RESOURCE

THE ULTIMATE BANKING PLAYBOOK

STRATEGY, DIGITAL, AND CUSTOMER EXPERIENCE

westMONROE

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CHAPTER 1

Front Office

Whether your bank has built out and implemented a complete customer acquisition and retention strategy or is still looking for ways to better manage clients in an ever-changing environment, there are ways to improve and enhance your plan at every level.

STORY 1

Pricing and revenue optimization for commercial banks

By: Jordan Sternlieb, Tom Collins, and Ron Fink

Even before the pandemic and recession struck in 2020, loan demand across the industry was beginning to lag and net interest margins were shrinking. Looking toward 2021, a top priority for banks will be to more deeply engage with their current clients. Due to the continued compression of bank margins, a reality is that banks must deepen relationships with their current clients and increase share of wallet within their existing portfolio.

We see a sizable opportunity to expand existing relationships through fee-based products and services like treasury management—a stable, low-risk source of revenue that can help commercial banks weather the current economic environment, while positioning them to improve operating margins now and as conditions improve.

WHY COMMERCIAL BANKS MISS THE MARK ON PRICING OPTIMIZATION

In our experience working with commercial banks, we see treasury-based fee income sources often underperform maximizing value on income statements due to a host of factors: limited data visibility to identify cross-sell opportunities, lack of effective sales tools and technologies to create more seamless handoffs between lending and treasury functions, and a tendency to arbitrarily waive or deeply discount fees for perceived high-value clients.

In addition, because of the focus most RMs apply to the borrowing needs of their clients, treasury management products and their related pricing and profitability are often an afterthought in the commercial banking process. Because of this constellation of behaviors, most commercial banks have significant dormant value within their existing client relationships that can be realized through a concerted fee income optimization effort.

The areas of opportunity that can be addressed to create value typically fall into one of six categories. Although the lost fee income across these categories will vary from bank to bank, it's common for commercial banks to collect a fraction of their gross standard service fee income. As a result, the realizable value of optimizing pricing, fee income assessment, and collection practices and earnings credit rates can be millions of dollars annually for mid-tier banks.

These categories include:

Earnings credit rate: As the interest rate environment has continued to trend downwards, most middle-market banks have not maintained a rigorous focus on managing the ECR policies and pricing. While an important value-add to the client, many banks are not maintaining a balanced approach to managing ECR, thereby impacting collected fees.

Fee leakage: Banks can experience a loss of collected fee income due to service fee volume not being collected either through vendor interfaces or operational tracking of work performed.

Unpriced services: Many commercial banks do not revisit their service code structure and, as a result, provide services to clients for which they do not capture billing volumes and therefore do not charge for these services.

Expired pricing: Introductory pricing arrangements for commercial clients are often inadvertently left to continue permanently due to the lack of appropriate process and controls.

Waivers/reversals: Services which are billed to clients but ultimately waived or reversed due to client request are significant and are typically driven by a lack of rigor and reporting across the process.

Exception pricing: Without suitable controls and analytics, like clients with similar product usage and transaction patterns can often be priced inconsistently, leading to a significant loss of collected revenue.

A ROAD MAP FOR OPTIMIZING TREASURY SERVICES

We recommend banks begin the optimization process by looking at their existing client portfolio. We typically advise clients to view opportunity and interventions plotted out along a spectrum ranging from those with lighter to more acute impacts to clients. We then leverage a set of strategies to enable commercial banking organizations to unlock the value from their commercial client relationships. These strategies are broken out by client-focused and internally focused tactics:

1. Internal tactics to optimize treasury management (TM) fee income

Leveraging data: Creation of a pricing data base that leverages a variety of data elements and sources such as price times volume (P*V) fees by client, deposit balances by type, loan balances by type, client profitability, product usage, won/loss data, competitor benchmarking, unit costing, and client analysis enable the bank to customize pricing down to the client level which provides greater pricing confidence and lower exception pricing while positioning the bank to adopt predictive analytics to continue to refine pricing and client profitability.

Segmentation of clients: Segmenting clients based on retention profile, usage patterns, profitability, and propensity to use other bank products allows for the bank to deliver pricing strategies that minimize attrition and run-off while optimizing the value of the existing relationships.

