

# Window on the Future

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# WINDOW ON THE FUTURE 2018

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In Search  
of  
Customers

Delivering  
Customer  
Outcomes

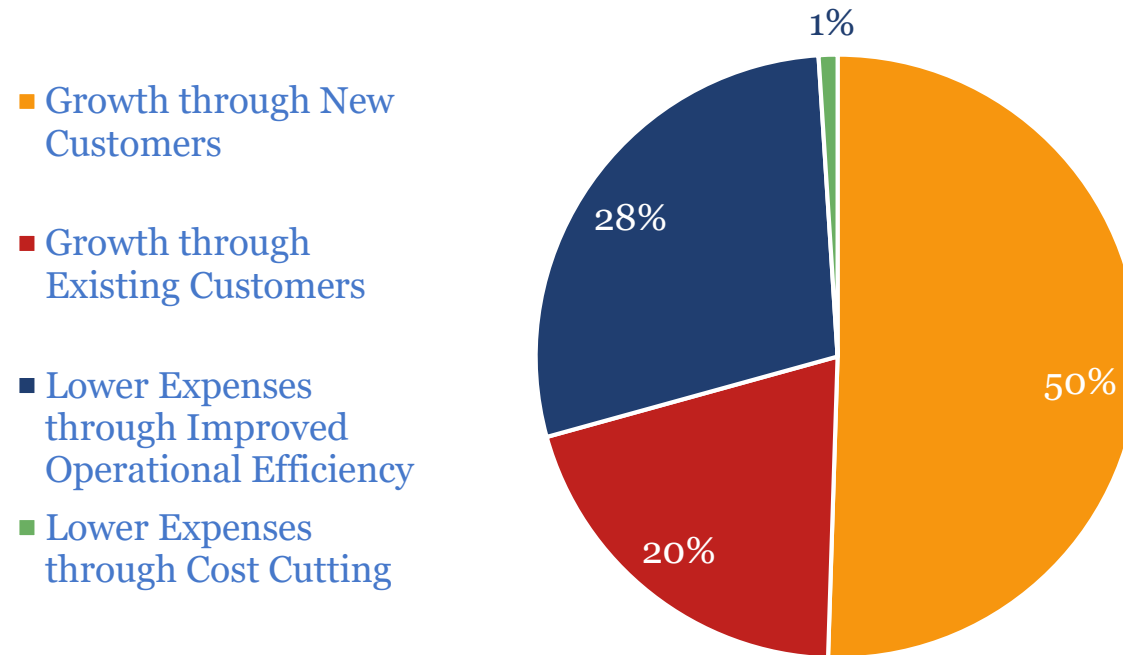
Key Takeaways

- Data-Enabled Insight
- Reevaluating Product
- Future of the RM

# TO-DO: GROWTH THROUGH ACQUISITION

Top Economic Priorities for Commercial Banking in 2018

*Percentage of Respondents*

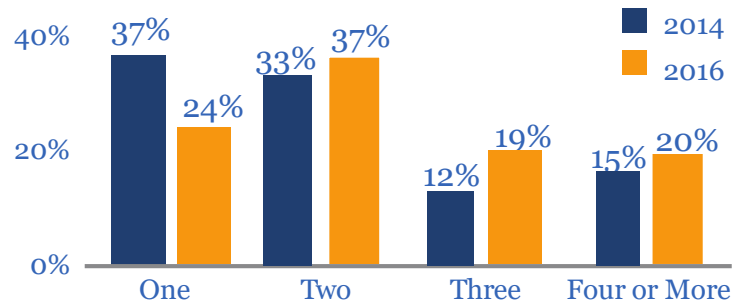


N = 88.

Source: CEB 2018 Commercial Banking Agenda Poll.

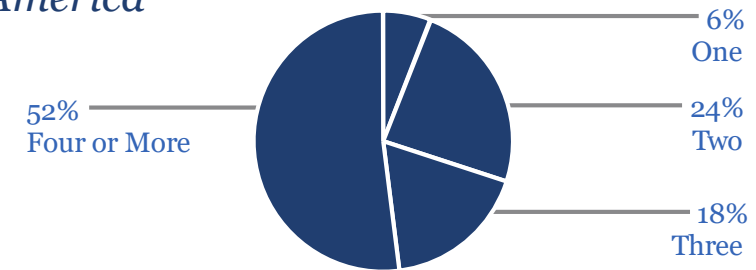
# TO-DO: GROWTH THROUGH ACQUISITION

Number of Financial Providers  
Percentage of Respondents, Business Owners, North America



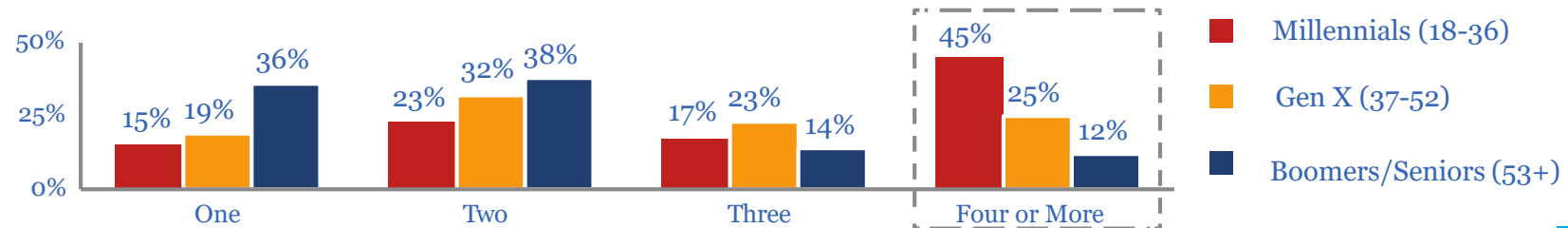
n = 533 (2014); 545 (2016).  
Source: 2014–2016 CEB Survey of Business Owners. Note: Totals may not equal 100% due to rounding.  
<sup>a</sup> Business owners are customers whose businesses have between \$500,000 and \$20 million in annual revenue.

Number of Financial Providers  
Percentage of Respondents, Middle Market Clients, North America



n = 201.  
Source: 2016 CEB Financial Services Survey of Middle Market Clients.  
Note: Middle market clients are customers whose businesses have between \$20M and \$1B in annual revenue.  
<sup>a</sup> Middle market clients are customers whose businesses have between \$20 million and \$1 billion in annual revenue.

Number of Financial Providers, By Age Cohort  
Percentage of Respondents, Small Business and Business Banking



N = 945 (Millennials); 645 (Gen X); 309 (Boomers/Seniors).  
Source: CEB 2016 Survey of Business Owners

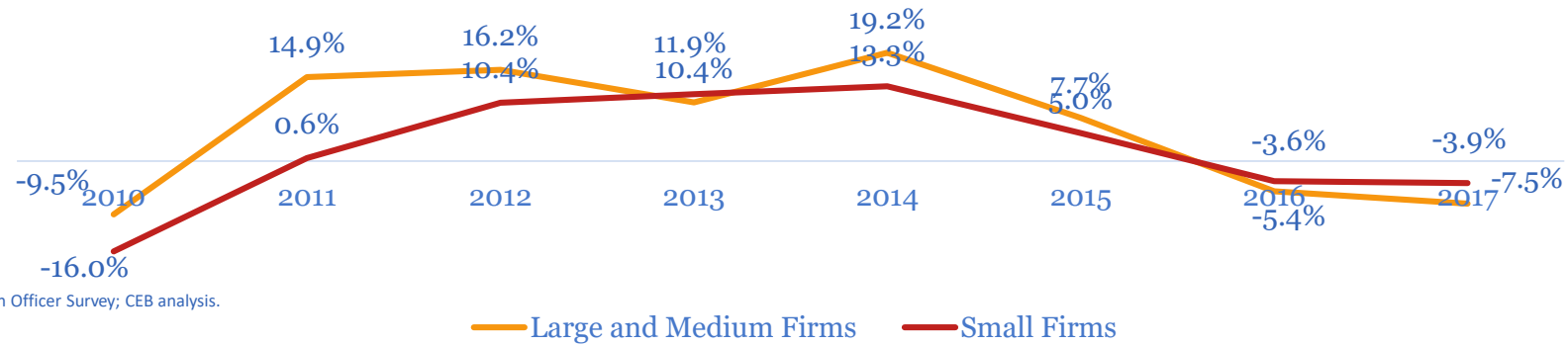
# A SLUGGISH LENDING ENVIRONMENT

## Loan Growth *Illustrative*



Source: Federal Reserve Senior Loan Officer Survey; CEB analysis.

