



# **World Retail Banking Report – Price Comparison including Ireland Report to the Irish Bankers Federation**

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August 2005



## Comment

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- This is a comparative study of consumer current account banking in Ireland and is compared to the findings from the World Retail Banking Report, using the same input and methodology.
- This analysis is based on input from 5 Irish banks, was conducted on a like for like basis and covers account management, means of payment, cash utilization and exceptions handling only and not other revenue streams.
- In the Irish market government taxation, such as ATM card levy and stamp duty, have been excluded from analysis.

# The purpose of this study is to include and compare Ireland's retail banking to the findings of the World Retail Banking Report 2005

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## Background

Capgemini undertakes an annual survey of Retail Banks to produce the World Retail Bank Report (WRBR). This survey samples key retail banks and their consumer products to compare charges across countries and trends over previous years. To date this survey has not included Ireland. The Irish Bankers Federation, representing the banking industry in Ireland, have requested Capgemini to conduct a comparative study to the 2005 survey for the Irish market.

## Approach

Gather pricing data direct from 5 major Irish banks for the selected basket of products and services used in the 2005 WRBR.

## Scope

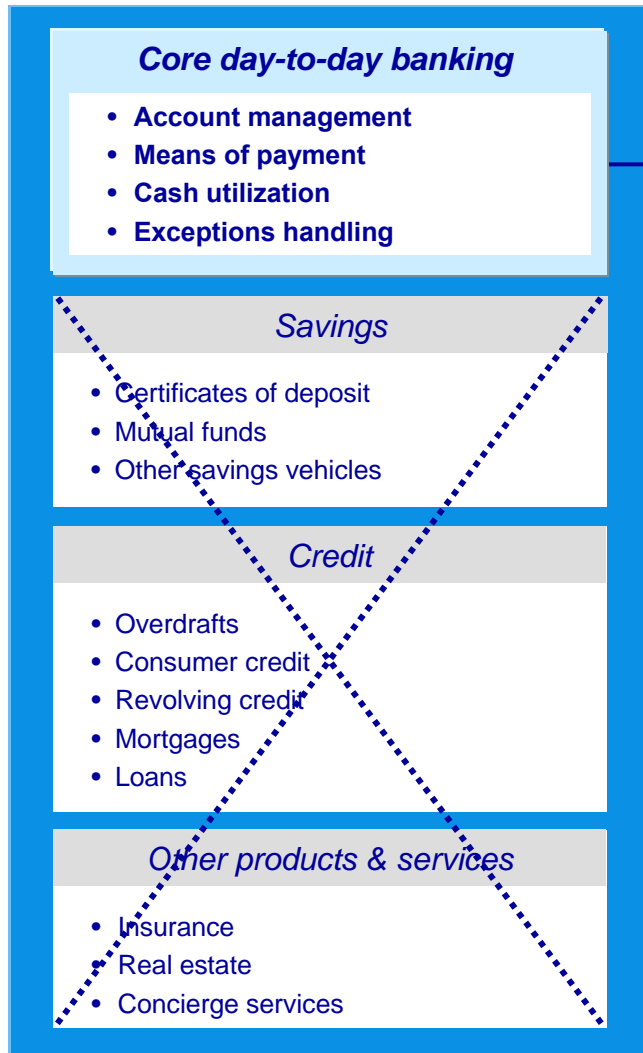
- The survey covered 19 products and services as at September 2004
- Whereas WRBR provides country overviews (dashboards), pricing (global and local index) and client interviews (spotlight), our focus was on pricing only.
- Stamp duty was excluded for all analysis.

## Output

- Comparative analysis of the cost of banking in Ireland using a standard global usage profile and the actual local usage profile.

