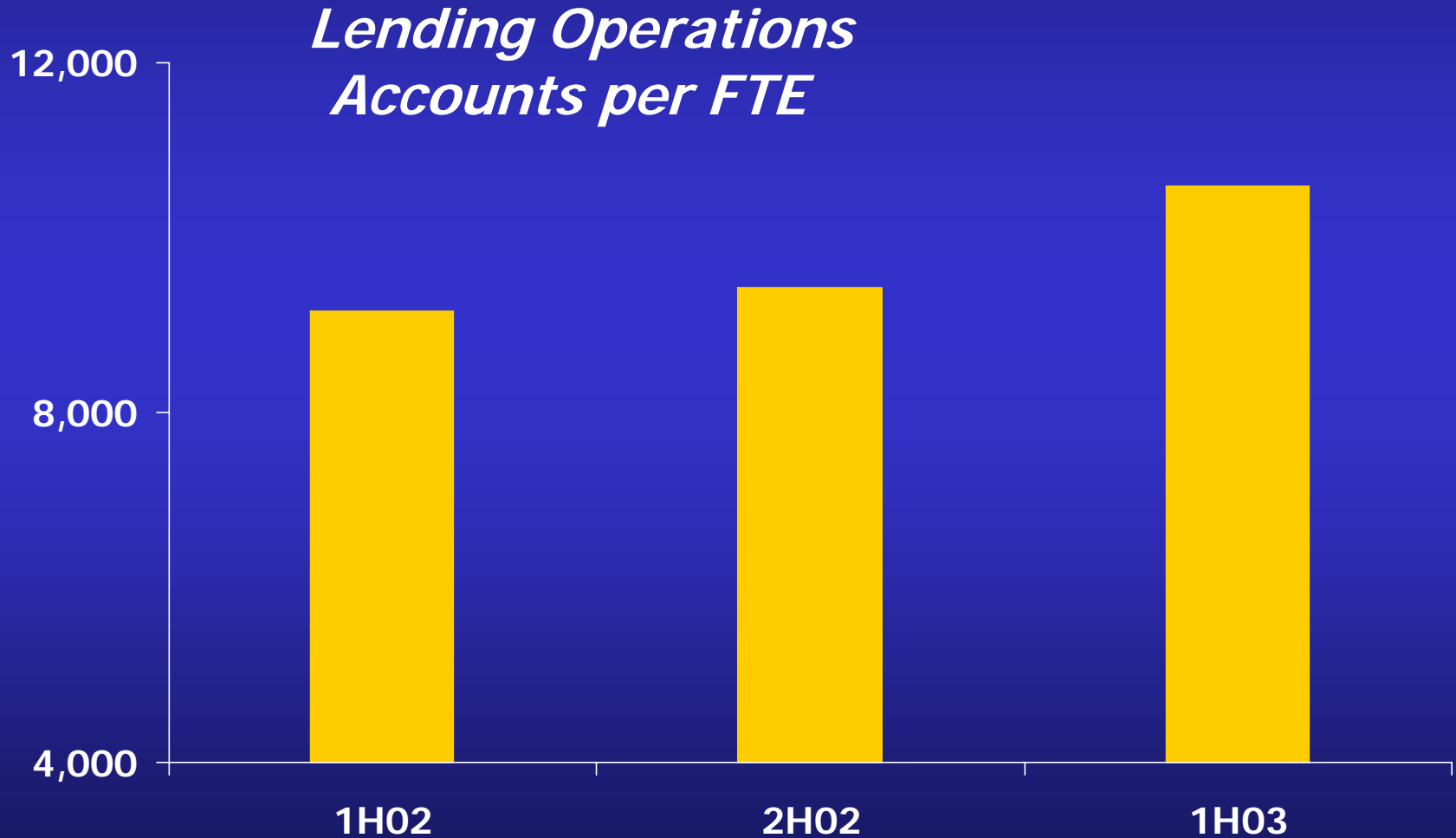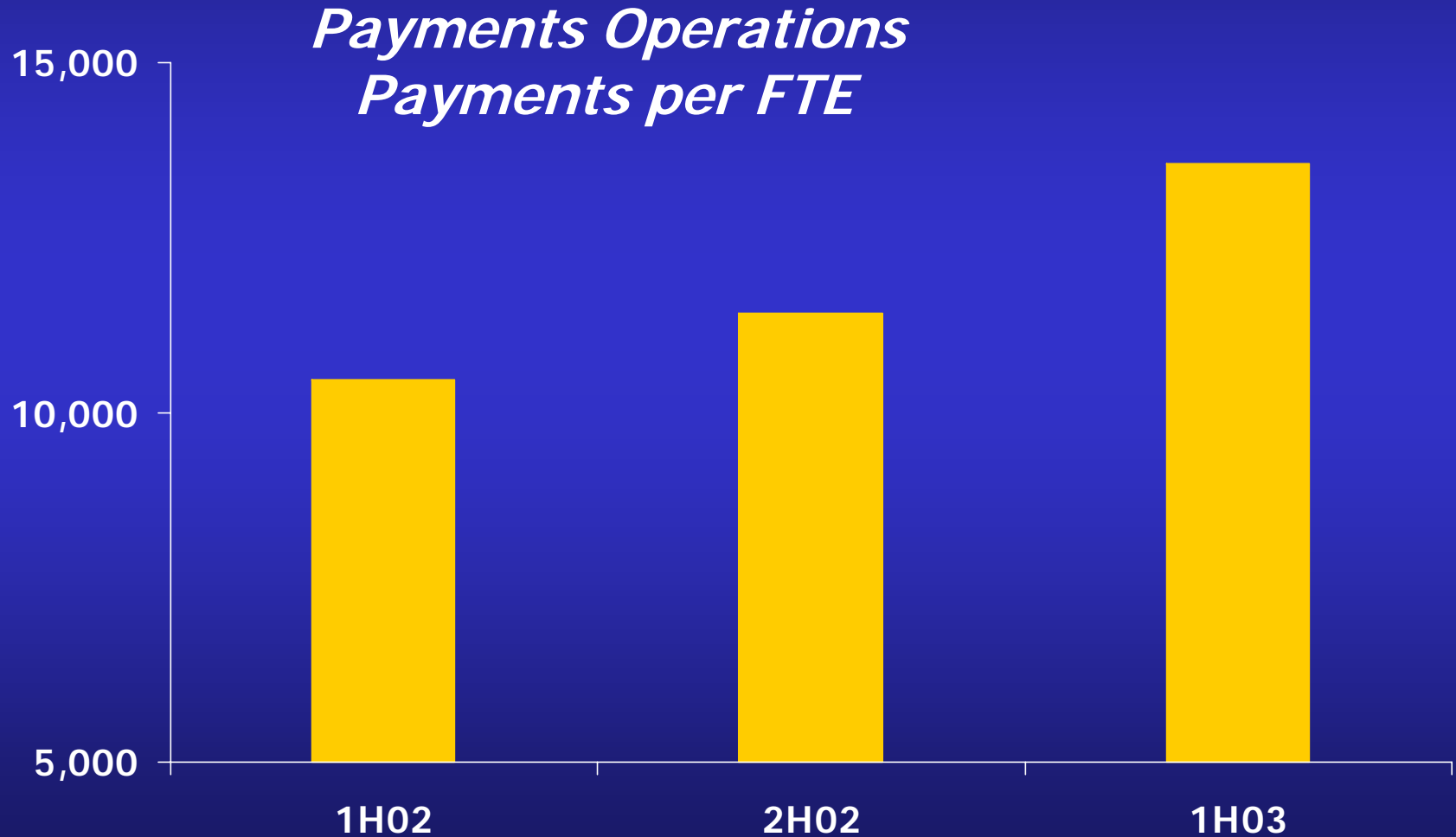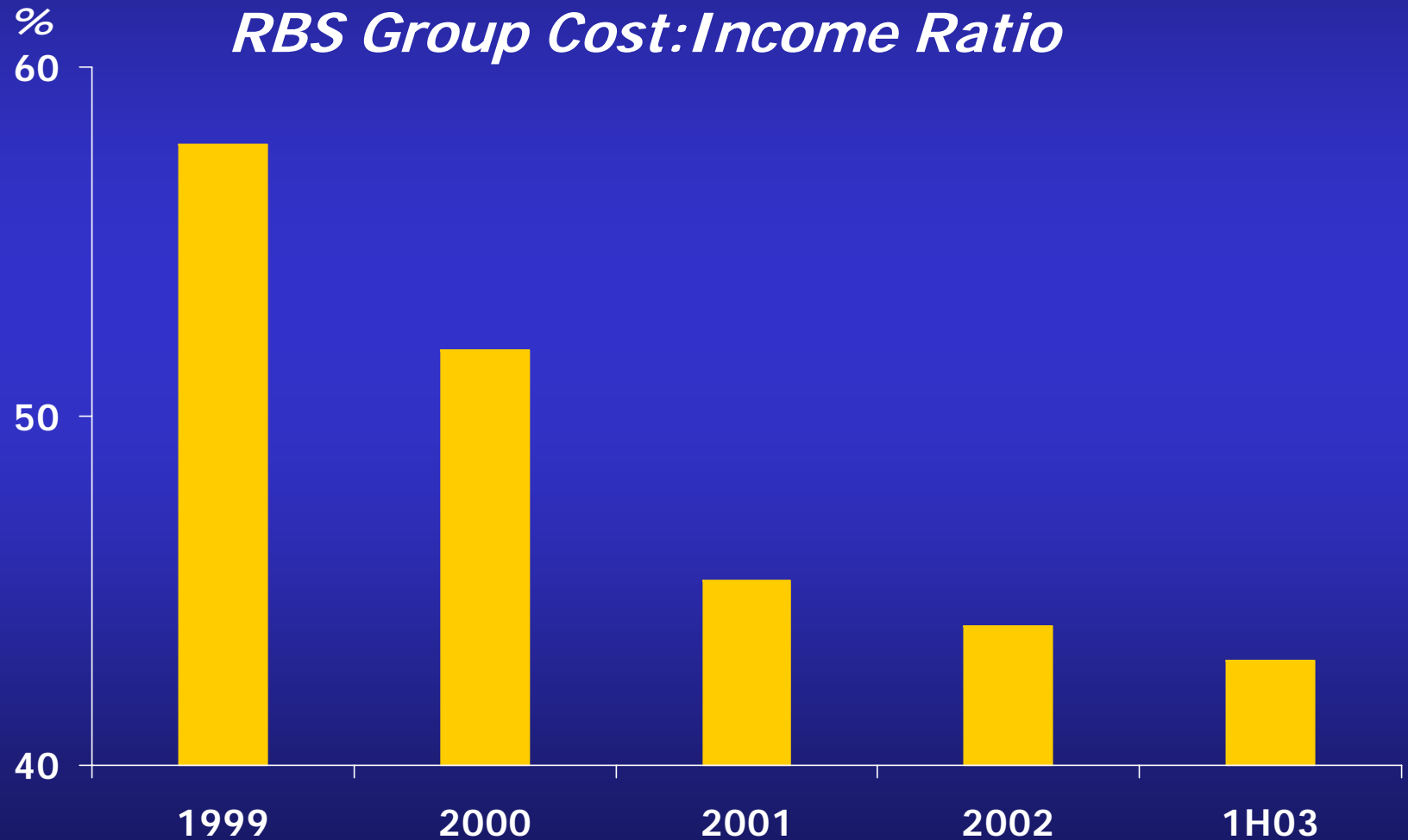
*Cost:income ratios calculated after netting operating lease depreciation against rental income*