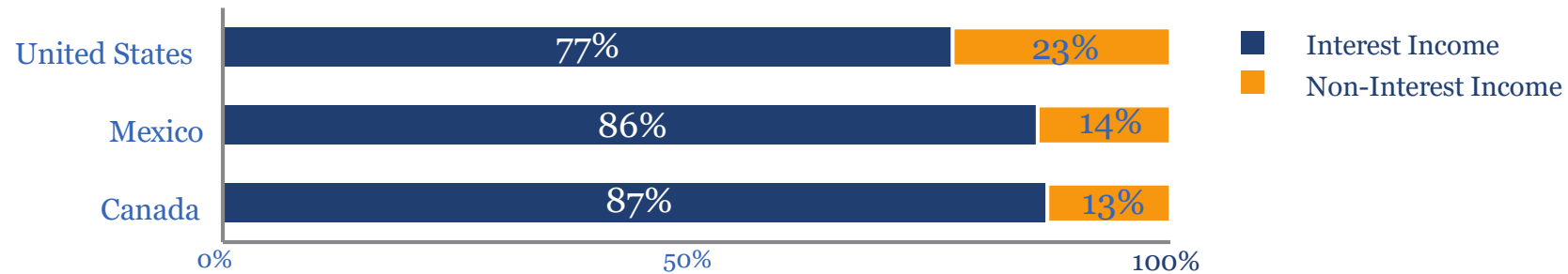
## US Demand for Commercial and Industrial Loans *Net Percentage of Senior Loan Officers Reporting Stronger Demand (Negative Figure Indicates Weakening Demand), 2010-2017*



Source: Federal Reserve Senior Loan Officer Survey; CEB analysis.

# VULNERABLE IN OUR CORE SOURCE OF INCOME

## Interest Versus Non-Interest Income *Percentage of Total Bank Income*



Source : [https://geofred.stlouisfed.org/map/?seid=DDEIo3USA156NWDB&utm\\_source=series\\_page&utm\\_medium=related\\_content&utm\\_term=related\\_resources&utm\\_campaign=geofred](https://geofred.stlouisfed.org/map/?seid=DDEIo3USA156NWDB&utm_source=series_page&utm_medium=related_content&utm_term=related_resources&utm_campaign=geofred).

“Pursuing non-interest income is going to be a very difficult job [for banks]. Everyone lives on loans. But there’s pressure there, so how do you make it up?”

SVP, Commercial Banking

“Our business revolves around a product that is irrelevant for at least 50% of customers. And for the rest, there are many more options.”

SVP, Small Business

“With loan growth waning, what’s the step for the next three to five years?”

Executive, Commercial Banking

“We have an enormous capacity to lend in a market with shrinking demand.”

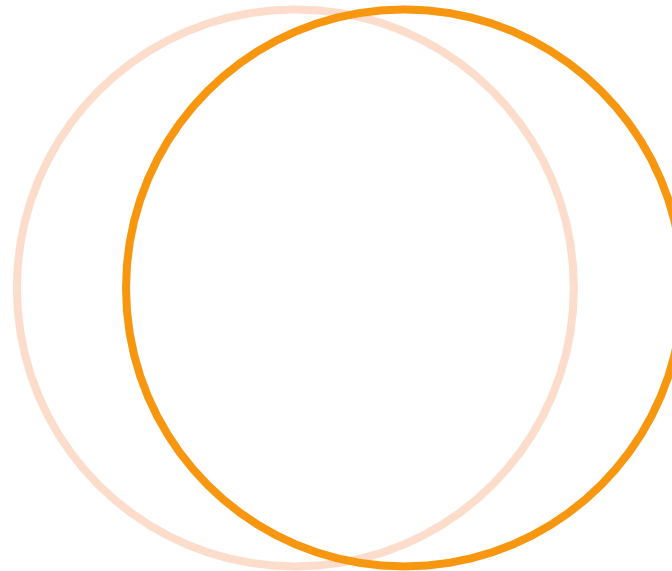
Head of SME

# WHAT CUSTOMERS USED TO WANT: WE DELIVERED

The Overlap Between What Customers Valued and Banks Offered  
*Illustrative*

## Customers Valued:

- Access to financing
- Local presence
- Relationship with staff who could provide reliable service support and match needs to products



## Banks Offered:

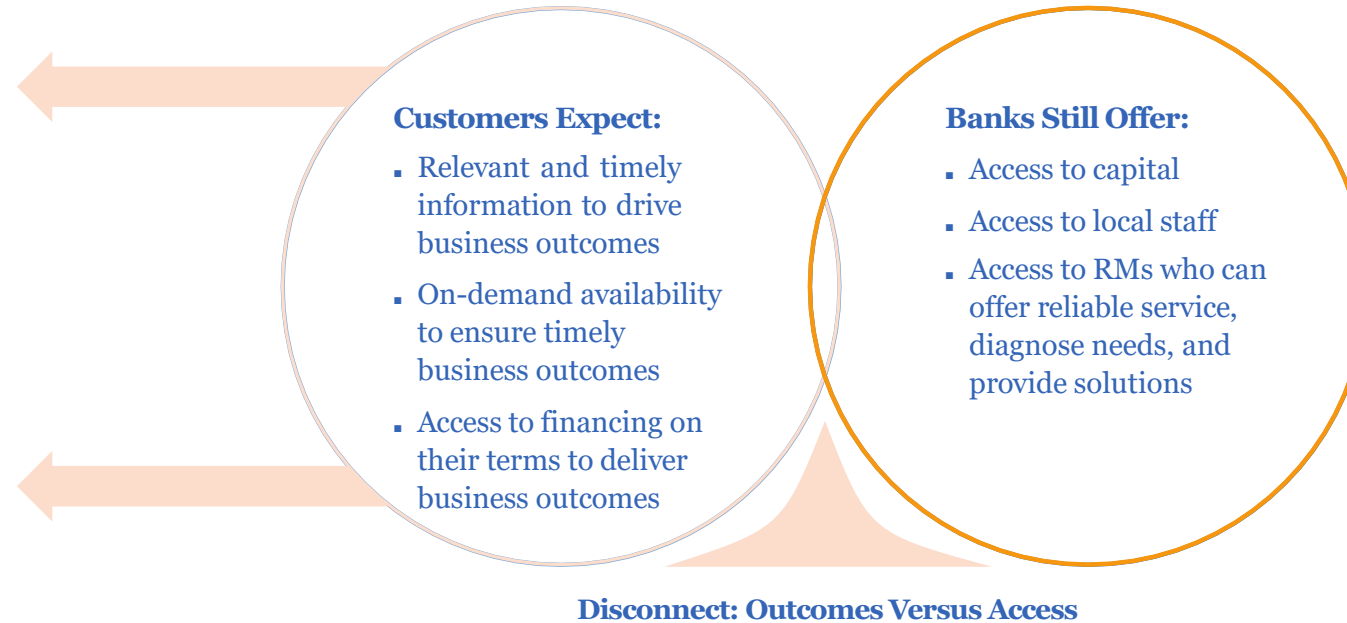
- Access to capital
- Access to local staff
- Access to RMs who could offer reliable service, diagnose needs, and provide solutions

Aligned Around Access

Source: CEB analysis.