# The scope of the report is core day-to-day banking products and services

## Retail banking products & services



## WRBR Index scope

Core day-to-day banking needs	Products and services detailed
<b>Account management</b>	Current account
	Online banking
	Call center
<b>Means of payment</b>	Cheque book
	Debit card
	Credit card
	Internal wire transfer
	External wire transfer
	Standing order (regular amount transfer)
Direct debit	
<b>Cash utilization</b>	Cash deposit at desk
	Cash deposit at ATM
	Withdrawals at Desk
	Withdrawals at bank's ATM
Withdrawals at other banks' ATM network	
<b>Exception handling</b>	Debit card stop payment / blocking
	Stop payment / check blocking
	Document search
	Banker's draft ( cashier's check)

# Survey sample: 135 retail banks in 20 countries



**Key**

In 2005 added 8 countries and 51 banks

# There are two methods used to compare cost of banking services across countries, use of a global theoretical usage profile and an actual local usage profile

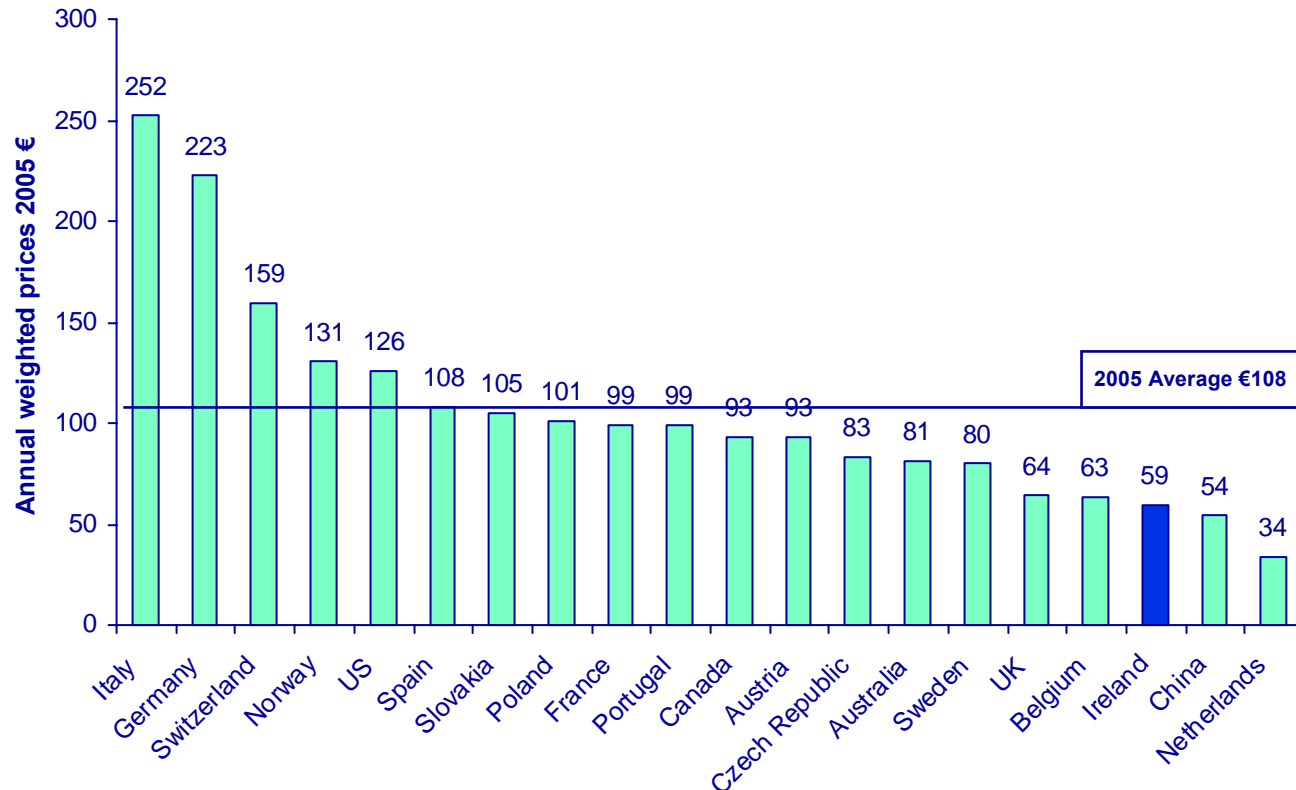
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## *Global profile versus local profile*



# The cost of core banking services in Ireland based on a global comparable usage profile is low at €59

Annual weighted prices of core banking services by country using global usage profile, 2005 (€)