# Manufacturing

- What is Manufacturing?

- What does it deliver?

- **Making it work**

- More to come

# Making it Work

- Management processes

- Managing costs

- Knowing where to draw the line

- People

# Management Processes

- Short lines of communication

- Fast clock speed
  - Quick decisions
  - Issue resolution

- Centralised
  - Communications
  - HR
  - Finance
  - Risk

# Managing Costs

- Manufacturing focuses on improving efficiency

- Other divisions focus on improving income

- No allocation of shared costs

- No disputes over internal transfer pricing

# Knowing Where to Draw The Line

- Not a simple rule

- Entrepreneurial flair takes precedence

- Exploit centres of excellence

- Understand what is truly core

- Understand where value can be added

- Manage risk

# Knowing Where to Draw The Line

*Example: Direct Line / Churchill*

- Integrate IT operations
- Separate IT development
  - RBS Insurance centre of excellence
  - Manufacturing integration skills
- Integrate purchasing, property and security
- Separate customer sales call centres

# People

- 21,200 FTE

- Diverse workforce

- HR strategy
  - Performance management
  - Reward by specialisation and location
  - Leadership
  - Talent management

# People

## *Voluntary Attrition*

%

14 ·············· 2001 (≈13.7)

12 ·············· 2002 (≈10.9)

10 ·············· 1H03* (≈9.8)

8

| 2001 | 2002 | 1H03* |
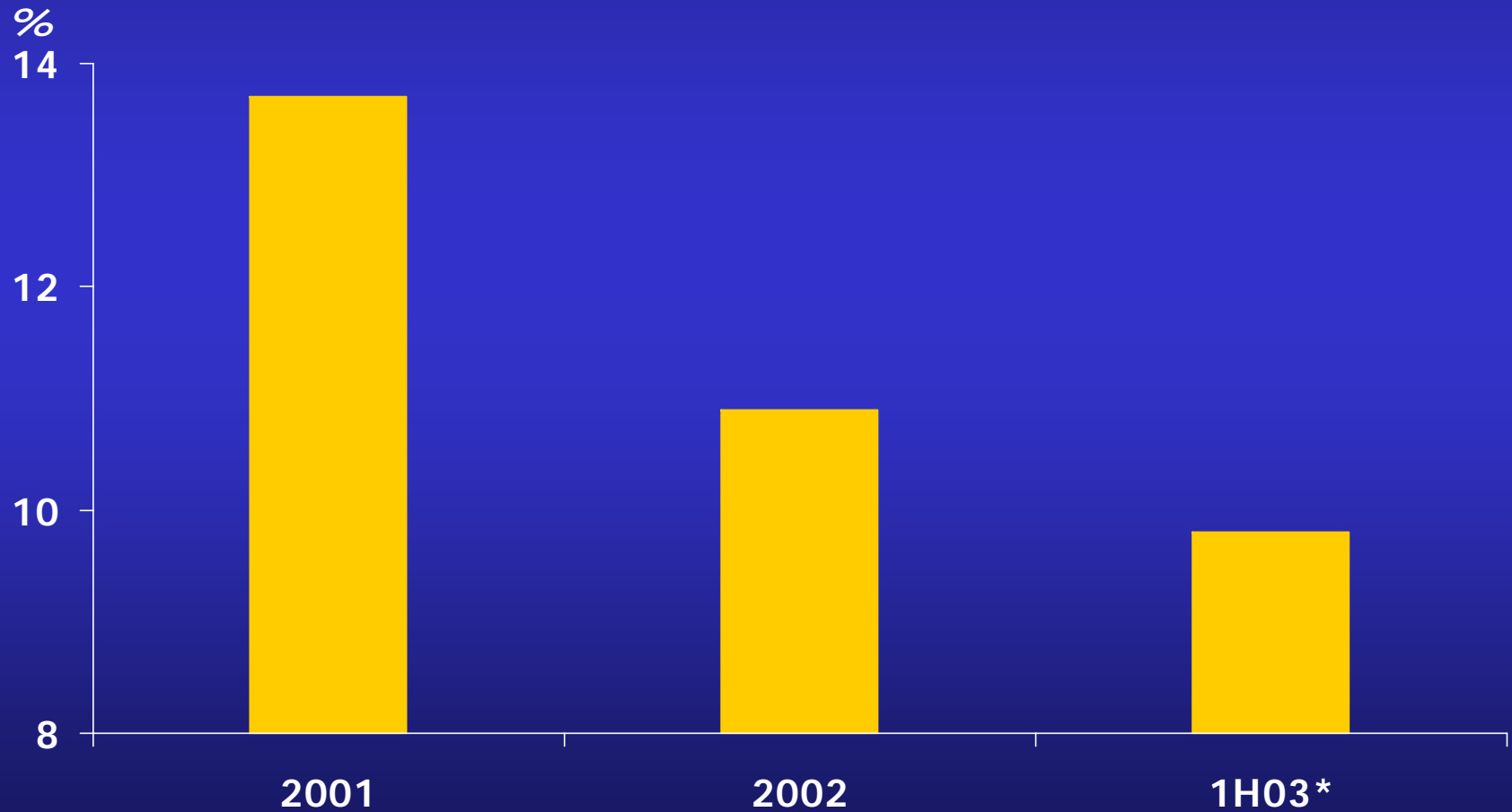
*\* Annualised*

# People

## Manufacturing 2003 v UK Financial Services Norm*



Bar chart categories (top to bottom):
- Workload and stress
- Communication
- Employment security
- Management leadership
- Customer focus and quality
- Training and development
- Total reward
- Performance management
- Job satisfaction and engagement
- Co-operation and working relationships
- Employee involvement
- Work organisation and efficiency
- Management practices
- Image and competitive position

X-axis: +0, +5, +10, +15 %

*Percent difference between scores*
*Survey by International Survey Research, 1st quarter of 2003*

# Manufacturing

- What is Manufacturing?