Enhanced share of wallet analytics: Using internal and external data to align client profile and product usage patterns with optimal/target usage enables banks to identify opportunities to improve relationship penetration, drive down attrition and increase collected fee income.

2. Client-focused tactics

Product bundling: Simplifying the pricing process by bundling services, especially for small business and business banking clients, simplifies the sales process and makes it easier to align on true client needs and manage competitive pricing discussions. For clients themselves, they gain predictability of cash flow and know what to expect from their bank.

Improved pricing controls and processes: Establishing a rigorous pricing process that provides transparency across the entire footprint. This enhanced transparency gives bankers better information and insight and more standardized pricing exceptions and waivers criteria, resulting in higher collected revenue levels across the client portfolio.

3. Selling more effectively into your portfolio

Selling based on value: Top tier commercial banking teams have adopted an approach to price and sell services based on the value they provide to the client as opposed to the cost of manufacturing the service. This gets RMs out of the commoditized approach to pricing and allows them to command higher prices, especially in the middle market and business banking segments.

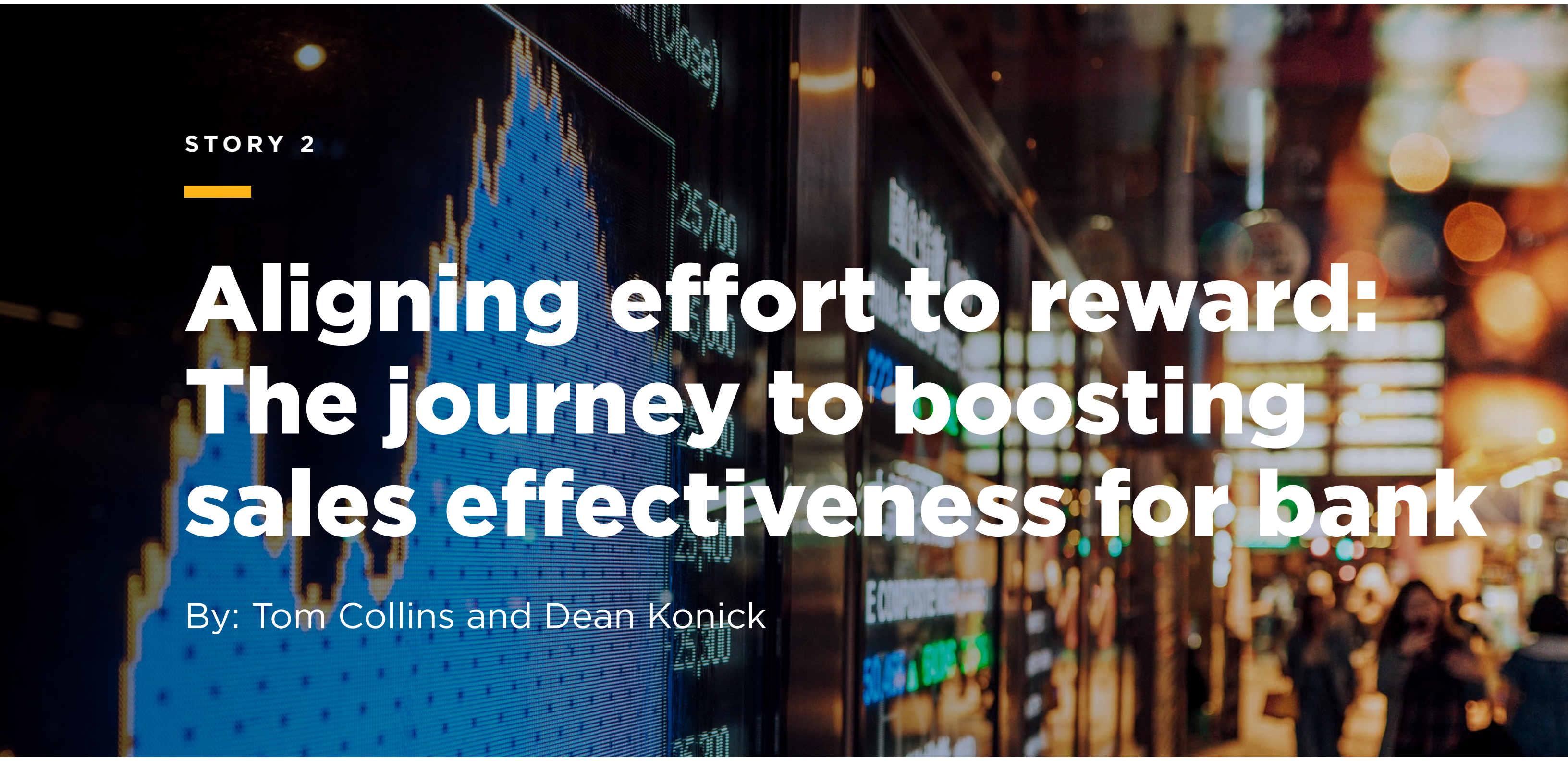
Improved RM sales effectiveness: Building an internal sales effectiveness competency within the RM base and creating a needs-based dialogue with clients that leverages actionable data to drive value leads to a "trusted advisor" relationship with key clients which serves to insulate the bank from pricing pressure.