## Commentary

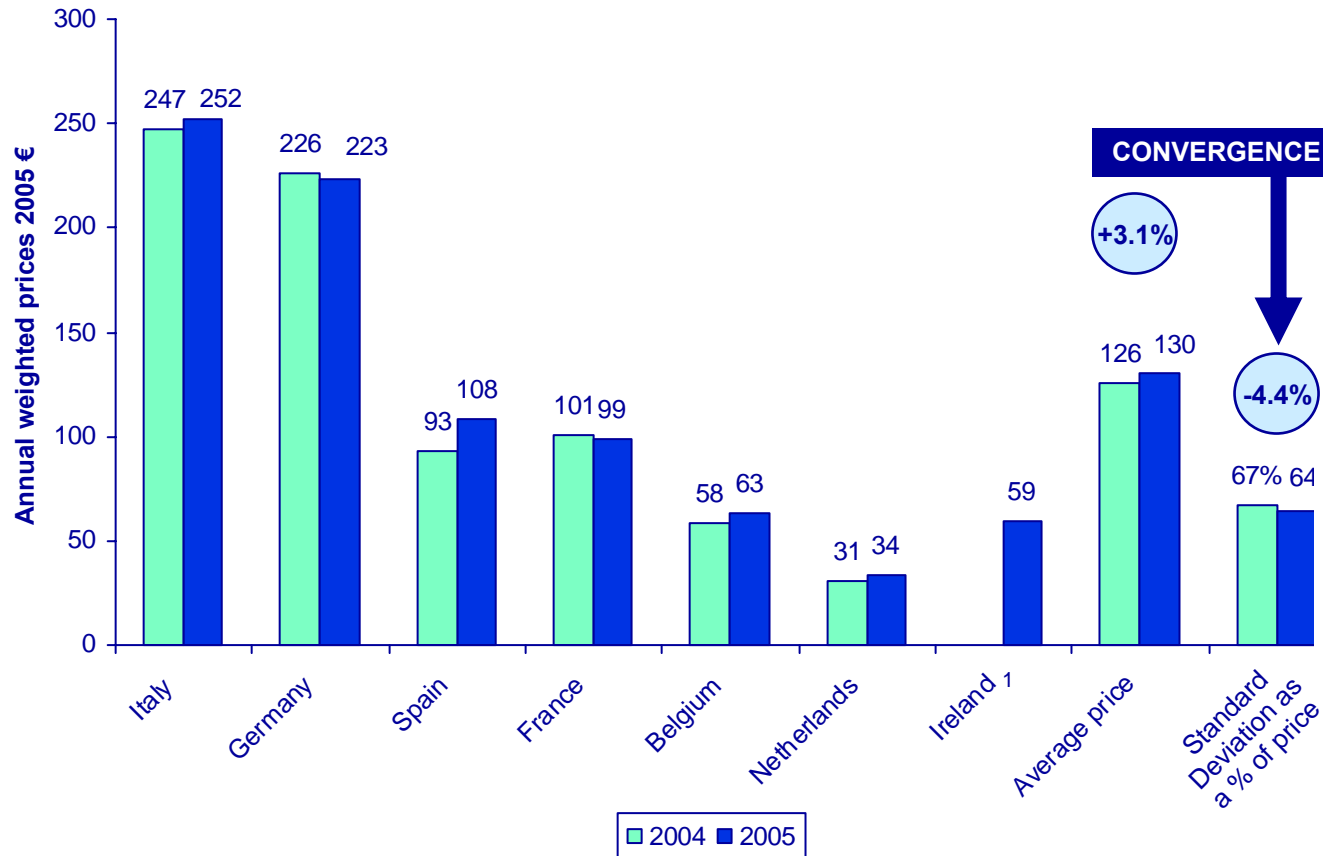
- Ireland's cost of banking is €59<sup>1</sup> vs. the global average of €108
- The cost is comparable to the UK at €64
  - 10% cheaper than UK
- In Ireland there is a mix of pricing strategies amongst the banks:
  - Transactional based pricing on payment and cash utilization products, e.g. cheque book, debit card cash deposits at desk and withdrawals at bank's ATM etc
  - Penalty based structure

Source: Capgemini analysis 2005, WRBR 2005

1) Analysis was based on 5 banks that accounted for 86% of the market

# Banking prices in the Euro zone countries have begun to converge, as the effects of the common currency take hold

Prices of seven Euro zone 2001-2005 (€)