- What does it deliver?

- Making it work?

- **More to come**

# More to Come

*Interim Results, August 2003*

## Further Efficiency Improvement

*Outlook*

- Further progress expected

- Continue to centralise Manufacturing, where appropriate

- Eliminate duplication, simplify processes

- Projects under way

# More to Come

- Continue to improve efficiency

- Continue to support income growth

- Achieve further consolidation

- Support acquisitions

# Continue to Improve Efficiency

*Examples*

- Image and Workflow

- Customer query management system

- Fraud management
  - Automated profiling
  - Automated 'Know Your Customer'

- E-enabled internal processes
  - Routine reports on screen
  - Self service HR and training

# Continue to Support Income Growth

*Examples*

- Product development

- Sales and pipeline management

- Quicker, easier account opening

- Removing work from Corporate Relationship Managers

# Achieve Further Consolidation

## *Mortgages*

∎ Build new Group mortgage platform

∎ RBS and NatWest plus

  – One Account

  – Direct Line Financial Services

  – Lombard Direct

  – Coutts

  – Ulster

# Achieve Further Consolidation

## *Technology*

- Consolidate IT operations on to Group single platform
  - Direct Line
  - Churchill
  - Ulster
  - Coutts
  - The One Account
  - Direct Line Financial Services
  - Lombard Asset Finance
  - RBS Commercial Services

# Achieve Further Consolidation

### *Other Initiatives*

- Complete RBS branch back office centralisation

- Consolidate back offices
  - Lombard Asset Finance
  - RBS Commercial Services

- Consolidate Group collections and recoveries

- Centralise printing

# Support Acquisitions

▪ Scaleable platform

   – IT

   – Process

   – Organisation

▪ Proven integration capability

▪ Early involvement

# Manufacturing

- What is Manufacturing?

- What does it deliver?

- Making it work

- More to come

# Manufacturing

| | | |
|---|---|---|
| ▪ | Manufacturing | Mark Fisher |
| ▪ | **Group Technology** | **John White** |
| | *Coffee* | |
| ▪ | Group Purchasing | Ed Smith |
| ▪ | Operations | Mark Fisher |
| ▪ | Conclusion | Mark Fisher |
| | *Questions & Answers* | |

# John White

Director, Group Technology

# What is Manufacturing ?

| Manufacturing | | |
|---|---|---|
| **Technology** | **Operations** | **Services** |
| **Group Technology**<br><br>– **IT Operations**<br><br>– **IT Development** | Account Management<br><br>Telephony<br><br>Lending<br><br>Payments | Group Purchasing<br><br>Other support units |

# Group Technology

- **NatWest IT integration**

- Results of IT integration

- More to come

# NatWest IT Integration

*Challenge*

- Integrate NatWest on to RBS operating platform
  - Technology
  - Business processes

# NatWest IT Integration

*NatWest Bid Presentation, November 1999*



## Clear Business Plan
### Common Products

Slide 62

|  | From | | To | |
|---|---|---|---|---|
| Products | The Royal Bank of Scotland Group | NatWest | The Royal Bank of Scotland Group | NatWest |
| Processes | | | | |
| Platform | | | | |

**Creating a New Force in Banking**
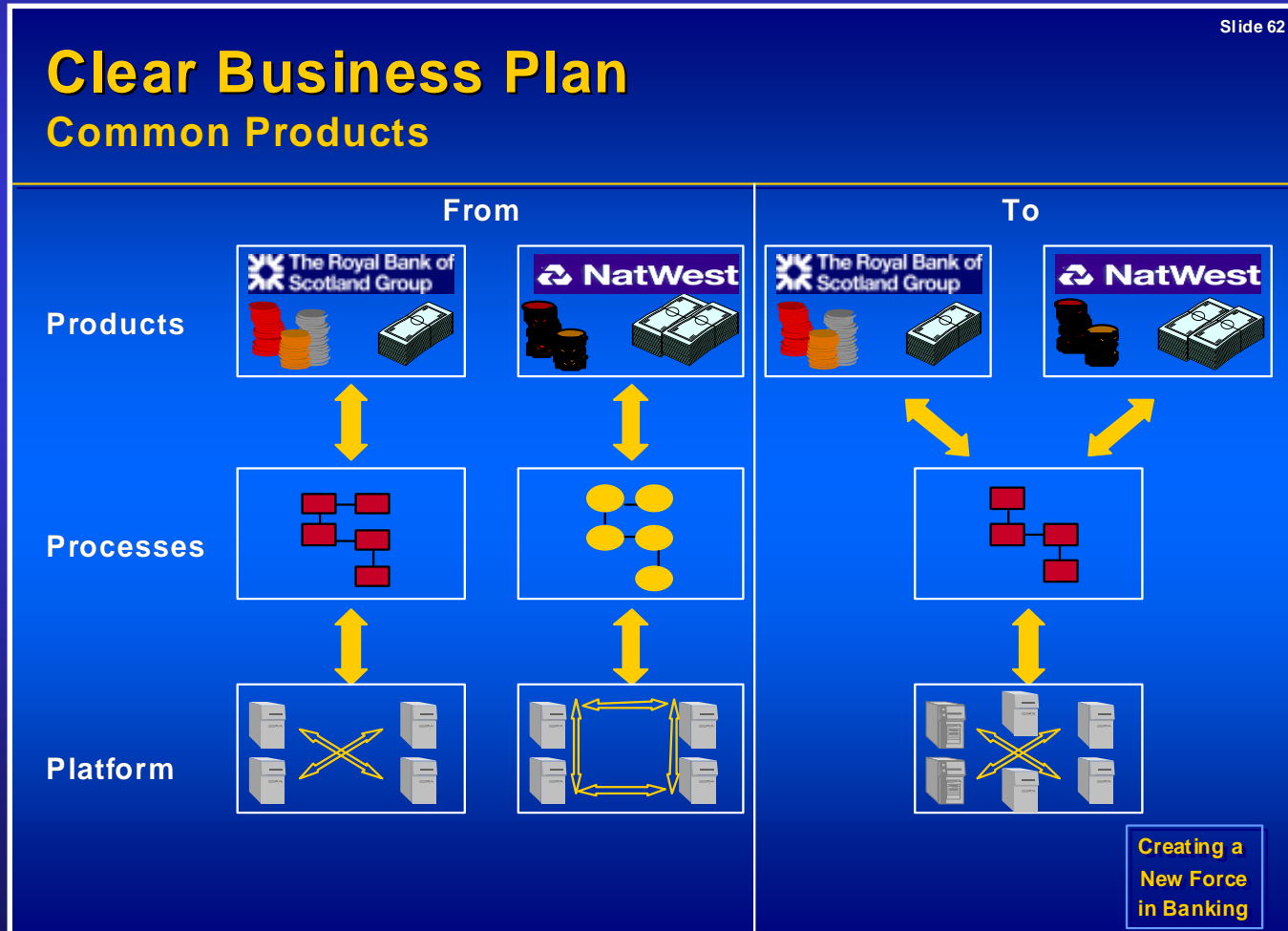
# NatWest IT Integration

### *Decisive and Fast Mobilisation*

- Confirmed target platform in first 30 days

- Cancelled 472 projects

- By end 2000:
  - 2,200 headcount on Integration
  - Common Financial Markets, Risk Systems and General Ledger

