



Marketing Risk

Summary

Banks are on their best behaviour. If you believe all the newspaper ink on risk management in banks, you would expect they are keen to announce their superior risk management capabilities from the rooftops. Reality is otherwise. Judging from a sample of sixteen publicly accessible bank websites, most of them bury the risk information deep down. Sometimes it can only be found by those eager enough to trawl through the annual report. Apparently, risk management is not seen as a marketing tool or of interest to the casual browser.

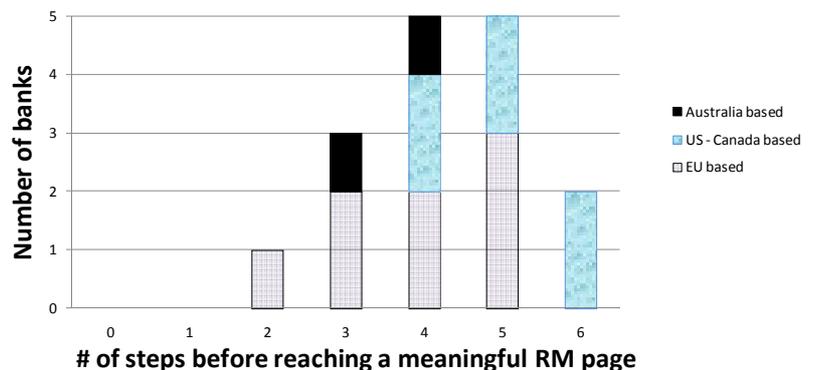
Dear reader,

Banks are in the public eye and are putting on their most innocent face. If you believe all the statements on ‘culture change’, ‘improved risk focus’, and ‘prudential banking’, you would believe that risk rather than profit is on now the top priority for banks. But maybe these statements are not totally heartfelt. Let’s see how banks are positioning themselves by what they say about risk management on their own websites. The scope was a selection of sixteen large banks¹ that were examined for their web content regarding risk related issues. The analysis looks at three aspects: a) the distance to the risk pages, b) the path towards the risk pages and c) the content of the risk pages.

a) The distance to risk pages

Lets start with a simple statistic for “the risk distance”. It is calculated by the number of clicks you need to make before you hit a page that tells you something meaningful about the risk management of the bank. Zero would mean the opening page discusses risk,

zero would mean that the home page talks about risk, a score of three would imply three successive clicks, i.e. three steps from the home page. Here are the results for all sixteen banks and split by home base of the bank involved (i.e. nine European, two Australian and five US-Canadian banks)



It takes a minimum of two steps to reach a meaningful page on risk management and a maximum of six. On average, it works out as 4.25 clicks, which is a rather disappointing result. The geographical distribution shows that the two Australian based banks require three of four steps, giving the lowest average of 3.5 steps. The EU-based banks require slightly more, namely 3.875

¹The selected banks are the largest by assets in Europe (HSCB, Lloyds TSB, RBS, Santander, Rabo Bank, ING, BNP Parisbas, UBS, Credit Suisse), Australia (Westpac, ANZ) and America/Canada (Citibank, JPMorgan Chase, Bank of America, Wells Fargo, RBC). In total nine European, two Australian and five US/Canadian based banks.



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steps on average while the US-Canadian based banks average five steps, all of them requiring 4 steps or more.

b) The tortuous path towards the risk pages

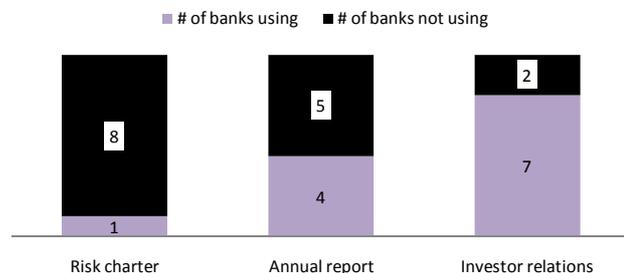
The next thing to examine is how to get to the risk page. This was perhaps the most revealing outcome. Since risk is not mentioned on the home page, we need to make an educated guess how to navigate to the page where that kind of information might be placed. There appears to be no obvious place, although there is a pattern. The best option turns out to be to go via any link that says “Investor relations” (twelve out of the sixteen sites). The somewhat less successful route follows a “Corporate Governance” tab (five sites). You may be surprised to learn that “Annual report” is sometimes the only place where risk material can be found (nine out of sixteen).

It turns out that the banks consider risk information to be relevant for investors, rather than for their customers or the general public. In fact, the risk management page is the least accessible on bank sites that focus on customers (you will find scores of pages on products, prices, sales talk etc, but nothing on risk until you manage to locate the annual report).

c) The content of the risk pages

So what do we find once we arrive at the risk pages? Again, it varies by home base. We found the most diversity among European based banks, as shown in the graph to the right². What is remarkable is that all US-Canadian based banks list the risk charter, but only one European and one Australian bank. The risk charters themselves are also of varying detail. Ranging from a just a single page, to sometimes 15 pages of text.

How European banks provide risk data on their website



It is worthwhile to note that the nine banks that rely exclusively on the annual-report for the risk information have not gone through the trouble of spelling out risk on their web-pages, nevertheless do provide sound information. It is just not very likely that the average consumers will ever see it.

Conclusion

Risk (management) does not feature prominently on the public web pages that banks use to present themselves. It takes an average of between four and five clicks from the home page to even reach a meaningful page on risk management. Most strikingly, the information is often available only through an ‘investor relations’ page, suggesting that banks believe that investors, rather than clients are interested in risk. It will be interesting to see if that attitude survives the next dip.

² Since all US-Canadian based banks rely on the Annual report and all of them navigate towards the report via an “Investor relation” page, and conversely no Australian bank does either, they have been excluded from the graph.