CASE STUDY

Scotiabank

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SCOTIABANK AND PITNEY BOWES BUSINESS INSIGHT: PIONEERING SCIENCE-BASED BRANCH EXPANSION WORLDWIDE.

Challenge

Scotiabank faces the challenge of expanding its branch locations across international geographies and managing these markets remotely, while also being cognizant to the impact of cultural differences.

Solution

Pitney Bowes Business Insight location intelligence technology supports Scotiabank's aggressively expanding international division to manage the complex business challenges associated with its site selection strategies. Pitney Bowes Business Insight enables Scotiabank to make more insightful decisions regarding customers, prospects, assets, competitors and new markets.

SUMMARY

Scotiabank, Canada's international bank, employs nearly 56,000 individuals, and along with its affiliates, serves upwards of 10 million customers in approximately 50 countries around the world. In addition to investment banking, Scotiabank offers a full range of products and services to meet personal banking needs as well as those of small and medium-sized companies, and large corporations. With $365 billion in assets, Scotiabank trades on the Toronto and New York Stock Exchanges.

For the past several years, Scotiabank's international division has been quickly expanding its reach throughout Central and South America, Mexico, the Caribbean and other geographies across the globe. These site expansion projects have caused the bank to grow exponentially in a short amount of time. For example, Scotiabank currently has plans to open approximately 100 branches per year in Mexico, according to Jean-Marc Astolfi, Director, Branch Network Delivery, International Division, Scotiabank.

Opening a single branch can cost well over a million dollars, and potentially more, if the location fails to flourish. The rapid rate at which Scotiabank is growing its international network has caused this financial risk factor to skyrocket. The diverse geographies, cultures and economies to which the bank enters also pose a challenge. Scotiabank executives need to address hundreds of distinct and varied market needs. With no room for error, Scotiabank turned to location intelligence technology from Pitney Bowes Business Insight to provide the added

science it needs to streamline and support the strategic planning and decision making process for de novo expansion.

"We were looking for optimization software to manage and expand a large portfolio," says Astolfi. "We did not have the resources to do it alone." Andrew Cowie, Director, Strategic Branch Network Services at Scotiabank adds, "We came to the realization that there was a massive amount of data to plow through and we needed an easier way to do it."

RESULT

In the mid-1990's, Scotiabank began using WinSITE predictive market simulation model to analyze an array of demographic and regional data in order to successfully expand its footprint internationally. Based on Scotiabank's unique business goals, the financial experts at Pitney Bowes Business Insight customized individual market expansion strategies by combining demographic, geographic, competitor and customer account data, long with extensive consumer behavior models. Armed with this information, Scotiabank gained answers to expansion challenges from a single desktop application. No additional hardware was needed to support the implementation.

Astolfi explains that the WinSITE model takes into consideration cultural and economic intricacies in an area, such as segments of the Mexican population that do not engage in banking activities, and seamlessly adapts its predictions to properly offset these factors.

Often times, Scotiabank's strategy includes capitalizing on major urban areas, such as the cities of Guadalajara, Monterey and Mexico City. In these cases, Scotiabank calls on Pitney Bowes Business Insight to help it understand the markets and to pinpoint physical plots of land that will allow the bank to profit as the economies grow. WinSITE offers rich information on product purchase trends, including the overall volume of various consumer and small business banking products, as well as competitor activity—the predicted share of the line of business held by each branch within a market.

According to Astolfi, "WinSITE is masterful at analyzing hundreds of variables to quickly identify the top sites for consideration. WinSITE helped us to quickly obtain a snapshot understanding of all markets from a remote location. We did not have to send people out to investigate areas that were not intuitive to us."

Still, Scotiabank does involve local management in the decision-making process. Once WinSITE indicates that a certain market has high potential, Scotiabank communicates this knowledge to local branch leaders and ask for their "on-the-ground intelligence." Local managers then drive to the sites mapped out by WinSITE and add first-hand input on the physical details.

"Pitney Bowes Business Insight has been effective at getting management out to markets that had not been on their radar screen before," say Astolfi. "Cases have occurred where local management had thought that a market was not ready for a branch, although the WinSITE model said otherwise. When management went out

and took another look, they agreed with Pitney Bowes Business Insight that the market was indeed ready."

Astolfi explains that the WinSITE model takes into consideration cultural and economic intricacies in an area, such as segments of the Mexican population that do not engage in banking activities, and seamlessly adapts its predictions to properly offset these factors. Additionally, Astolfi notes that Pitney Bowes Business Insight has expanded Scotiabank's concept of a 'bankable population.' In the beginning stages of its Mexican expansion, Scotiabank focused on top economic tiers. Yet, Astolfi says, "WinSITE suggested that there was potential in a low economic market with a large population." Pitney Bowes Business Insight has assisted the bank's thought process and enabled successful placement of branches in certain lower economic areas.

Scotiabank says the benefits of Pitney Bowes Business Insight location intelligence technology are immediate and future plans will continue to be made in tandem with the expertise gained from using WinSITE. According to Richard Stokes, Senior Manager, Strategic Branch Network Services, at Scotiabank, "Mexico City is an extremely complicated market to master and the chances of making a mistake are high and could be very costly to the bank. In tracking the success of the branches that we've opened in Mexico City, they are doing well by the standards the bank has set for payback and performance. We don't believe we have made any mistakes in Mexico City and that underscores the vast benefits of Pitney Bowes Business Insight WinSITE."

UNITED STATES

One Global View
Troy, NY 12180-8399

main: 518.285.6000
1.800.327.8627
fax: 518.285.6070

pbbi.sales@pb.com
www.pbinsight.com

CANADA

26 Wellington Street East
Suite 500
Toronto, Ontario
M5E 1S2

main: 416.594.5200
fax: 416.594.5201

pbbi.canada.sales@pb.com
www.pbinsight.ca

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