# NatWest IT Integration

*Integration Approach*

Scale RBS systems

Migrate customer-facing systems early

Convert customer and accounting data for migration in one weekend

2000      2001      2002
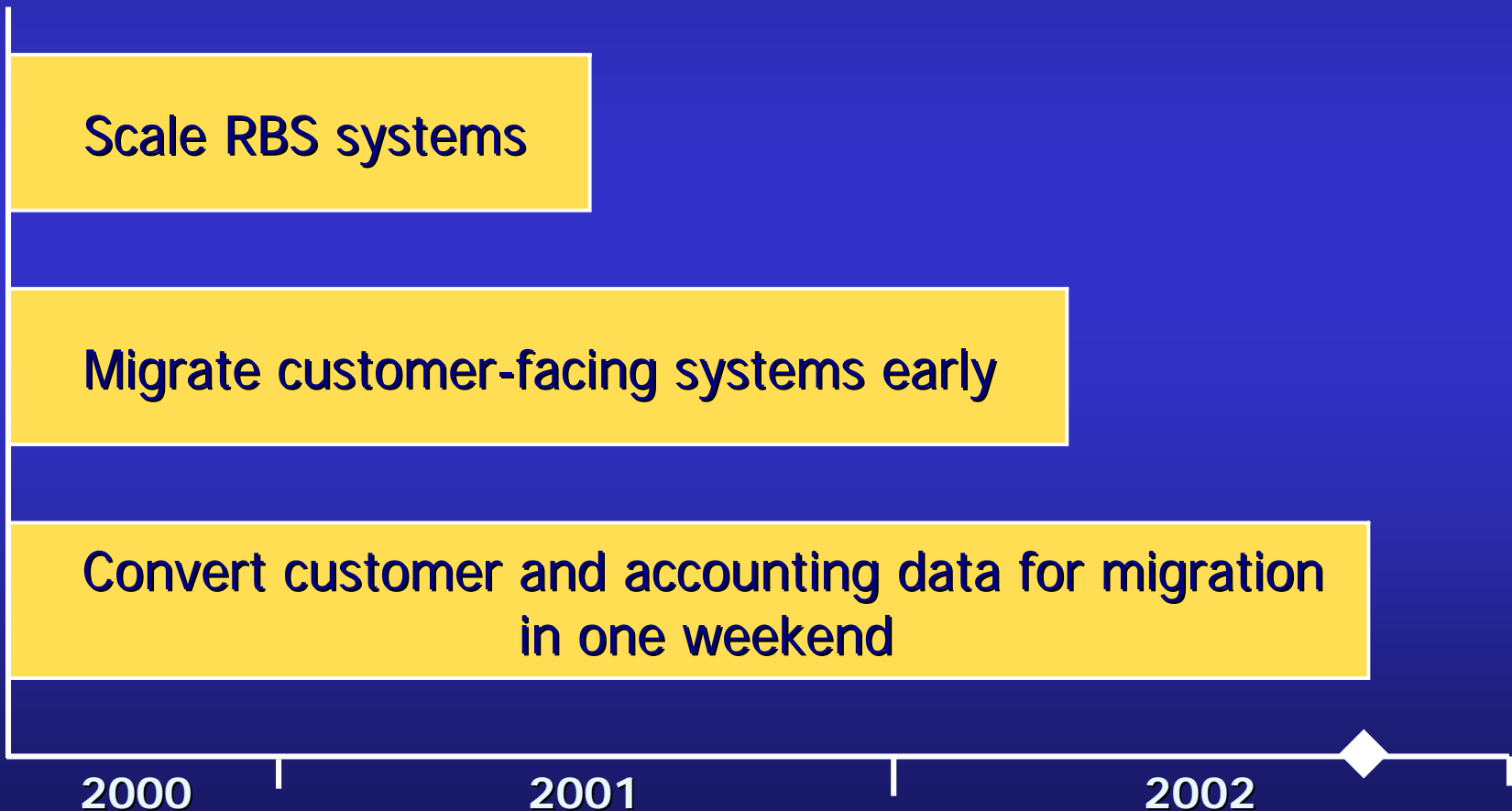
# NatWest IT Integration

### *Scale RBS Systems*

▪ Scale RBS systems by a factor of 5

▪ Consolidate the network

▪ Create a single development capability

# NatWest IT Integration

## *Migrate Customer-Facing Systems Early*

| | |
|---|---|
| Jul 2001 | 12.6 million credit cards |
| Nov 2001 | 3,500 ATMs |
| Dec 2001 | 1.0 million internet customers |
| Dec 2001 | 1,650 branches - converted hardware |
| Jul 2002 | 29,000 card merchants |

# NatWest IT Integration

*Convert Customer and Accounting Data in One Weekend*

Prove full data conversion

Prove Day 1 operation

Prove Day 2 onwards

4 months elapsed

Repeat at full volume until perfect

Final conversion
7 October 2002
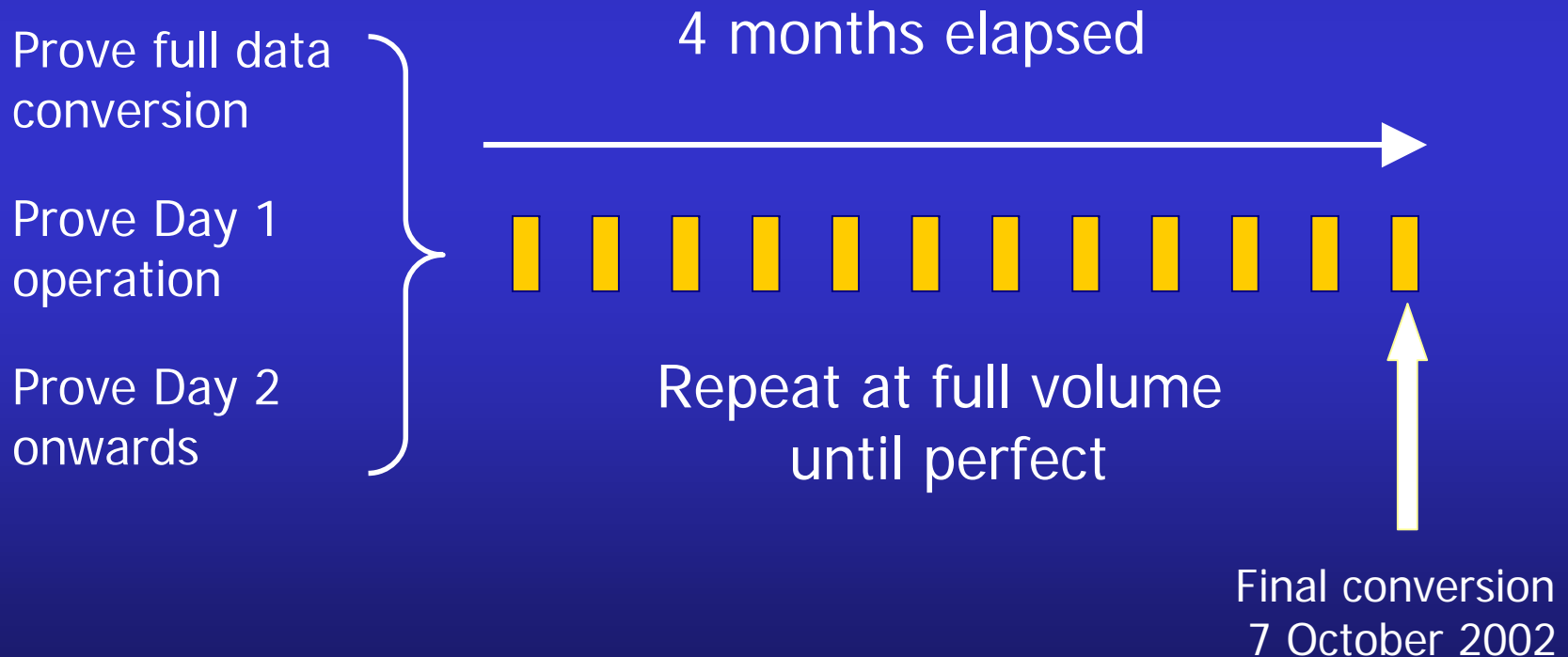
# NatWest IT Integration

# NatWest IT Integration

*Summary*

■ A single platform in 942 days - 5 months ahead of target

■ 40,000 people trained

■ Minimal impact on customers

■ Significant contribution to NatWest cost savings

# NatWest IT Integration

- Financial Services Technology Awards 2002:
  - Winner best use of IT in Retail Banking
  - Winner best systems integration project

- Financial News Awards 2003:
  - Winner best systems integration project

- British Computer Society IT Professional Awards 2003:
  - Winner financial services category for Business Achievement, for the IT Integration Programme
  - Winner flagship award for business achievement, for the IT Integration Programme

# Group Technology

- NatWest IT integration

- **Results of IT integration**

- More to come

# Results of IT Integration

- Single IT platform

- Know our systems and processes

- Excellent systems availability

- Assured disaster recovery

- Experienced change capability

# Single IT Platform

- 8 mainframe computers
  - Single sysplex (operate as one)
  - Over 16 billion instructions per second

