

### **The Seven Bank Strategies:**

Quote by Ed Weinstein of The Brondesbury Group, cited in Corporate Banking in the New Economy by Sherree DeCovny. Pg 73-74

“. . . There are seven major strategic positions that a bank can take to succeed in this competitive environment: global bank, processor, specialist, multi-subsiidiary, full-service regional, feeder and local bank.

The first three approaches have the best prospects for long-term success. Global and processor banks must invest quite heavily and require high business volumes to succeed. The specialist relies instead on a small cadre of highly paid professionals with expertise. Some banks fill more than one niche, but the key is to choose the positioning and pursue it aggressively.

**1. Global bank:** These institutions, which have the best prospects for survival, have a physical presence worldwide as well as a strong technology offering. Typically the bank acts as a trade finance syndicator. There are eight global banks and another two are near global. The global banks include Citibank, HSBC, ABN AMRO, Deutsche Bank, Bank of America, BNP Paribas, Societe Generale and Bank of Tokyo Mitsubishi.

**2. Processor:** The main business of processors is taking feeds from other banks and doing the processing on an outsourcing basis. Processors have invested heavily in back office technology to fill this role, and they sell their capabilities to other banks, focusing on processing large volumes of LCs and documentary collections. Some examples in this category include First Union, Standard Chartered and Bank of New York.

**3. Specialist:** This type of bank focuses on the needs of a particular industry with a global perspective, like oil and gas, coffee, cotton, and high tech, or on specific products like receivables financing. The strategy for specialists is to know their customers' industries 'from the major plantations right up to Safeway and Sainsbury's – right from the produces to the goods through to the distributor', says Weinstein. 'They try to capitalise on that knowledge through their specialised financing and risk assessment.'

Examples of specialist banks are: ING, which focuses on commodities and emerging markets; Silicon Valley Bank for the high-tech industry in California; and Credit Agricole Indosuez, which has considerable expertise in agricultural goods.

**4. Multi-subsiidiary:** These institutions own banks or a portion of several banks around the world, typically with each bank operating under its own local brand name. Scotiabank is an example in the category.

**5. Full-service Regional:** Some banks provide a comprehensive range of services in a single global region, but they lack the directly owned physical network of a global bank. Examples of full-services regionals include Royal Bank of Canada, Bank One, and Development Bank of Singapore.

**6. Feeder:** The institutions provide a feed of local business into the processing network of a global bank or a processor bank. Wells Fargo and Key Bank fit into this category.

**7. Local Bank:** Companies go to local banks for very basic fundamental, personalised services. The local bank tries to provide a core range of trade services from a local base but relies heavily on using other banks (often a feeder bank) for more complex needs. They have a loyal, local client base that does not want anything 'fancy' and likes the bank's local knowledge. Many companies in the \$100 million sales bracket have a global banking relationship, but they also have a local bank relationship. An example of this type of bank is Old Kent in the US or Overseas Union Bank in Singapore.

'The five banks with the best immediate prospects are ABN AMRO, Citibank, Deutsche Bank, HSBC and ING,' says Weinstein. 'Ultimately though, the survivors will be determined by persistence and the willingness to invest in a technology and knowledge-intensive business. A bank that doesn't invest in both skilled people and technology will not survive the competition.'

DeCovny, Sherree. "Corporate Banking in the New Economy". London, UK: Informa Publishing Group Ltd, Dec 2000.