# WHAT CUSTOMERS WANT NOW: OUTCOMES

Current Disconnect Between What Customers Expect and What Banks Offer  
*Illustrative*



Source: CEB analysis.



# WINDOW ON THE FUTURE 2018

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**Delivering  
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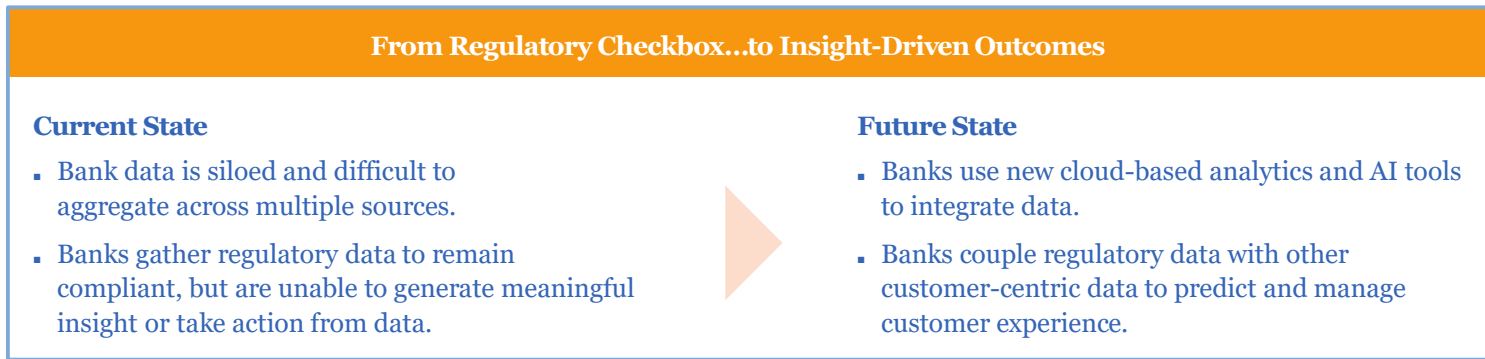


Key Takeaways

- Data-Enabled Insight
- Reevaluating Product
- Future of the RM

# A SHIFT TO DATA-ENABLED INSIGHT

You're Asking: How do I use data and analytics to help deliver customer outcomes?



**Data-Enabled Insight**

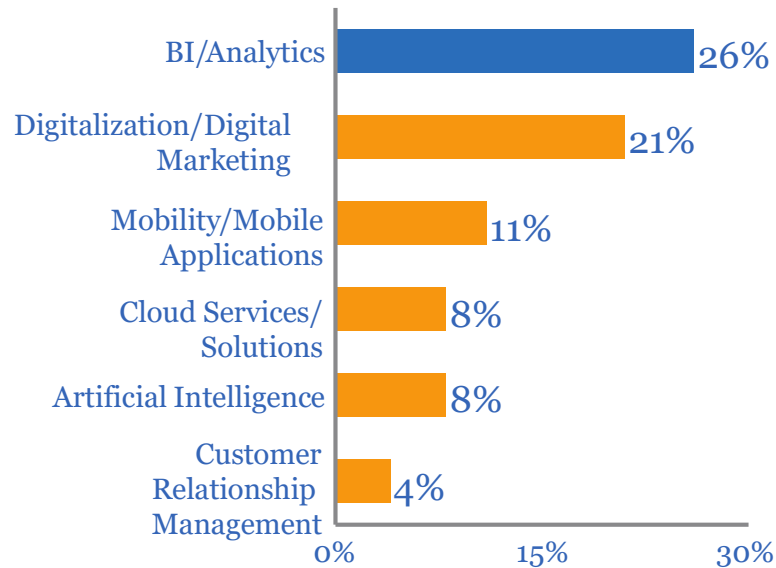
Reevaluating Product

Future of the RM

# YOU KNOW ANALYTICS IS NECESSARY TO WIN

Q: “Which Technology Areas Do You Think Are Most Important to Helping Your Organization Differentiate and Win (Achieve Your Mission)?”

Percentage of Respondents

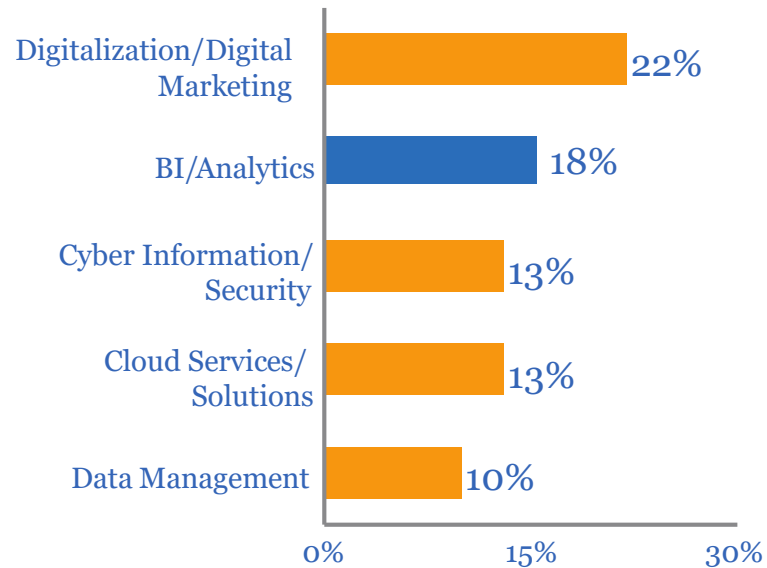


n = 315.

Source: Gartner 2018 CIO Agenda: Banking and Investment Services Industry Insights.

Q: “What is the Technology Area Where Your Organization As a Whole Will Be Spending the Highest Amount of New or Additional Funding in 2018?”

Percentage of Respondents



n = 305.