- Single network
  - Supporting 95,000 connected PCs

- Branches, ATMs, telephone, internet for multi-brands

# Know Our Systems and Processes

■ We understand

   – the architectures

   – the applications

   – the business processes

   – the data and data structure

# Excellent Systems Availability
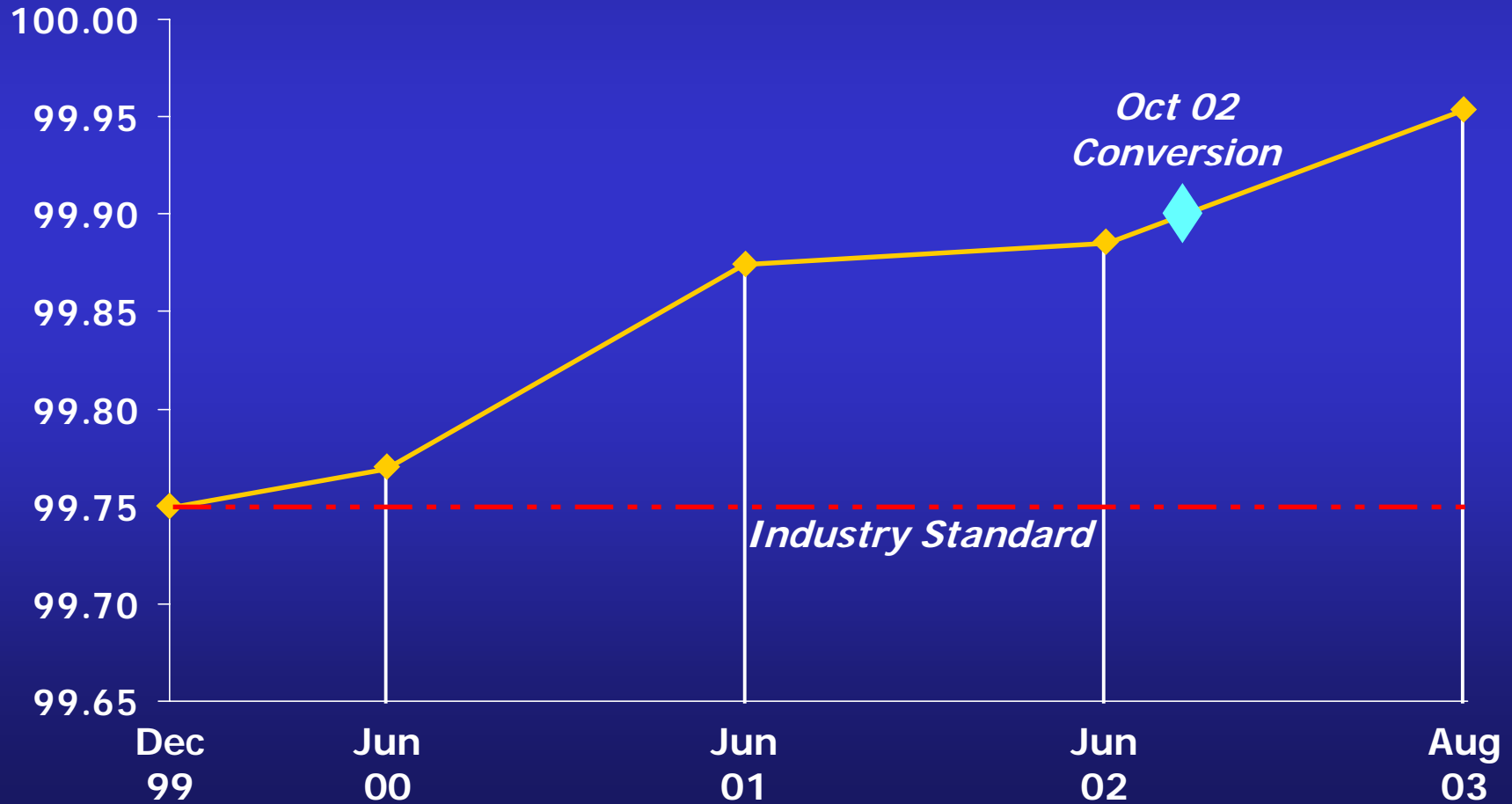
# Assured Disaster Recovery

- Industry leading recovery capability

- Regularly tested

- Live operations managed from disaster recovery site

# Experienced Change Capability

Group Executive
Management Committee

Technology Integration
Directorate

Programme Implementation
Boards

- Tried and tested management approach

- Across businesses, across functions

- Approach will be used to manage change in future

# Experienced Change Capability

## *Acquisitions*

- Experienced technology due diligence team

- Project management skills leading multiple and complex programmes

- Capability to deliver benefits

# Group Technology

▮ NatWest IT integration

▮ Results of IT integration

▮ **More to come**

# More to Come

## *Achieve Further Consolidation - Technology*

### Achieve Further Consolidation

*Technology*

- Consolidate IT operations on to Group single platform
  - Direct Line
  - Churchill
  - Ulster
  - Coutts
  - The One Account
  - Direct Line Financial Services
  - Lombard Asset Finance
  - RBS Commercial Services

# More to Come

## *Achieve Further Consolidation - Direct Line/Churchill*

- Migrate Direct Line IBM platform on to the RBS single platform
  - Save 120 jobs
  - Improve resilience and disaster recovery

- Migrate Churchill applications and data to Direct Line
  - On the RBS single platform
  - Save further 130 jobs

# More to Come

## *Delivering Change for the Business - Examples*

▪ New mortgage platform

▪ Image and workflow

▪ New processes
  – Web-enabled finance and HR
  – Account opening

# More to Come

### *In Addition, Deliver New Technologies*

■ Introduce Extensible Mark-up Language (XML)
  – Enables more re-use of data and transactions

■ Move to Broadband network
  – Variable bandwidth using IPVPN
    (Internet Protocol Virtual Private Network)
  – "Pay as you go"

# Group Technology

## *Summary*

- Integration: a success

- Single platform
  - Reliable
  - Flexible
  - Scaleable

- Change capability
  - Support organic growth
  - Support acquisitions

# Manufacturing

- Manufacturing       Mark Fisher

- Group Technology       John White

*Coffee*

- **Group Purchasing**       **Ed Smith**

- Operations       Mark Fisher

- Conclusion       Mark Fisher

*Questions & Answers*

# RBS

The Royal Bank of Scotland Group

# Ed Smith

## Director, Group Purchasing

# What is Manufacturing?

| Manufacturing | | |
| --- | --- | --- |
| **Technology** | **Operations** | **Services** |
| Group Technology<br><br>– IT Operations<br><br>– IT Development | Account Management<br><br>Telephony<br><br>Lending<br><br>Payments | **Group Purchasing**<br><br>Other support units |

# Group Purchasing

## *Challenge*

- Deliver NatWest purchasing integration benefits and create leading edge purchasing capability in RBS

# Group Purchasing

- Building capability

- Doing deals

- Changing the game

- More to come

# Building Capability

- Global purchasing
  – Clear leadership
  – Overcome resistance by demonstrating savings

- Flexibility
  – Single global deals
  – Regional deals
  – Small, local deals

# Building Capability

- People

- 70% new external recruits

# Doing Deals

- Aggregation

- Agility

- Hard bargaining

# Doing Deals

## *Aggregation*

▪ Leverage absolute volume

▪ Standard specification

## *Example*

▪ Combined demand for office supplies and paper

   – Citizens acquisition of Mellon

   – Pennsylvania versus Rhode Island suppliers

   – 36% saving

# Doing Deals

## *Agility*

- Close monitoring of volatile markets

- Rapid decision making

## *Example*

- UK electricity supply
  - Worked closely with supply market
  - Captured market low point
  - 33% saving

# Doing Deals

## *Hard Bargaining*

▮ Classic purchasing technique

▮ Excellent negotiation skills

▮ Opportunistic

## *Example*

▮ Mobile phones

  – 3 suppliers reduced to 1

  – Short window of negotiation

  – 31% saving

# Changing the Game

*Breakthrough Deals*

▮ Marketing and media

▮ Cheque books

*New Route to Market*

▮ Reverse Auctions

# Changing the Game

*Breakthrough Deals*

- Marketing - media buying

  – All brands across Group

  – Single supplier

  – Benchmarked quality and service improvement

  – 20% saving

# Changing the Game

*Breakthrough Deals*

- Print - cheque books
  - Standardised design format with individual brand identity
  - Supplier consolidation (3 to 1)
  - Re-designed key processes with suppliers
  - Long term, strategic, Group wide deal
  - 40% saving

