



CASE STUDY

BUSINESS STRATEGY: FINANCIAL INTERMEDIATION

Client Industry: Financial Services

BUSINESS CHALLENGE

The client is a large South African retail bank that was struggling to manage three of its products for performance. These products account for a large portion of bank turnover (R50bn+). A new head of business banking was called in out of retirement to turn performance around across the division, and so change was urgent.

PSP ICON APPROACH

PSP Icon partnered with the client to first conduct an 'as-is' Analysis of the Client's products - It was important to first know what we were dealing with. One product was card acquiring, and there was a large undercurrent of merchant behavior that had gone unnoticed. For instance, the bank was gaining ~500 merchants per month, which looked good on paper; however they were losing ~300 during the same period. This 'leaky bucket' of merchant attrition had stunted the Division's growth over the previous three years (since the Bank had removed the dedicated Merchant Retention Team), and the loss had gone largely unnoted. Then we took time to understand the outside market conditions - Our client did not operate in a vacuum. Merchants and the volume that they will process on their card machines are highly sensitive to business cycles, and we were able to identify resilient pockets of industries of merchants to target for high growth. The changing international regulatory environment also meant that PSP Icon had to model the impact of a sharp drop in interchange (the amount paid by Card Acquiring to the card issuer) to assess the impact on Card Acquiring. Analysis techniques were then used (e.g. sensitivity analysis) to identify high-leverage opportunities for the Client to turn performance around - we found that this was NOT a cost cutting exercise - because of the *ad valorem* fee that Card Acquiring earns, it is a revenue game and the message to the Bank was clear - they would not make profit growth targets by cost cutting. PSP Icon stayed on during the implementation phase to guide the client through application of strategy.

RESULTS

The Client was able to identify and target specific high-margin market segments, and added one of the country's largest retailers to their clientele (R18bn in turnover)

All product costing was clearly understood, and so the Client was able to successfully re-price the products upon bank-wide pricing review.

PROFESSIONAL PEOPLE, TRUSTED RESULTS

The Client was able to target existing clients retention as a low cost-of-acquisition opportunity –

The sales force were given lists of potential new clients and existing clients to approach, and so the sales funnel was properly managed, resulting in a 20%+ merchant growth rate.

PSP Icon assisted to restructure the workforce to optimise their value-add along the value chain - there was a large new staff complement that came in with new management, and it was vital to set the organisation up to win according to their new strategy.