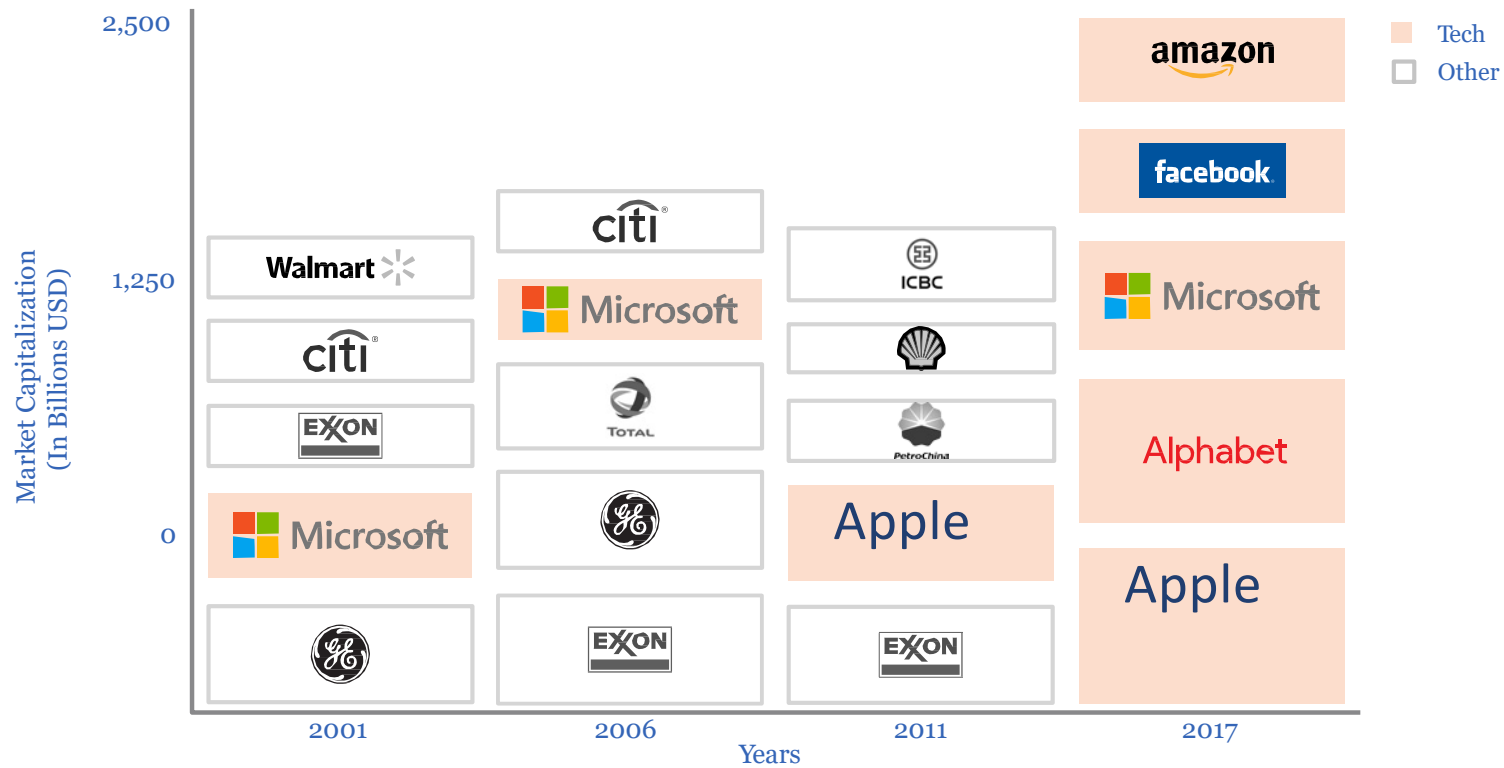
Source: Gartner 2018 CIO Agenda: Banking and Investment Services Industry Insights.

“We have more data than anybody...and that...data is a huge advantage. If you can’t see that advantage happening [at your bank]...I’d almost look at what your options are, because five years from now, I worry about your company.”

- North American Commercial Bank EVP

# DATA FUELS TODAY'S BIG PLAYERS

Top Five Publicly Traded Companies by Market Capitalization (2017)

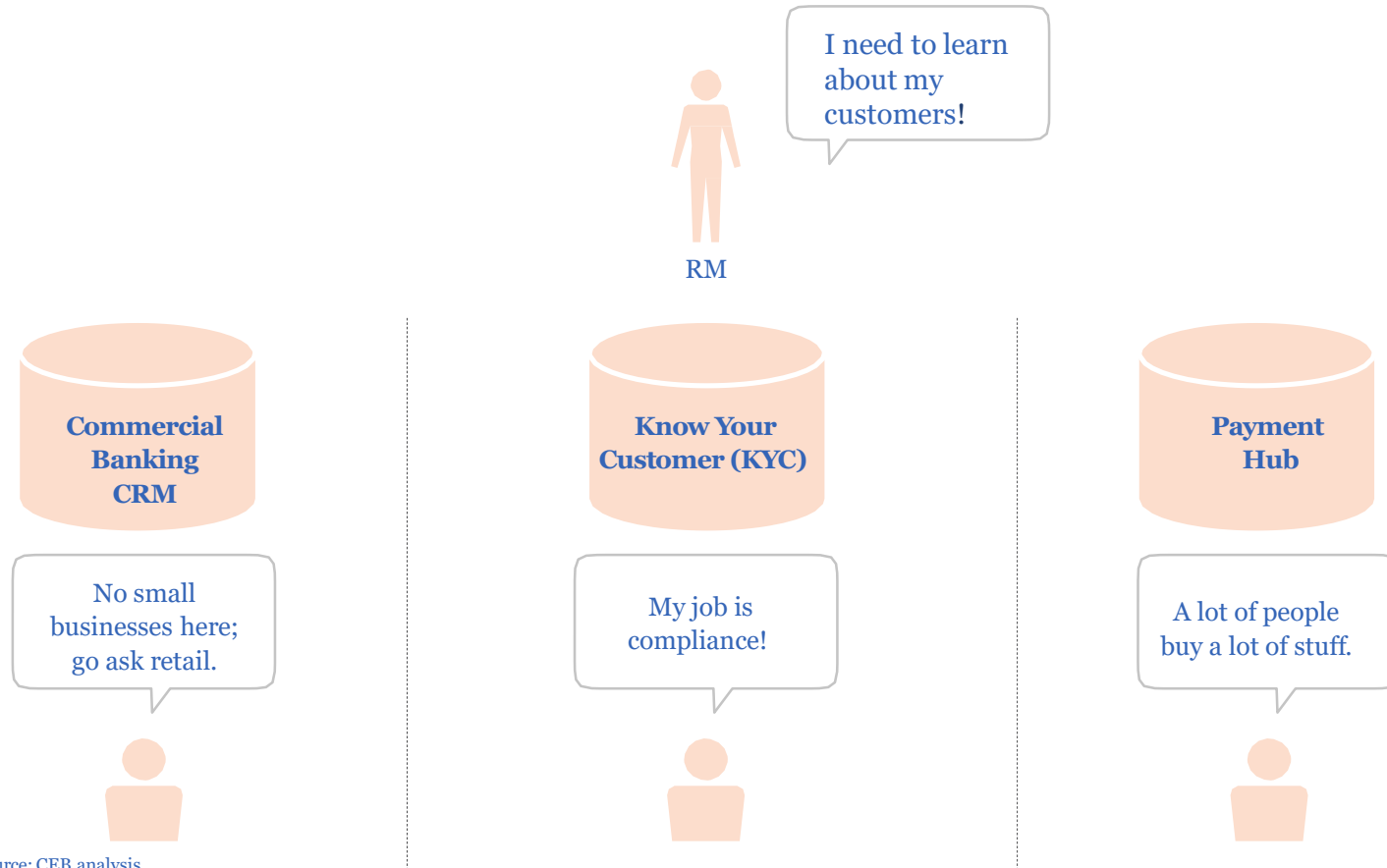


Source: <http://www.visualcapitalist.com/chart-largest-companies-market-cap-15-years/>.

<sup>a</sup> As of 24 October 2017.