Leveraging commercial lending relationships: Setting expectations and goals for cross-selling TM into the loan book. Few banks measure and manage this important key performance indicator that will drive relationship profitability.

A variety of compelling outcomes exist for banks that have undertaken a fee income optimization effort.

Measurable and sustainable net fee income increases of up to 50% which can be attributable to one or all of the following:

- **Improved earnings credit rates:** Can provide savings of 10% to 50% improvement on net-fee income
- **Improved pricing and controls:** Reduce discounting/ waivers and can contribute up to a 25% improvement in collected fees
- **Lower fee leakage:** Depending on the bank's controls for collecting all volume for P*V services provided, we have seen increased billing of 3% to 25%
- **Enhanced client retention:** Extending TM into a loan-only relationship can extend the average lifetime value of a client portfolio by 75%
- **Cross-sell penetration improvements:** One mid-market bank identified up to $100 million of recurring income



STORY 2

Aligning effort to reward: The journey to boosting sales effectiveness for bank

By: Tom Collins and Dean Konick

Many banks entered the COVID-19 economy lacking a unified, strategic sales culture. Sales cultures across commercial banking are typically dotted with ever-changing direction from leadership, a product-of-the-month mentality, and tasking single relationship managers (RMs) to represent and sell a range of products and services. As bankers attempt to sell the entire bank, they typically spread sales activities thinly and inconsistently across all product goal categories. Complicating matters, most sales processes are not implemented on an enterprise-wide scale, leaving accountability and goals inconsistent across regions. As a result, RMs lack focus and commitment to win specific sales opportunities, all of which contribute to underperforming sales teams.

To boost sales effectiveness, banks must develop a consistent sales methodology that minimizes chance and increases the highest probability of sale and lasting return, all while appropriately aligning effort and incentives.

An effective sales methodology increases sales effectiveness by reducing sales cycle times, increasing close rates, and improving the aggregate number of wins. When executed, we have seen share prices rise along with revenue and profit. In one case, we saw sales effectiveness increase revenue by 30-40% above average growth rates and net new client onboarding increase by 25%. Most important, when done correctly, sales effectiveness allows bankers to build relationships that are trust-based and value-added, with these types of relationships often becoming customers for life.

Building a consistent sales methodology is critical to accelerating meaningful portfolio growth. For commercial banking teams, three components must be included:

SALES EFFECTIVENESS REQUIRES DEEPER PENETRATION OF EXISTING RELATIONSHIPS

A sound sales effectiveness strategy will, at its core, align effort with reward. While seemingly straightforward, we often observe banks struggling with sales planning activities because they lack enterprise-wide, formalized account planning tools and processes, including means for capturing opportunities as well as planning the sales process activities over the next 12 months. In addition, they often do not devote enough attention to the process of identifying cross-sell, short- and medium-term opportunities for their existing clients, often because they fail to recognize the importance of identifying and prioritizing sales pipeline opportunities.

