

It's that time again, when we take a look at 2018 and dust off our crystal ball to prognosticate about the future

## 2018 Year in Review

by [Claude Hanley](#) (202-337-7875)

### A Steady Hand at the Helm



The Senate approved Jerome Powell as the new head of the nation's central bank in January. Chairman Powell has warmed the hearts of bankers by pursuing a deregulatory agenda including an approach to supervision that is tailored to risk, not mere size. Also, he showed a steady hand regarding rate increases, despite criticism from the White House.

### Unwell

The Federal Reserve imposed new regulatory restrictions on Wells Fargo & Co in February, including placing limitations on its growth. The third-largest U.S. bank continued to reel from a series of failures in governance and risk management since the initial sales scandal erupted in 2016.



### Fiduciary Failure

In March, the Fifth Circuit Court of Appeals vacated the Department of Labor's fiduciary rule. The rule would have required that brokers act in the best interests of their clients in retirement accounts. The Securities and Exchange Commission said it will continue to move forward with its initiative to establish a uniform fiduciary standard.



### Relief at Last

In May, President Trump signed into law the Economic Growth, Regulatory Relief, and Consumer Protection Act, a bill that relaxed regulations introduced after the 2007-2009 financial crisis. Among other things, the bill raised the threshold for a systemically important financial institution and also gave regulators more supervisory discretion.



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## Predictions for 2019

As earnings pressures build in 2019, banks will shift their digital priorities. They will place less emphasis on customer experience improvement and **more emphasis on driving efficiencies across the business via robotic process automation, AI, chatbots, digitized lending platforms, etc.** ROI on these digital investments will be increasingly realized through expense reductions in the form of fewer operational, transactional, service FTEs.



~ Mary Beth Sullivan, CPG

### Digital-only banking platforms will continue to demonstrate robust

**growth** of consumer deposits because that operating model offers consumers both convenience and higher rates. Consequently, 2019 will see more banks **launching digital-only solutions.** ~ Kevin Halsey, CPG



By early next year, the economic stimulus from the corporate tax cut will have abated and GDP growth will fall below 2 percent. Therefore, **loan growth will replace deposit growth** as the industry's top strategic priority in 2019.

~ Mark Gibson, Consulting Associate

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# HAPPY Holidays

## and Best Wishes for Success in 2019!

## Year in Review (continued)

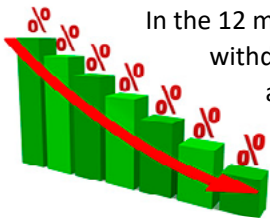
### Tarnished

Bank reputations fell for the first time in five years according to an annual survey by the American Banker/Reputation Institute published in June. The survey found that in an era of increasing consumer distrust of corporations in general, the level of trust in the banking industry was eroded by scandals at large banks.

### Declining DDA Balances

The four largest U.S. banks – JPMorgan Chase & Co. (\$2.6T; New York, NY), Bank of America Corp. (\$2.3T; Charlotte, NC), Wells Fargo & Co. (\$1.9T; San Francisco, CA) and Citigroup Inc. (\$1.9T; New York, NY) – reported a combined 5% drop in U.S. deposits that earn no interest in 3Q18 compared with a year ago.

In the 12 months preceding June 30, customers withdrew more than \$30.0B from U.S. bank accounts that don't earn interest, which marks the first such annual decline in more than a decade, according to FDIC data.



## Predictions (continued)

A generational difference will develop as Boomers opt for face-to-face, personal service over mobile banking and impersonal technology. This will lead to a **resurgence in the popularity of community banks** as a segment of the population becomes increasingly dissatisfied with the impersonal service of large banks. ~ Christine Corso, Consulting Associate



Community banks will find it even more difficult to successfully recruit experienced loan officers and credit analysts that fit the organization's culture. Consequently, more **banks will begin to "grow their own" using structured and customized personal development plans**, computer-based training, webinars, in-house facilitated programs and internal mentors.



~ John Barrickman, Consulting Associate

## New Strategy Focus Areas for 2019

by [Mary Beth Sullivan](#) (202-337-7875)

- 1. Brand Ambassadors.** User-generated content about brands continues to grow and far outstrips branded content. Banks must shift the focus of brand efforts toward highly targeted audiences who then help drive awareness and positioning. Banks must align actions, not words, in ways that connect with these targeted consumers – who will then drive positive response/content for the brand.
- 2. Relationship Banking Goes Digital.** The majority of consumers (80%) communicate with brands digitally, led by the millennials. For banks, digitally-oriented engagement models are critical components of building relationships with consumers and small businesses, where preference for digital communication, insights, and advice continues to rise. Banks that build strong digital complements to their human relationship management models will win.
- 3. Insight-Driven Personalization.** Customers have heightened expectations for personalization – even in banking. A majority of consumers are willing to share personal information if it creates value for them in the form of relevant content, appropriate offers, and assistance in solving problems. Banks need to leverage customer behavioral data, account information, and other insights to create new value propositions centered on personalization.

13-24 year-olds consume **20.9 hours** of social or streaming content weekly, compared to 8.2 hours of cable or satellite television.  
*Defymedia, 2017*

**84%** of consumers say being treated as a person, not a number, is very important to winning their business.  
*Salesforce survey, 2018*

## Announcements

Mary Beth Sullivan and Mark Gibson to present "Competing to Win in Retail Banking Today" and "Driving Customer Engagement of Emerging Prime Segments" at [Deluxe Exchange 2019](#) in Miami, February 2-4, 2019.

Mark Gibson and Mike Wallach to present "Drive Higher Growth Rates with Analytics!" at [American Banker/SourceMedia's Annual Retail Banking Growth Stories Conference](#) in Austin, March 26-28, 2019.