# TODAY: SILOS INHIBIT INSIGHT AND ACTION

## Representative Challenges from a Siloed Approach to Data Management

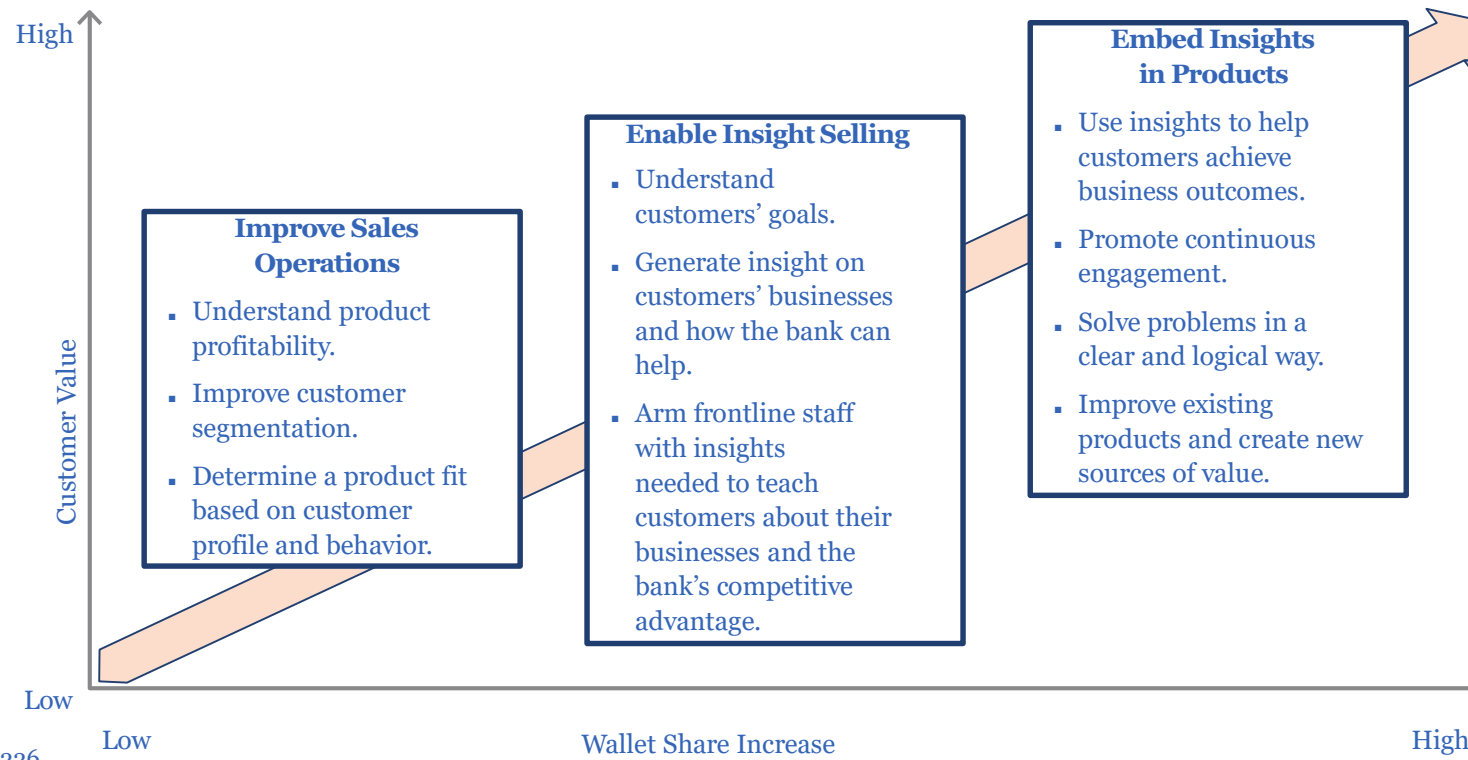


Source: CEB analysis.

# A NEW ROLE FOR DATA

## Three Ways Data Drives Customer Value

Only 11% of banks report having a mature data analytics strategy that is used on a regular basis when making business decisions.

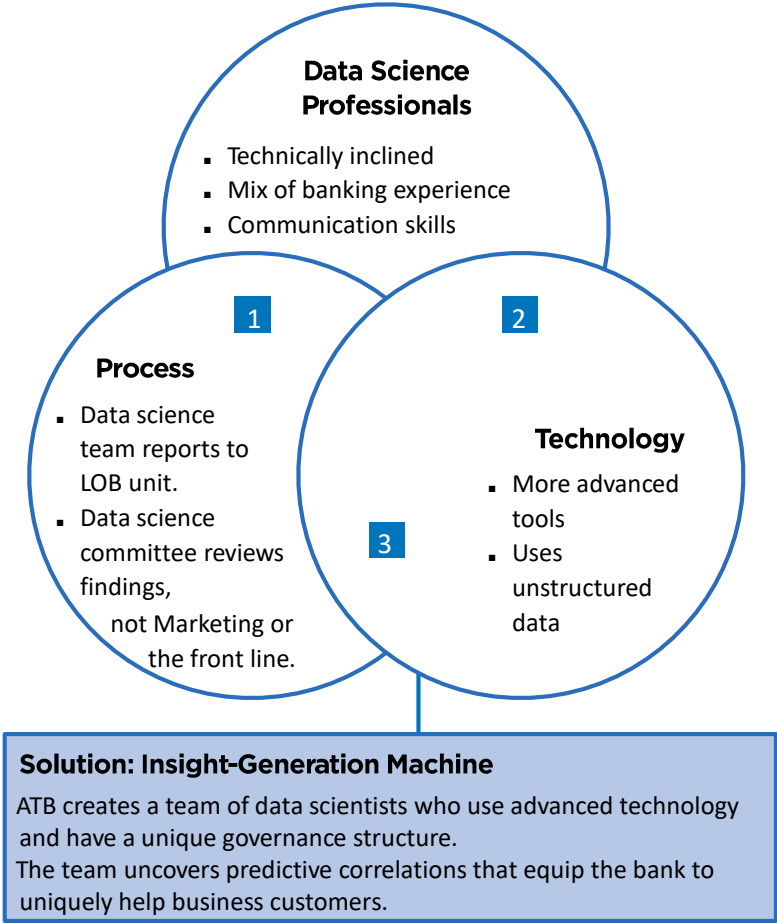


n = 226.

Source: CEB 2016 Financial Services Technology Survey.

# STRUCTURING A DATA SCIENCE TEAM

Essential Components of Data Science Team  
*Illustrative*



Source: ATB Financial; CEB analysis.

- 1 Problem: Underused Professionals**  
 Data science teams without proper technology do not have the ability to use the vast data resources that the bank already possesses.
- 2 Problem: Unrecognized Data Insights**  
 Data science teams with technology but without proper processes do not have the institutional support necessary to convince Marketing and the front line of their findings' validity.
- 3 Problem: Underused Infrastructure**  
 Banks with proper processes and advanced technology are not able to reap the benefits of either if they do not hire data science professionals capable of maintaining, synthesizing, and communicating the findings.

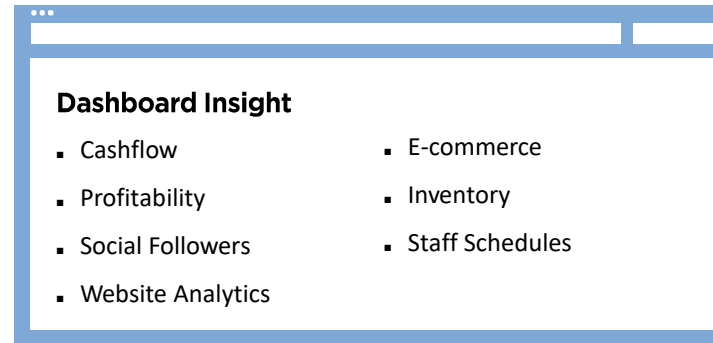
# DATA-ENABLED INSIGHT IN PRACTICE

Barclay's Smartbusiness Dashboard

*Illustrative*

## Data Inputs

- Box
- Shopify
- Google Analytics
- Facebook
- Office 360
- Xero



Source: <https://www.maparesearch.com/smes-have-been-waiting-for-barclays-smartbusiness-dashboard>

“Busy business owners shouldn’t have to spend time sorting through different spreadsheets, reports or switching between apps—we’ve created a tool to give businesses time back—and this is an efficient way to run and grow their business.”

Ian Rand

CEO Barclays Business Banking



# A SHIFT IN THE DEFINITION OF PRODUCT

You're Asking: How can I create products that help my customers achieve their business outcomes?