RMs typically focus on immediate closing sales and in doing so completely lose sight of business development activity that leads to future sales opportunities. Without a longer-term view of a client's needs, bank RMs spend endless hours conducting sales calls focused on short-term wins, often with companies that yield low returns. To avoid this issue, it becomes important for banks to help the probability aspect by having appropriate RM sales coaching delivered weekly from experienced sales leaders. To resolve the issue of sales with low returns of profitability, it is incumbent upon the bank to provide a product or relationship profitability tool to RMs so they understand the importance of spending time on relationships that matter most. The first step in creating deeper relationships with current clients is to align RM incentives with expanded solution-based sales that address client needs.

Existing clients have purchasing history and a track record with the bank, credit adjudicators, portfolio managers, and servicing teams. Most RMs will intimately know their clients and deliver critical insight which can convert into sales opportunities. However, each client has unique needs and purchasing capacity. In addition, most commercial clients only purchase commercial banking products once, making it essential to identify cross-sell opportunities that incorporate additional product solutions to deepen relationships. Having a well-adopted customer relationship management (CRM) platform is essential in identifying cross-sell opportunities and next-best product offerings earlier in the relationship lifecycle. Using client data to identify behaviors allows RMs to predict the next best offering, and the CRM can then be used to operationalize sales.

To effectively address the need for cross sales, banks must put in place a process to segment their portfolio through the lenses of untapped opportunities at each client within key segments. For example, a large client that has already purchased nearly every product and service sold by the bank is quite valuable but may lack future sales opportunity, whereas a newly onboarded client is ripe for sales activity and cross sales.

It becomes critical to understand which clients have additional needs coming in the next 12 months. By understanding client needs, RMs have the power to align effort with potential reward through deliberate, strategic sales activity. Once RMs know where to invest client-facing time, it's critical to pave the path forward with a road map of known or speculated opportunities to ensure commitment, accountability, and success. This road map is created through a collaborative account planning process with a cross-functional team and product partners. Through multiple strategic sessions, sales opportunities can be identified, prioritized, and supported by a series of sales tasks and activities that proactively accelerate the sales process and reduce cycle times. This type of pragmatic sales plan equips RMs to leverage the right solutions at the right time to help clients.

Banks must consider how they are equipping their RMs by asking the following:

- Does the bank provide the RM with a tool that calculates profitability at a product and relationship level to ensure appropriate short- and long-term strategic decisions, as well as provide guidance in terms of how to allocate their selling time?
- Have the RMs been effectively trained on and provided with marketing collateral necessary to educate clients regarding the bank's solutions?
- What type of ongoing training and templates have been provided to help RMs conduct needs-based conversations aimed at solving clients problems through a structured, layered, and inquisitive approach?

Effective sales tools combine the need for RMs and team leads to build detailed relationship plans with concrete steps on executing them. Team leads will be able to manage their RMs' sales activities and results with thorough intelligence, reporting, or ticklers to promote proactive action. The most successful RMs proactively leverage these types of sales planning tools to highlight key opportunities, upcoming sales activities, expert internal product partners, and necessary planning detail required to win the sale.

Banks should be looking to implement sales planning tools as part of their overall CRM platform, as these activities naturally bridge into product pipelines and client relationship data. As RMs begin to use these tools, the bank will acquire more data about their clients and which sales strategies are most beneficial to overall revenue growth.

IMPROVE TARGETED PURSUIT OF STRATEGIC PROSPECTS

In an ideal world, we could sell to existing clients endlessly, continuously expand commercial portfolios, and achieve financial goals. Unfortunately, because of clients' ultimate limited purchasing capacity, RMs must focus on net new client acquisition each year to help drive growth. One recurring challenge is the issue that RMs unproductively call on new prospects with ineffective, inconsistent sales planning and processes. For example, RMs habitually call repeatedly on friendly prospects that accept the RM's meeting request, even though there are no known sales opportunities now or in the next 12 months. In addition, RMs often call on prospects simply because they are located within the sales territory without conducting proper due diligence to pre-qualify the prospect.

