



RETAIL BANKING TRENDS **2023**

Major Impacts to the Retail Banking Business

The economic environment and competitive landscape are creating significant challenges for Retail Banking and its relevance within the organization.



Key Trends Have Emerged

The challenges from the current environment have resulted in the emergence of a number of key trends in Retail Banking. Addressing these are key to staying relevant and optimizing business line performance.

1. The Mad Dash to Digital

2. Marketing and Sales Integration is the New Growth Engine

3. Management as a Core Competitive Advantage

4. Redefining Relationship Banking

5. Revamped Physical Delivery Strategy

6. Process Automation, Operational Efficiency and Expense Management

1. The Mad Dash to Digital

Consumers and small businesses are rapidly adopting digital channels – and many are engaging with these channels for the first time.

65.3% Nearly 2/3 of the US population uses digital banking services¹

203MM+ The number of US consumers using digital banking¹
(this number expected to be 216.8 by 2025)

80% In 2022, 80% of millennials reported using digital banking; 48.5% of baby boomers¹

600B Projected neobank 2028 value; forecast is to grow at a CAGR of 45% from 2022 (45B)²

How Financial Institutions are Responding:

- Accelerating the Digital Roadmap
- Enhancing the Digital Onboarding Experience
- Driving Channel Migration through Education, Incentives, and Outreach
- Creating Omnichannel Customer Experiences
- Reskilling the Workforce
- Introducing New, Digitally-Driven Value Propositions

1. Bankrate.com, September 2022.

2. Global Market Insights, February 2022..

2. Marketing and Sales Integration is the New Growth Engine

Retail banks are placing greater emphasis on the role of Marketing and digital channels to drive new-to-bank relationships.



15.1%

Use of mobile banking among banked households, 2017



43.5%

Use of mobile banking among banked households, 2021

How Financial Institutions are Responding:

- Enhanced Performance Marketing Capabilities: Enhanced Tech Stacks, Demand/Lead Generation Programs, Tracking and Reporting
- Increased Segment-Focus
- Budget Realignment
- Sales and Marketing Workflow Alignment
- Marketing-Enabled, Centralized Sales Teams

3. Management as a Core Competitive Advantage

No other business line deals with the number and type of management challenges as retail – strategic, analytical, financial, operational, technological, risk management, regulatory compliance, facilities, marketing and, most importantly, people. Consequently, management effectiveness and excellence have never been more important than they are today.

Key Management Challenges:

1. Organizational alignment against strategic and financial objectives
2. Clear roles, responsibilities and performance expectations
3. Staffing configuration, models and skill set transformation
4. Data availability and analytical expertise
5. Nimble, agile decision-making and response
6. Building and maintaining a strong, positive corporate culture across a large and diverse organization
7. Rigorous expense management to fund transformation investments

How Financial Institutions are Responding:

- Highly focused planning
- Clear definitions of success
- Meaningful performance metrics
- Accessible and actionable data
- Rigorous talent management
- Fast and interactive feedback
- Team-building that celebrates success

4. Redefining Relationship Banking

For many financial institutions, the quality of the “relationship” remains central to the institution’s competitive advantage. Now that digital channels are the primary channel for most consumers and small businesses, new strategies are required to drive acquisition, expansion, and loyalty.

While **49%** of customers prefer to engage with their bank through the website or app, only **34%** finish their journey there and more people (37%) completed their journey in-person (opening an account)¹.

Relationship Banking has shifted to become the omnichannel journey from online touchpoint to in-person or remote banker interaction.

How Financial Institutions are Responding:

- Renewed Focus on Customer Journey and Omnichannel Experiences
- Video-Banking and Co-Browsing
- Online Appointments
- “Go-To-Banker” Mobile Applications
- Enhanced Alignment between Sales & Marketing
- Data-Empowered “Advisors”
- Data-Driven Personalization

5. Revamping Physical Delivery

Institutions are implementing transformational staffing and configuration models...

Business, Mortgage and Investment Hubs

Video-Enabled Transaction Facilities

Sales and Relationship Management Teams

...while transforming the nature of what happens at the branch.