# Changing the Game

*New Route to Market - Reverse Auctions*

▮ Internet based electronic auction
   – Hosted by independent third party
   – Multiple suppliers pre-qualify to bid
   – Bid downward to win the business
   – Can see competing bids

"RBS run the largest reverse auction programme of any Financial services organisation in the world"

*FreeMarkets 2003*

# Changing the Game

### *New Route to Market - Reverse Auctions*

- Example - Direct Mail Campaigns
  - 18 suppliers pre-qualified to bid
  - 2 hour bid process
  - 668 bids received - over 30 bids per supplier
  - 35% saving

# Reverse Auctions

*Example: Direct Mail*



Bid Graph: Lot 02 - Medium Size Campaigns

Price

Time

11.00   11.16   11.33   11.50   12.06   12.23   12.40   12.56

Shift-drag to zoom; Ctrl-drag to reposition; 'R' to reset
Click on a bid to view detailed information; Right-click for more options
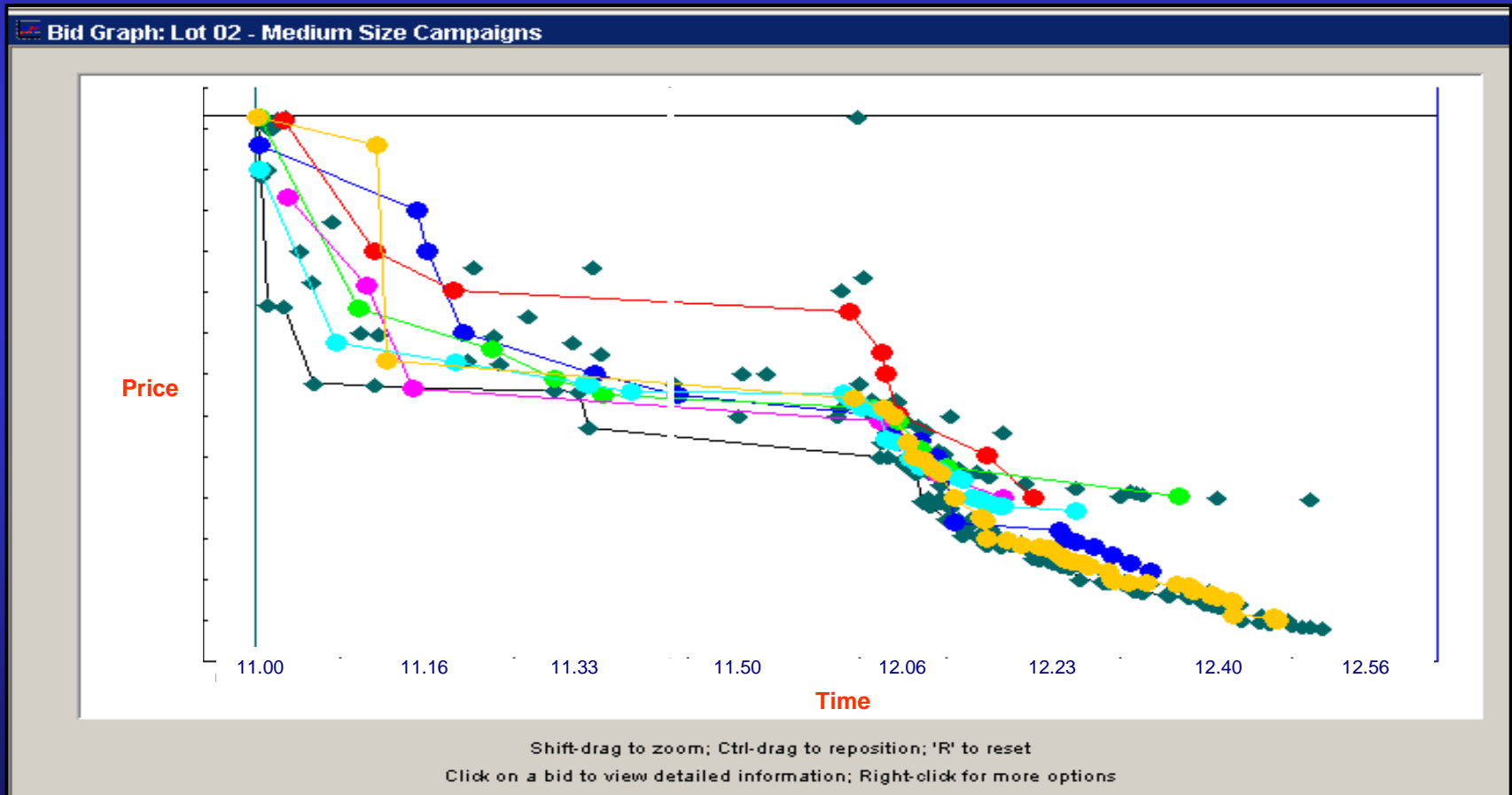
# More to Come

# More to Come

"RBS are leaders in Purchasing and Supplier management within the Global Financial Services Sector"

*AT Kearney 2003*



RBS Target 2004

RBS 2003

Average in Financial Services

| | | | | | |
|---|---|---|---|---|---|
| Procurement Strategy | Procurement Organisation | Strategic Purchasing | Transaction Management | Performance Management | Human Resources Management |

**A**= Good industry standard     **B**= Strong performer     **C**= World class
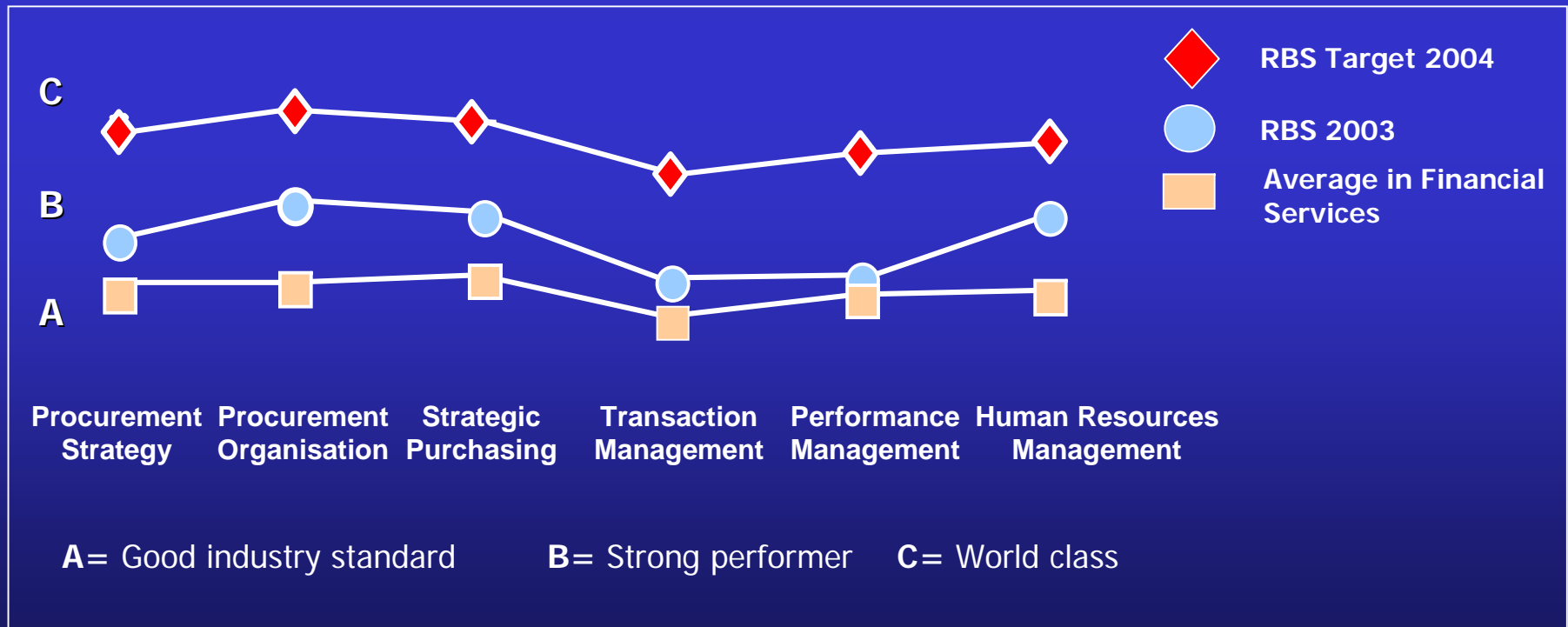
# More to Come