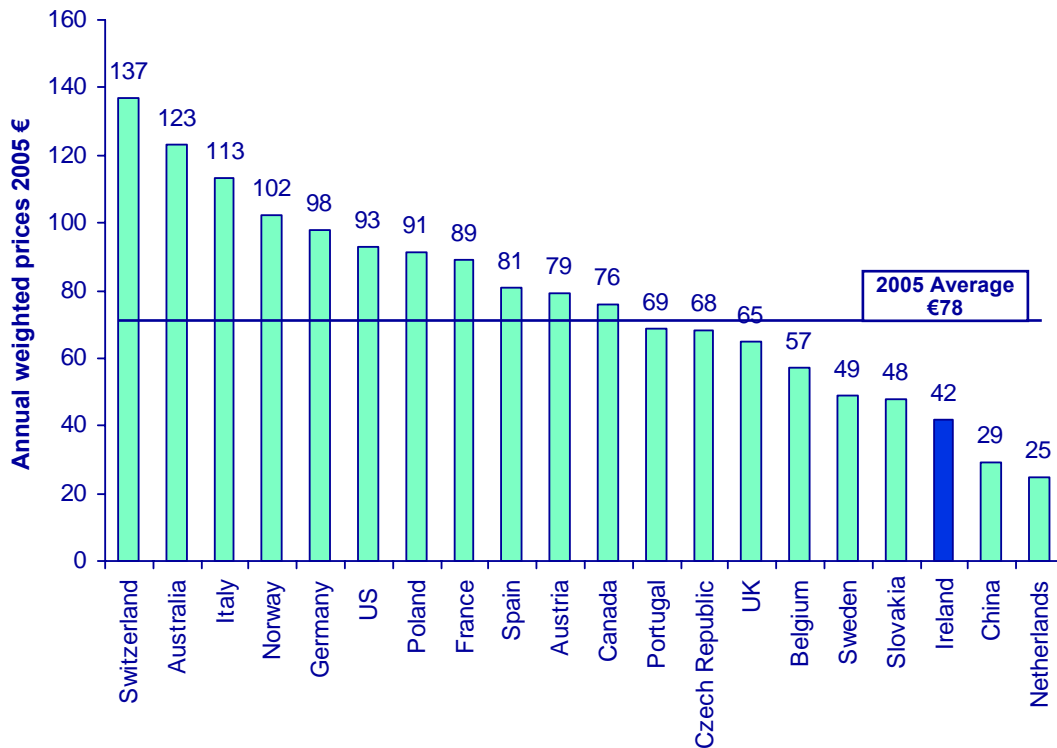
## Commentary

- With the inclusion of Ireland, nine countries in the Eurozone were surveyed
- Ireland's price is €59, less than half of the Euro zone average of €130
- Prices rose in the Euro zone countries that were below last year's average (Spain, Netherlands and Belgium) while countries that were above the average decreased or remained stable

Source: Capgemini analysis 2005, WRBR 2005  
1: No prior year data

# Using actual local usage profiles, the cost of banking in Ireland is still low at €42

Annual weighted prices of core banking services by country using local usage profile, 2005 (€)