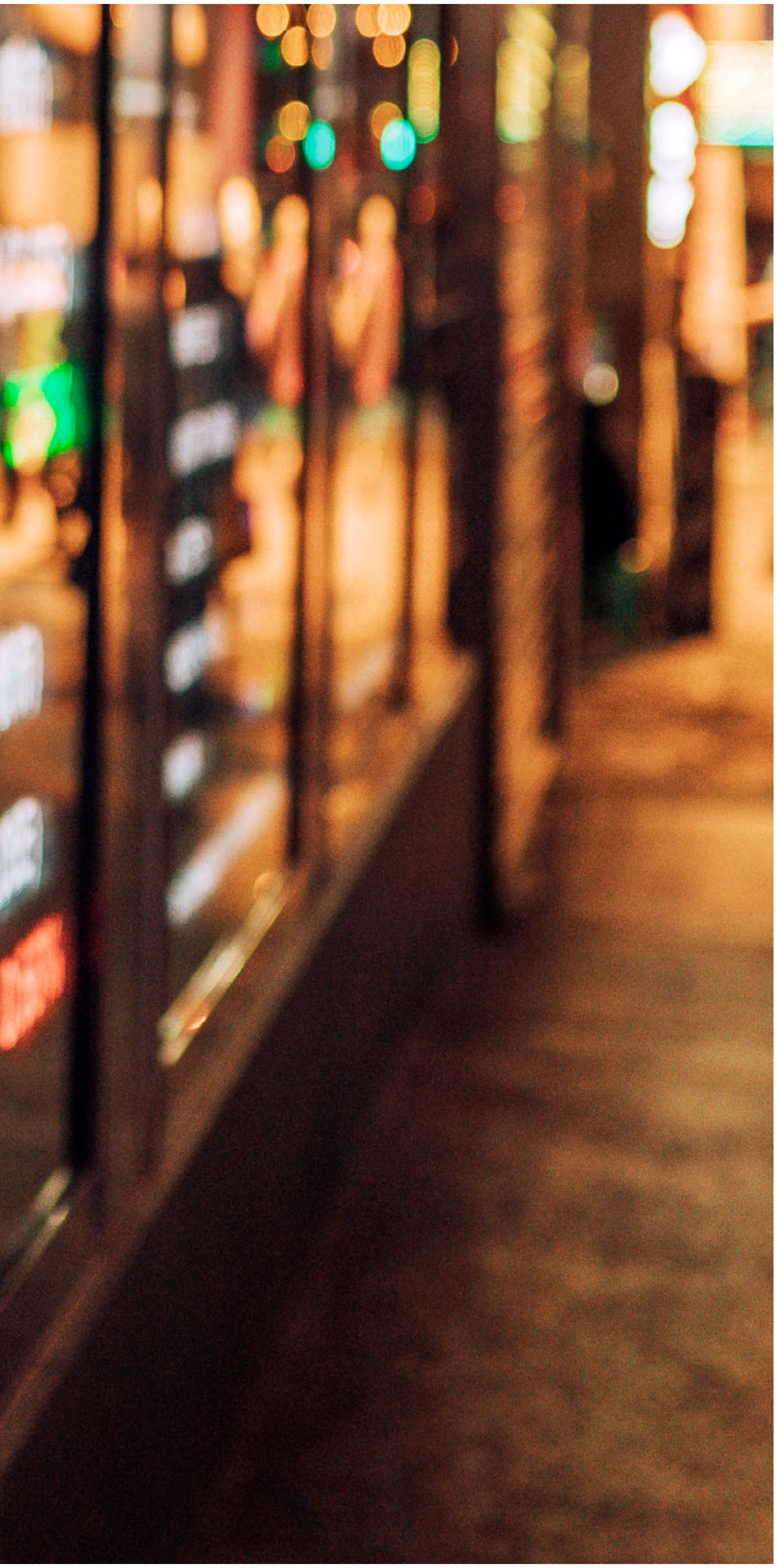
Banks must develop a pragmatic approach to new client acquisition inclusive of identification, assessment, curation, and prioritization of prospects based upon an agreed series of parameters and filters. Bank senior leaders and RMs must be equally committed to first investing time to pursue and focus efforts on high-opportunity prospects. RMs should have early indicators that the prospect's needs match with bank solutions in lending, treasury management, or other product areas. Finally, RMs should understand the prospect's actual position in the sales purchasing cycle to ensure ultimate sales effectiveness. This approach to prospecting is aimed at defining a manageable number of key prospects and carefully planning for and executing high quality interactions that are needs-based and focused on the client's business situation.