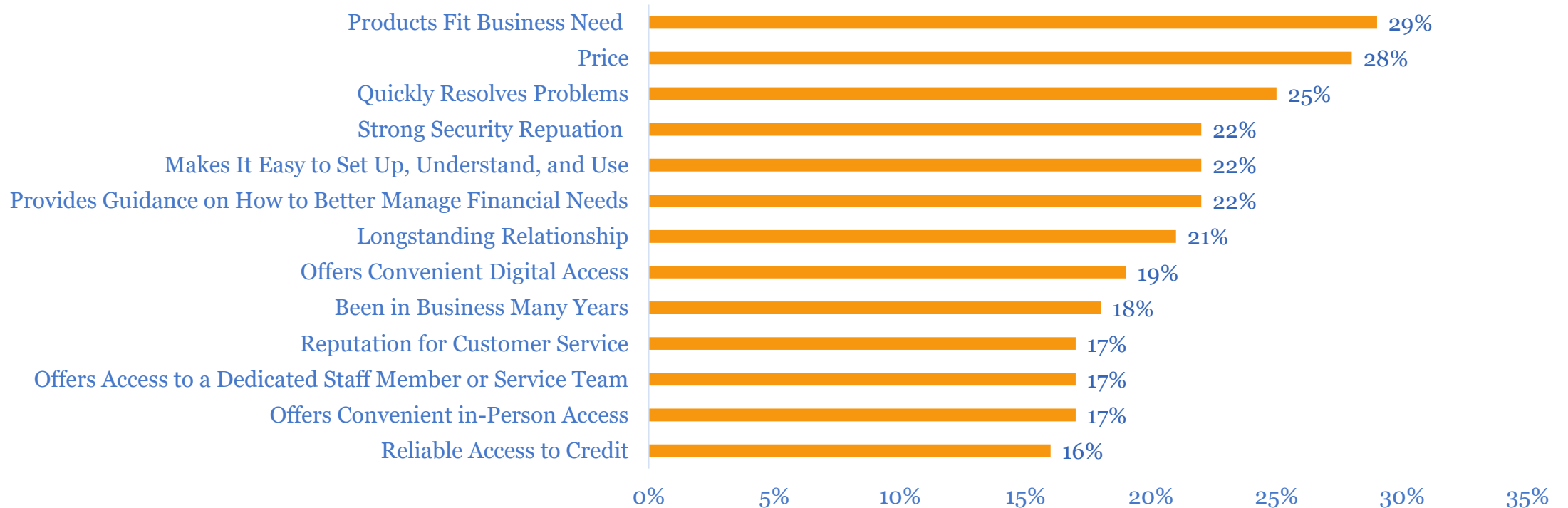
Data-Enabled Insight

**Reevaluating Product**

Future of the RM

# CUSTOMERS SELECT BANKS ON PRODUCT

Reason for Middle Market Selection  
*Percentage of Respondents, Global*

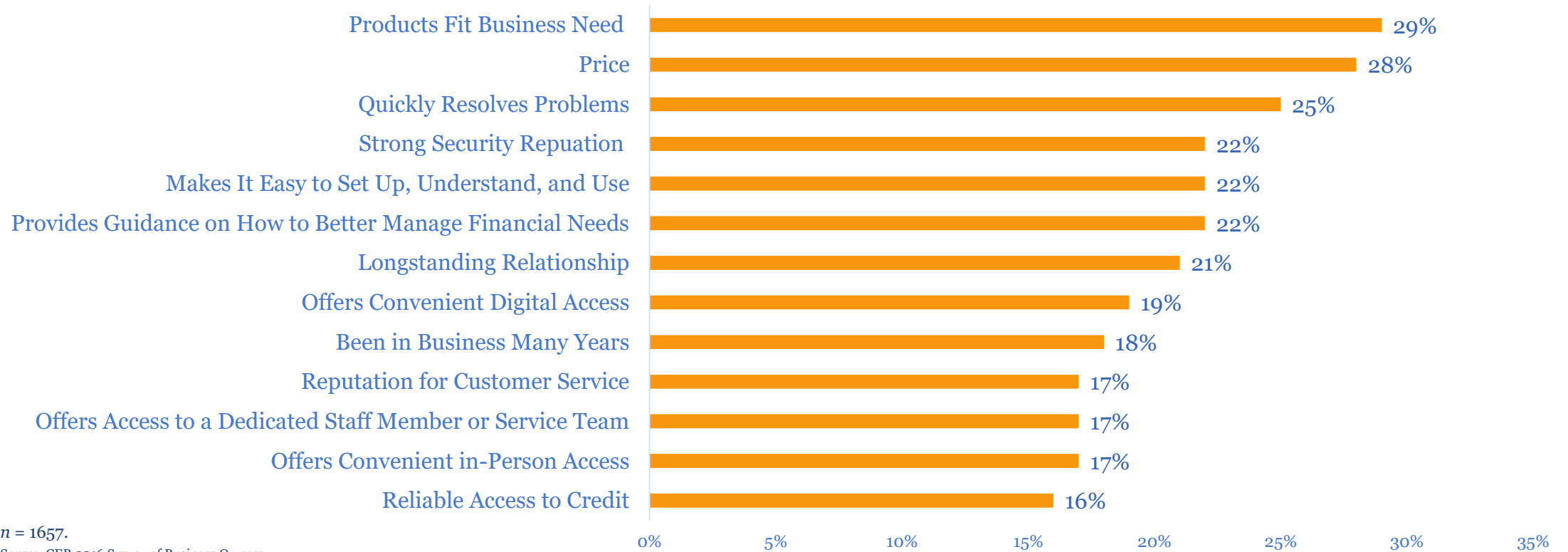


n = 402.

Source: CEB 2016 Survey of Business Owners.

# CUSTOMERS SELECT BANKS ON PRODUCT

## Reason for Small Business Provider Selection *Percentage of Respondents, Global*



n = 1657.

Source: CEB 2016 Survey of Business Owners.

# THE NEW DIMENSIONS OF PRODUCT

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## Focus of Future Products *Illustrative*

### Digital Format and Delivery

- Provides independent/stand-alone value
- Enhanced convenience
- Low friction

#### Purpose

Cost of competing in new, digital environment

Source: CEB analysis.

### Customer-Outcomes Oriented

- No longer dependent on RM
- Oriented toward and embedded in client workflow
- Helps make businesses more efficient or effective

#### Purpose

Primary source of value/differentiation

### Available Continually

- Always available to customers
- Help customers achieve goals or results on an ongoing basis

#### Purpose

Close the deal (repeatedly)

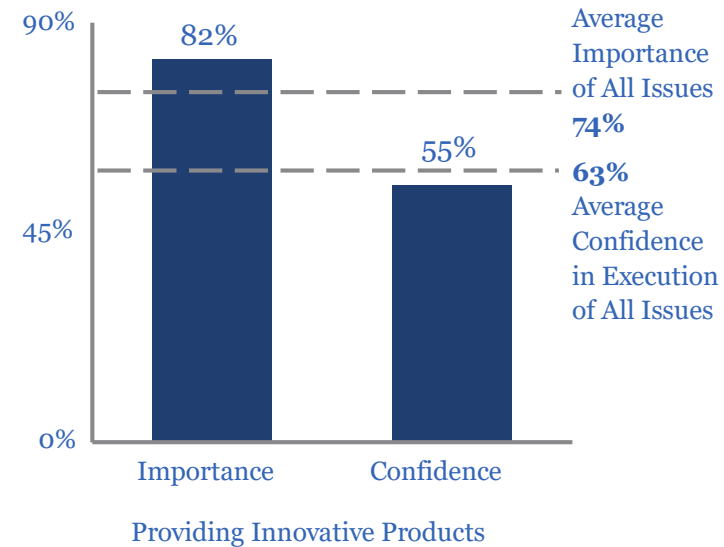
# THE COMMODITY TRAP

## Commercial Banks as Commodities *Illustrative*



Source: CEB analysis.