- ▪ Supplier development
  - – Fewer, better suppliers

- ▪ e Procurement
  - – Streamlining our 'purchase to pay' processes

- ▪ Exploit reverse auction opportunities

- ▪ Consolidate Churchill and other acquisitions

- ▪ Keep 'doing the deals'

# Manufacturing

▮ Manufacturing        Mark Fisher

▮ Group Technology        John White

*Coffee*

▮ Group Purchasing        Ed Smith

▮ **Operations**        **Mark Fisher**

▮ Conclusion        Mark Fisher

*Questions & Answers*

# Mark Fisher

## Chief Executive, Manufacturing

# What is Manufacturing ?

| Manufacturing | | |
|---|---|---|
| **Technology** | **Operations** | **Services** |
| Group Technology<br><br>– IT Operations<br><br>– IT Development | **Account Management**<br><br>**Telephony**<br><br>**Lending**<br><br>**Payments** | Group Purchasing<br><br>Other support units |

# Operations

*Focus on Two Issues*

▮ **Telephony**

▮ Image and workflow

# Telephony

- 3,700 people

- 13 centres

- 70 million calls per annum

- Inbound calls
  – NatWest Retail Banking
  – RBS Retail Banking
  – Tesco Personal Finance

- Call patterns
  – Morning and afternoon peaks
  – Monday and Friday peaks
  – Month end peaks

# Telephony

- Top 5 calls
  - Balance enquiries
  - Statements and cheque books
  - Inter account transfers
  - Standing orders and direct debits
  - Queries

# Customer Satisfaction 2001

**MORI Inter Bank Market Comparison - Telephone Handling**
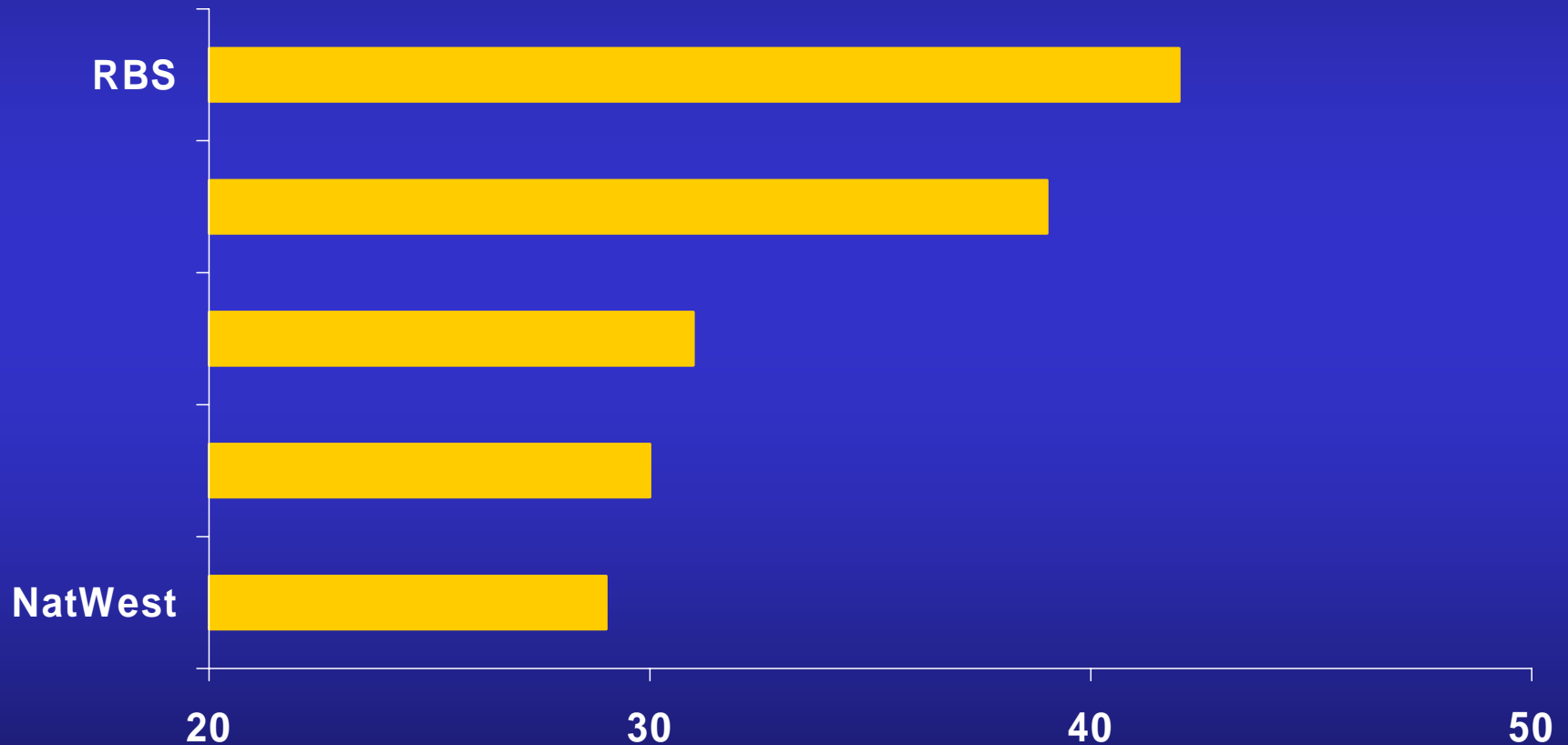


*Average of monthly customer satisfaction survey results for 2001*
*Very satisfied customers*

# RBS Telephony Model

- Customer choice
  - Branch
  - Call centre

- Customer choice
  - Human agent
  - Automated

- Ownership

- Your Money Magazine
  - Best Direct Banking Provider 2001, 2002 and 2003

# NatWest - Old Telephony Model

- Designed to minimise cost

- Telephone lines to branches removed

- Single national number

- Compulsory Automated Voice Response

- Lack of ownership

# NatWest – New Telephony Model

▮ Step 1: Automated Voice Response now optional

▮ Step 2: Better trained staff take ownership

▮ Step 3: Option to phone branch

▮ Step 4: Dedicated branch support teams

# Outcome - Customer Choice



Automated Choice 45%

Branch 8%

Customer Service Adviser 47%
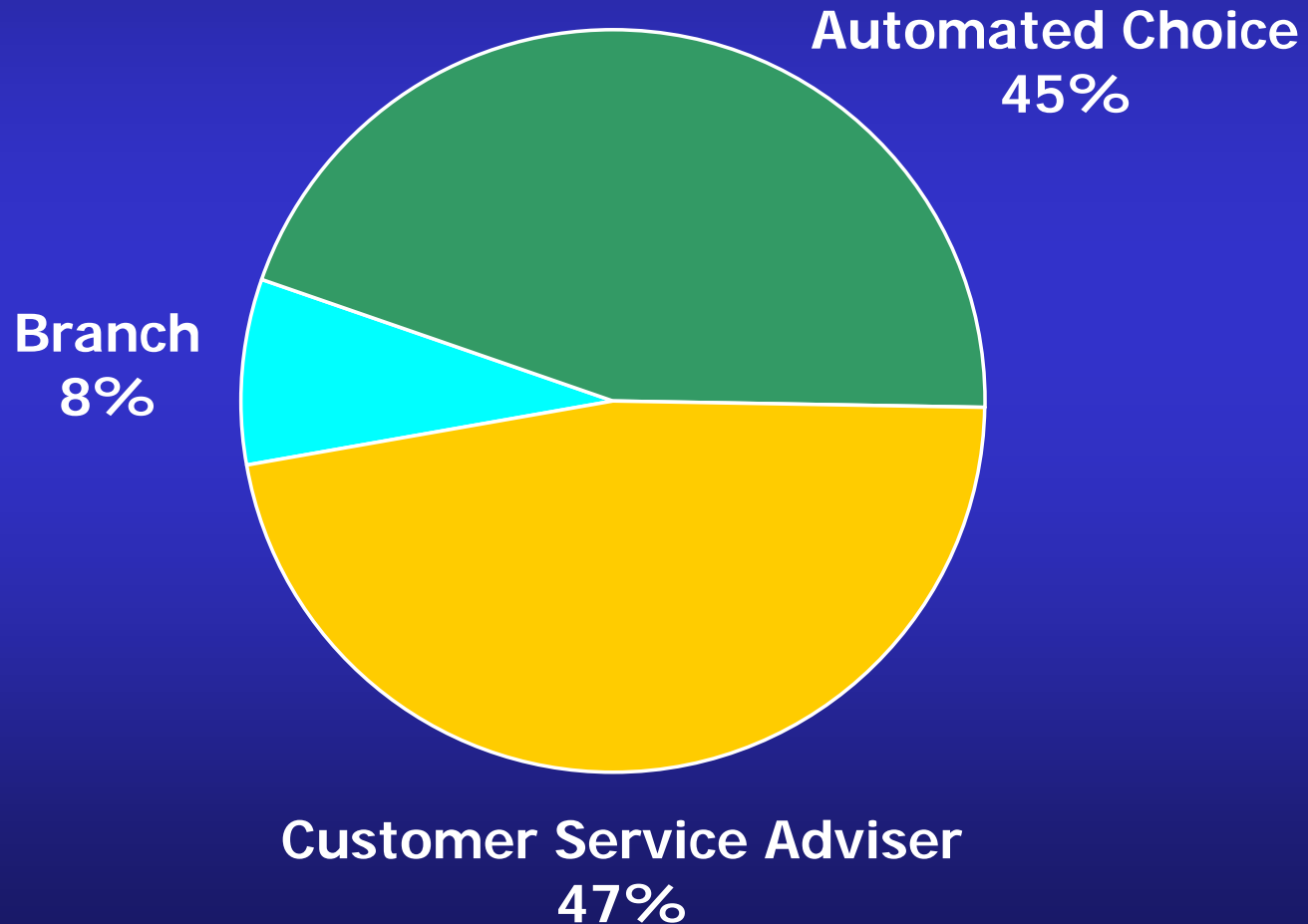
The Royal Bank of Scotland Group