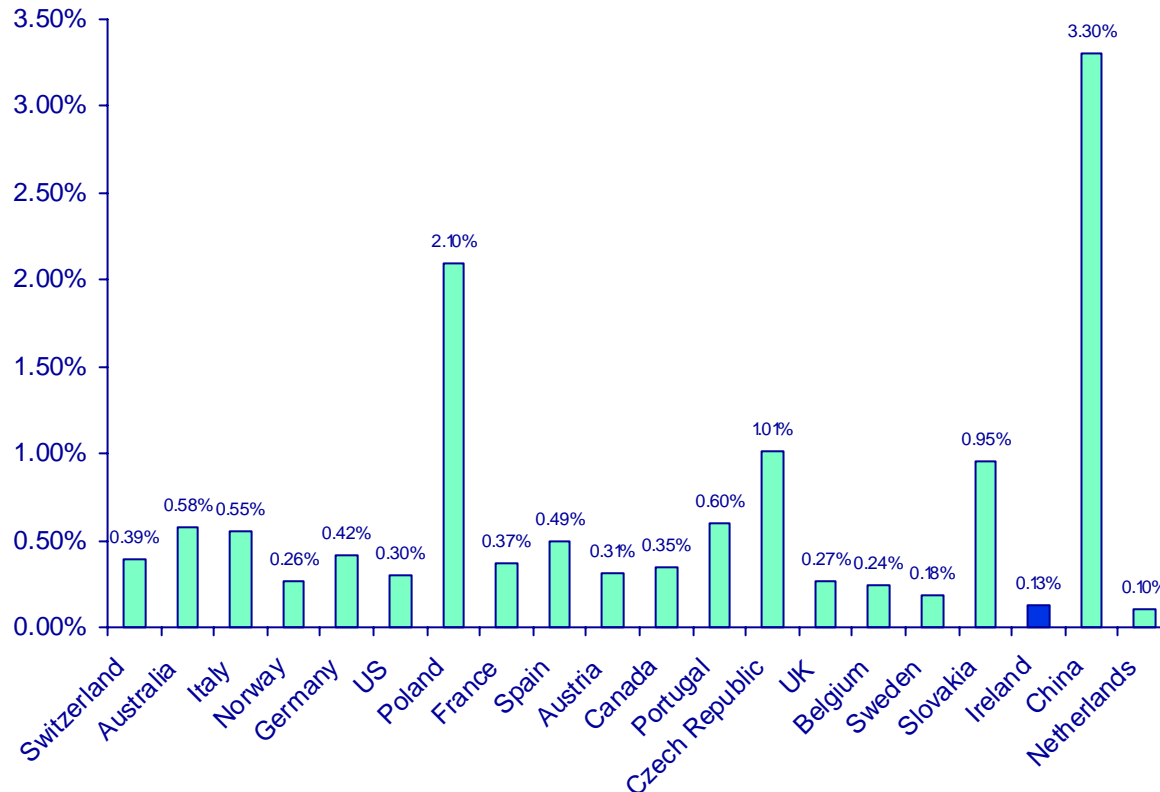
## Commentary

- Ireland's cost of banking is €42<sup>1</sup> vs. the local average of €78
- The cost is significantly cheaper than the UK at €65
  - 35% less than the UK
- Local usage profiles more accurately reflect consumption patterns and thus the real cost of basic banking for domestic customers.
- Cheque usage in Ireland averaged at 48 cheques per year per Irish individual
  - US had the highest cheque usage with 70 per individual per year
  - Note: Ireland charges Stamp Duty for cheques, this is not standard practice in other countries
- Direct debits and standing orders usage in Ireland was higher than cheques
- Surprisingly there is little variation in usage patterns between those Irish banks who charge for both ATM withdrawals at their bank and others, and those who do not charge at all. Withdrawal frequency at other banks ATM's was higher in countries where no charges were applied – for example in Austria, Sweden and the UK.

Source: Capgemini analysis 2005, WRBR 2005

# The cost of banking services in Ireland is also low on a GDP per capita basis compared to other mature markets

Local profile prices of core banking services versus GDP per inhabitant (%)



## Commentary

- Ireland cost as a % of GDP per capita is 0.13%.
- This is half that in the UK at 0.27%
- Some developing countries are very high, e.g. Poland or China, however most mature markets are in the range 0.2% - 0.4%
- Only the Netherlands and Sweden are comparable to Ireland
- Banking services follow the standard industrial development pattern in which relative prices decline with maturity.

Source: Capgemini analysis 2005, WRBR 2005

# Summary

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- The cost of banking in Ireland is well below the average of countries in the survey using a standard global usage profile and on a local basis as well.
  - Ireland's price is €59, less than half of the Euro zone average of €130 (un-weighted)
- On a cost per capita basis, Ireland is among the cheapest in the world.
- Less headroom to major on pricing as an influence of customer behaviour compared to other countries, for the products and services covered.

# Contacts

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Capgemini has developed extensive expertise in retail banking over 30 years. Our professionals cooperate in the firm's global network, serving the world's leading financial services organizations. Through this highly skilled network, our consultants share knowledge, create leading-edge ideas, and establish industry-wide competencies that ensure our clients receive the best possible advice and assistance.

The Group's Retail Banking practice helps clients develop leading innovative strategies. We work side-by-side with our clients to implement successful solutions, including customer relationship management; Internet-based, self-directed, and full-service offerings; front-and back-office systems; straight-through processing; project management; and outsourcing

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