## Executives Rating Issue as Important, Versus Confidence in Execution, 2018 *Percentage of Respondents*



n = 93-104.

Source: CEB 2016 Commercial Banking Leadership Council Agenda Poll.

“It’s really hard to differentiate. Spreads are narrowing, structures have been loosened. So, what can we bring to the client at this point in the cycle?”

Commercial Banking Executive

# CLIENT VALUE: OPPORTUNITY TO ACHIEVE GOALS

Opportunity Network Customer Journey  
*Illustrative*

## What It Is



### Business Opportunity Matchmaking

A B2B company and investor networking platform that uses a proprietary algorithm to anonymously match user's strategic preferences with current commercial trade deals and/or capital-related opportunities on the platform.

Source: Citizens Bank; Opportunity Network; CEB analysis.

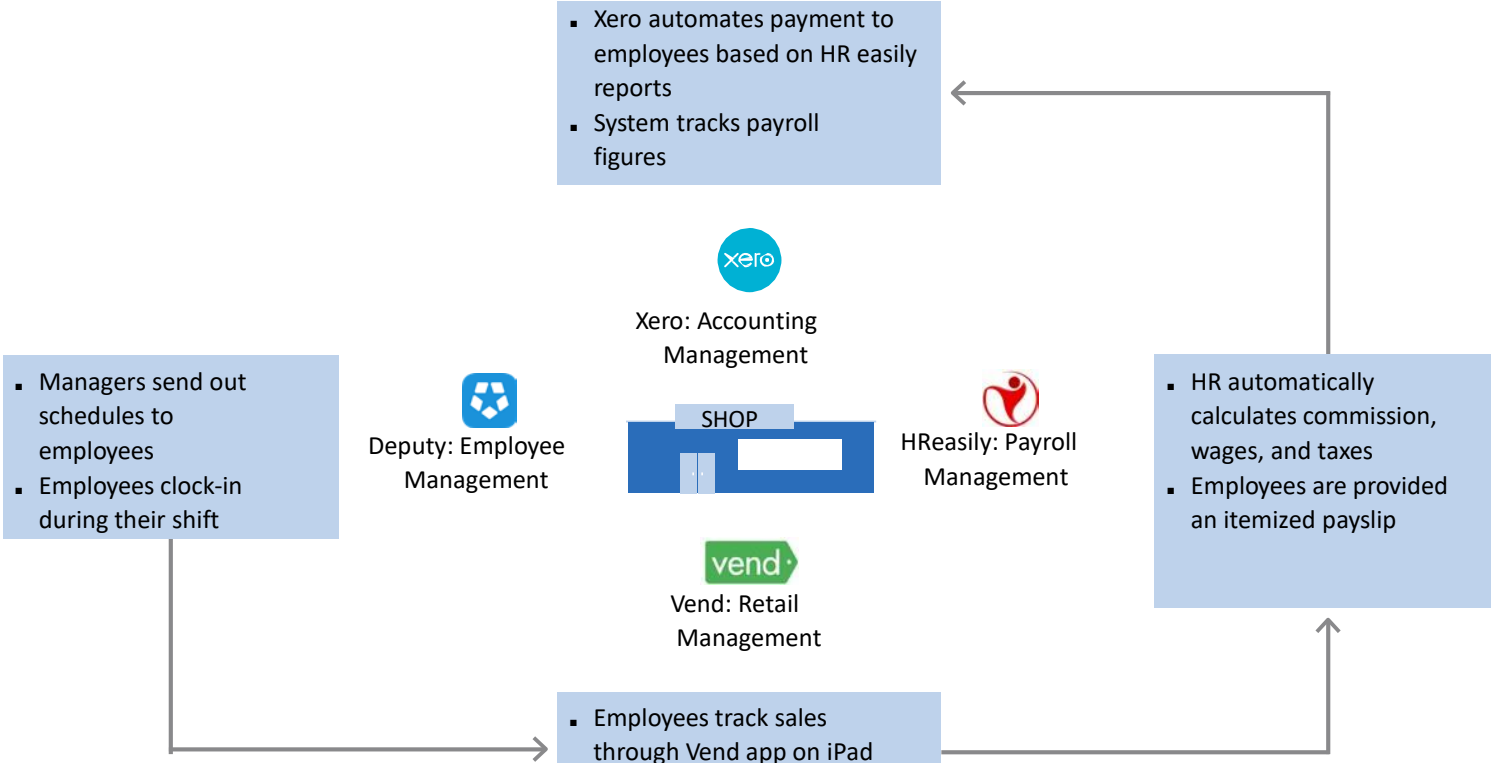


## How It Works

Example Industry: Food and Beverage	
Client Goal	Anonymous Platform Opportunities
Expand Industry Community	Trader seeks suppliers of chicken grillers
Discover New Sales Channels	Premium spirits producers seeking to import in North and South America
Enhance Existing Supplier or Distributor Networks	Seeking distributors for natural artesian water
Identify New Trends or New Business Opportunities	Filtration solution provider for the F&B industry seeks projects

# UOB'S BIZSMART SOLUTION

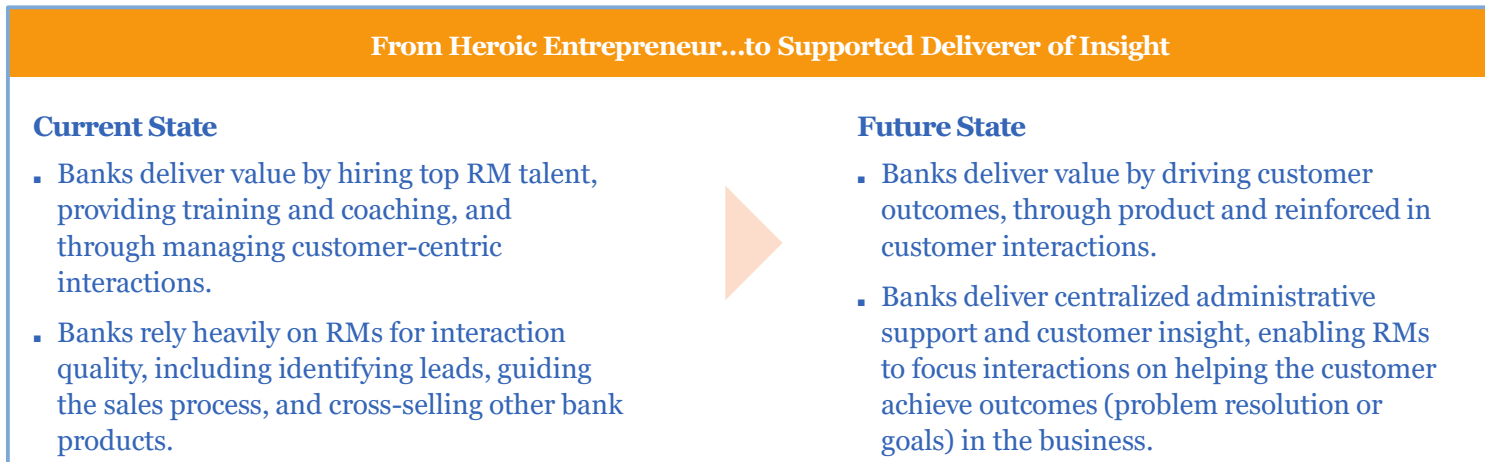
Integrated Payroll, Accounting, Inventory, and Human Capital Solution  
*Illustrative*



Source: United Overseas Bank Limited Co. "How BizSmart Works," 2017, <http://www.uobgroup.com/business/BizSmart/index.html>; CEB analysis.

# A SHIFT IN THE RM ROLE

You're Asking: How can my RMs help customers achieve their desired business outcome?