Advice-Driven; Problem-Solving

Empowered Employees
(via Data-Driven Insights and Technology)

Market-Specific Staffing Models



Full-Service

(Delivered by Well-Trained Universal Bankers)

Appointment-Initiated

Revamped Onboarding with Focus on Digital Enrollment and Activation

6. Process Automation and Operational Efficiency

Profit pressure is forcing bankers to find efficiencies while customers require faster and more responsive service. Managing expenses requires a renewed focus on Process Automation, Operational Efficiency and Staffing Transformation.

Process Automation

- Account Opening and Onboarding
- Loan Application and Decisioning
- Account Maintenance
- Compliance Risk Identification and Mitigation

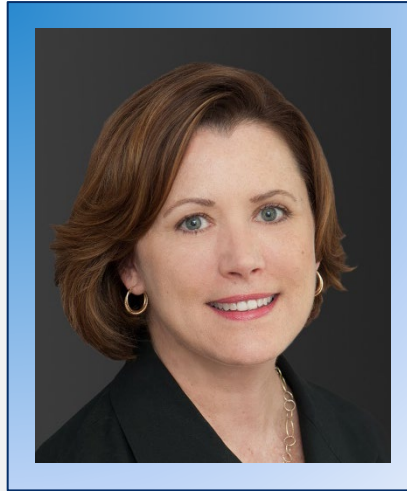
Operational Efficiency

- Streamlined Processes
- Clear Metrics and Reporting
- Simplified Product Lines
- Robust Customer Self-Service
- Real Time Fraud Detection

Staffing Transformation

- Reduction of Transaction-Focused Staff
- Data-Driven Sales and Relationship Management Processes
- Fewer, but More Highly-Paid Associates
- Clear Performance Goals and Compensation Systems

Our Team

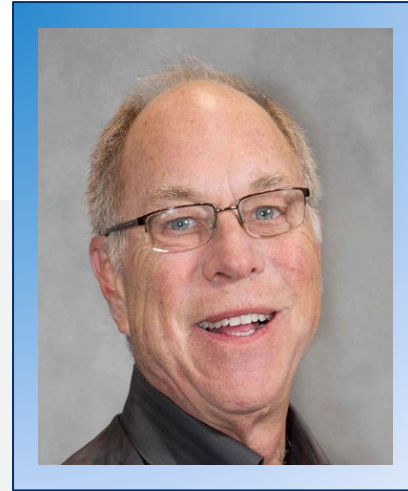


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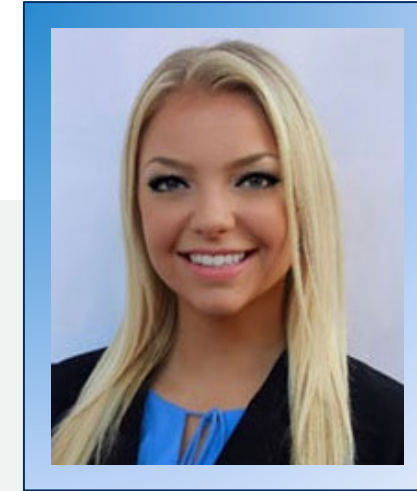
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Capital Performance Group is helping bankers identify new strategic opportunities and transform business models

Strategic Planning	Marketing and Sales Enhancement	Delivery Channel Transformation	Credit Risk Management & Finance
			
<ul style="list-style-type: none"> Strategic Planning Organizational Design Cost Reduction Programs Process Reengineering Customer Experience Improvement M&A Support Services 	<ul style="list-style-type: none"> New To Bank Growth through Online Channels and Digital Marketing Marketing Spend Optimization Realigning Marketing Organizations for Growth Customer Segmentation and Market Analytics Product Redesign and Value Proposition Differentiation Sales and Marketing Workflow Alignment 	<ul style="list-style-type: none"> Branch Network Optimization ATM Network and Alternative Delivery Design Digital Channel Strategy Sales and Relationship Management Program Design Market-Level Investment Optimization Modeling 	<ul style="list-style-type: none"> Loan Portfolio Reporting & Policy Review Balanced Scorecards & Benchmarking Implementation Assistance for Profitability & Financial Planning Systems Credit Process Assessment & Redesign Enterprise Risk Reporting: External Risk Events Monitoring Finance Department Process Assessment and Redesign