# Customer Satisfaction

# Customer Satisfaction

## *Inter Bank Market Comparison - Telephone Handling*
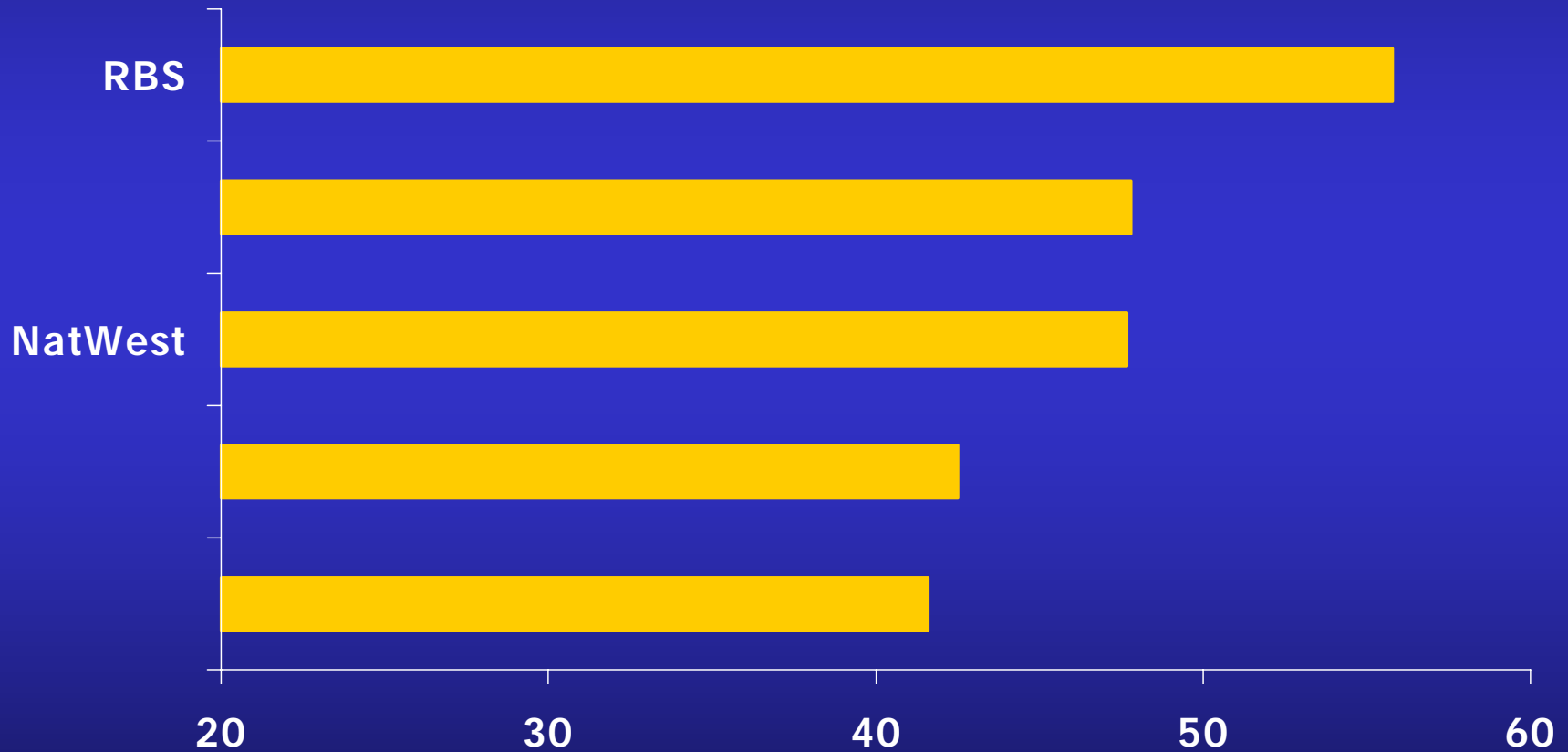


*NOP FRS customer satisfaction survey results - June 2003 spot figures*
*Very satisfied customers*

# Operations

*Focus on Two Issues*

▮ Telephony

▮ **Image and workflow**

# Paper Driven

# Image and Workflow

*What is it?*

- Image
  - Electronic picture of paper item
  - Single central store

- Workflow
  - Electronic routing to operator
  - Management of progress

# Image and Workflow Implementation

## *Step 1 - Remove the Paper*

- Pilot Liverpool Customer Service Centre now

- Glasgow Customer Service Centre by Christmas

- All Customer Service Centres by 1H04

- Key high volume Payments Centres

- Train over 5,000 staff

- Early benefits
  - Remove paper
  - Load balancing

# Image and Workflow Implementation

### *Step 2 - Increase Functionality*

- During 2H04

- Integration with core systems e.g:
  - Back Office
  - Signature images

- Electronic feeds from:
  - Fax
  - e-messages
  - Internet banking

- Access to information from other units

# Image and Workflow Implementation

# Image and Workflow Implementation

## *Step 3 - Process Automation*

- Add intelligent character recognition
  - Computer reads forms
  - Process by process redesign
- Automatic routing
- Automatic signature verification
- Pre-filling data fields in core system
- Straight through processing

# Image and Workflow

*Benefits*

- Significant efficiency improvement
  - Process specific
  - Straight through processing up to 95% improvement
  - Free form letter circa 10% improvement

- Higher quality of service
  - No lost items
  - Greater accuracy

# Image and Workflow

*Benefits*

- Workload balancing
  - Intra centre
  - Inter centre
  - Across Manufacturing
- More specialisation
- Contingency

# Image and Workflow

## *Customer Benefits*

- Faster turnaround times

- Higher quality, fewer errors

- Greater "connectedness" of organisation
  - Progress tracking
  - Query resolution

# Manufacturing

| | | |
|---|---|---|
| ▮ | Manufacturing | Mark Fisher |
| ▮ | Group Technology | John White |
| | *Coffee* | |
| ▮ | Group Purchasing | Ed Smith |
| ▮ | **Operations** | **Mark Fisher** |
| ▮ | Conclusion | Mark Fisher |
| | *Questions & Answers* | |

# Manufacturing

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| ▮ | **Conclusion** | **Mark Fisher** |
| | *Questions & Answers* | |

# Manufacturing

- What is Manufacturing?

- What does it deliver?

- Making it work

- More to come

# Conclusion

## *Manufacturing Delivers*

- Single platform, multi-brand/channel
  - Scale
  - Specialisation

- Common processes

- Enable us to
  - Support income growth
  - Improve efficiency

# More to Come

- Projects under way
  - Simplify processes
  - Improve products
  - Improve customer service
  - Continue to roll-out Manufacturing

  … more to come

# Questions & Answers

Fred Goodwin
Mark Fisher

RBS

The Royal Bank of Scotland Group