Data-Enabled Insight

Reevaluating Product

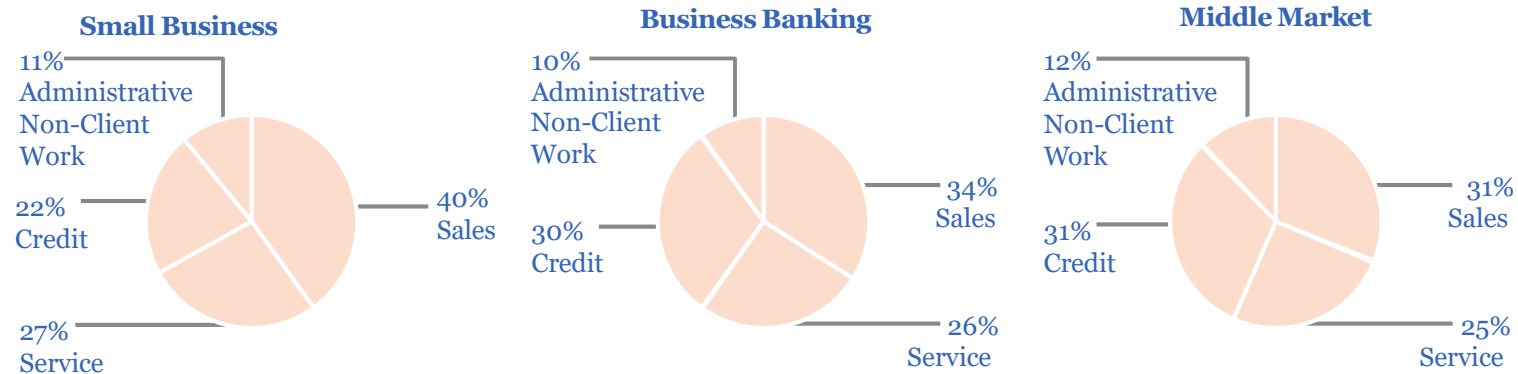
**Future of the RM**



# TODAY: A LITTLE BIT OF EVERYTHING

## Overall Time Spend

*Percentage of Time Currently Spent on Activities*



*n* = 949 (Small Business), 956 (Business Banking), 835 (Middle Market).

Source: CEB 2014 Commercial Banking Sales Force Assessment.

## Traditional RM Responsibilities

*Illustrative*

### **Top 10 Bank** (Job Description)

Develops, manages and retains high value business banking relationships and brings new business relationships to the bank. Focus is on service-oriented culture and criss-sell/other revenue enhancing activities. **Responsibilities include: managing loan and portfolio credit quality, sourcing prospects and developing new customer relationships, providing financial advice to customers, selling appropriate bank products and services to those prospects and clients, identifying and successfully capitalizing on cross-sell opportunities and making appropriate referrals.**

Source: CEB Analysis

# TECHNOLOGY FREES UP TIME

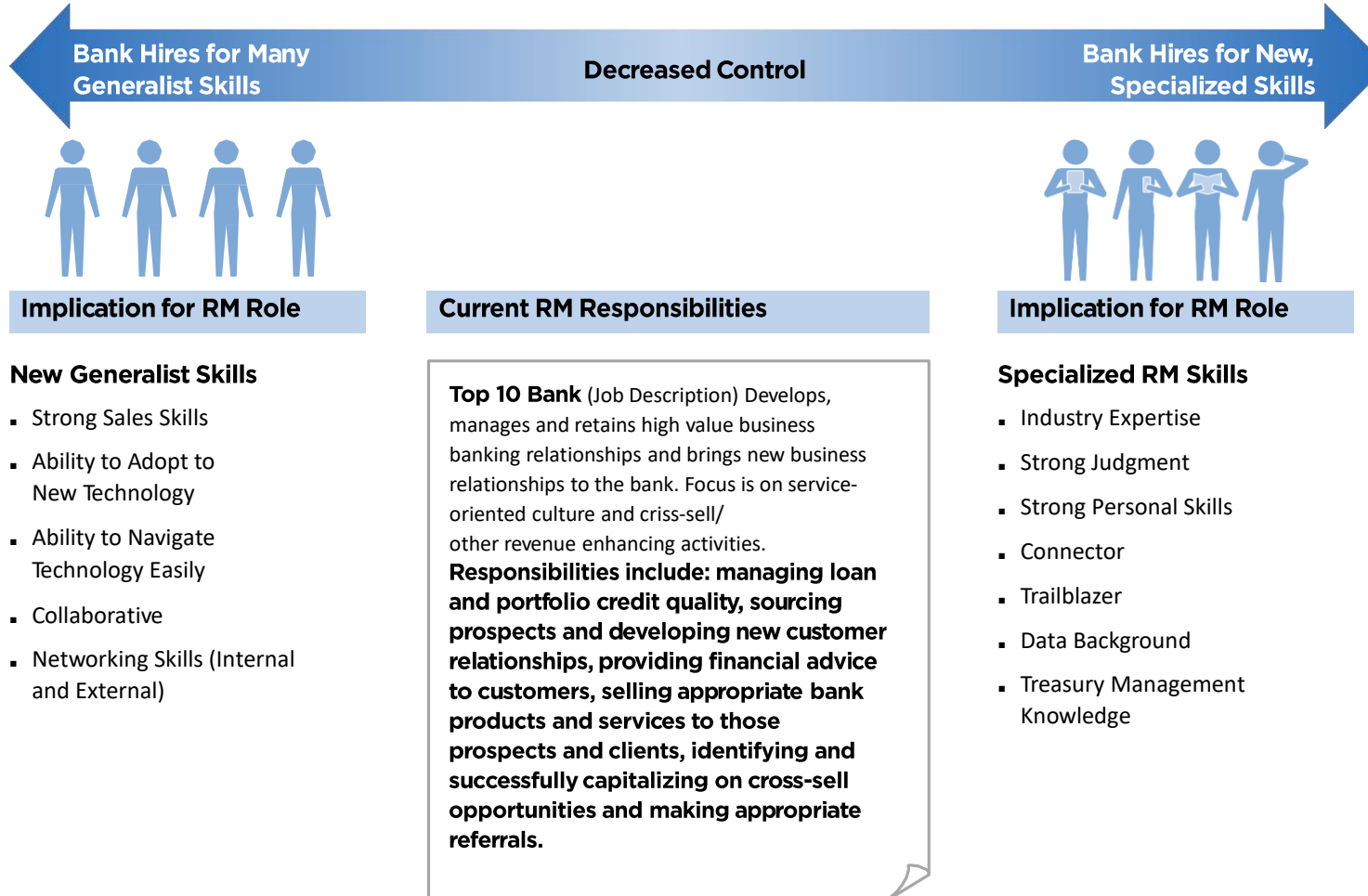
## Projected RM Capacity Change as a Result of Bank Technology



n = 2,740.  
Source: CEB analysis.

# NEW POSSIBILITIES FOR RMs

Spectrum for RMs Operating with Decreased Control



Source: CEB analysis.

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# KEY TAKEAWAYS

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## Data-Enabled Insight

### **From Regulatory Checkbox...to Insight-Driven Outcomes**

Banks should use new cloud-based and AI tools to couple regulatory data with other customer-centric data to better predict and manage customer experience through insight.

## Reevaluating Product

### **From Interest and Fees...to Customer Outcomes**

Banks should create a dynamic product set that is built around client activity, prioritizing insight embedded in product to help customers achieve business goals.

## Future of the RM

### **From Heroic Entrepreneur...to Supported Deliverer of Insight**

Banks should deliver value in customer interactions through driving customer outcomes, by equipping RMs with centralized administrative support and customer insights.