SALES ACCOUNTABILITY (DRIVEN BY LEADERSHIP WITH TOOLS AND TRANSPARENCY)

Even with deliberate, initial RM focus on high-opportunity clients and prospects, banks still experience underwhelming portfolio growth because most RMs waiver on commitment to ongoing sales pursuits. RMs also lack the tools necessary to monitor and manage sales opportunities throughout the typical 6- to 12-month commercial banking sales cycle. Teams struggle to manage sales activity because they lack the right tools with transparency for the RM, product partner, and sales leaders. As such, RMs often find themselves with misalignment between effort, reward, and results.

Banks must align sales leadership and RM accountability via sales tools that offer transparency across all stakeholder groups. By leveraging an enterprise-wide CRM tool, transparency for quality and quantity of sales activity exists to all stakeholder groups. Leveraging the CRM tool, particularly reporting at the individual RM level, will serve as the basis for coaching and driving accountability. Further, we believe both sales leaders and RMs should proactively own accountability for sales activities (e.g., client needs assessments, pre-call planning, post-call debriefs, etc.).

To do this, sales leaders must manage and deliver effective sales coaching through regular check-ins supported by clear, user-friendly call report tools that contain ample detail. Having detailed action plans and call cadences in your CRM ensures accountability at the RM level, providing a metric against revenue growth long term.



Both RMs and sales leaders must actively participate in pipeline management and data driven analyses leveraging the reporting and dashboard functionality on a consistent weekly basis to identify performance gaps and remediate with revised, targeted sales activities. Stakeholders can motivate, lead, and drive sales effectiveness through consistent sales leader messaging at recurring sales-focused meetings and by leveraging tools that highlight wins and upcoming successes.

Ultimately, aligning effort to reward within an end-to-end sales methodology leads to accelerated portfolio growth. The journey begins with an initial focus on expanding existing high-opportunity relationships by leveraging cross-sell opportunities and is governed by a documented, detailed sales plan. Immediately thereafter, RMs must target net new business development efforts on a distinct quantity of high-quality prospects that are continuously curated. Finally, stakeholders must leverage an impactful holistic sales methodology built upon transparency and accountability to drive consistency and accelerated sales effectiveness.

Together, these components empower RMs and sales leaders to focus and diligently pursue high opportunity sales that align both effort and reward.

STORY 3

Bank strategies for growth in small business

Contributors: Roger Taylor, Nathan Porter, and John Stockamp

The events of the past year have profoundly impacted the manner in which small businesses deliver goods and services to customers. Strong, creative, and nimble small businesses have fought hard to survive despite pandemic-induced supply chain and market disruptions. To meet payroll, small businesses have turned to Paycheck Protection Program (PPP) loans, in some cases developing new relationships with digitally enabled financial institutions capable of fulfilling PPP loan applications in their moment of greatest need. When government support to the segment inevitably ends, small businesses will be left to re-evaluate who they can partner with going forward to be a consistent source of financial capital and other essential products.

For financial institutions presented with this opportunity to capture and retain new customers, the challenge is the historic struggle to fully meet the needs of small businesses profitably while delivering products designed for commercial customers at a scale more similar to retail banking.

Poorly conceived product offerings, mismatched operating models, and disconnected legacy technologies have all served to make small business delivery inefficient. Throw in credit policy, procedures, and pricing strategies designed for large commercial customers and it's no wonder that many financial institutions consider serving small businesses a losing proposition.

Against this backdrop, innovative financial institutions will recognize the opportunity to profitably service the small business segment and capture increased market share created by the convergence of key market factors:

1. The pandemic-caused widespread disruption in business relationships
2. The related shift to digital product and service delivery
3. The long-developing increase in availability of critical configurable technologies

The key to capitalizing on the convergence of these factors is a commitment to a digitally enabled small business delivery model.

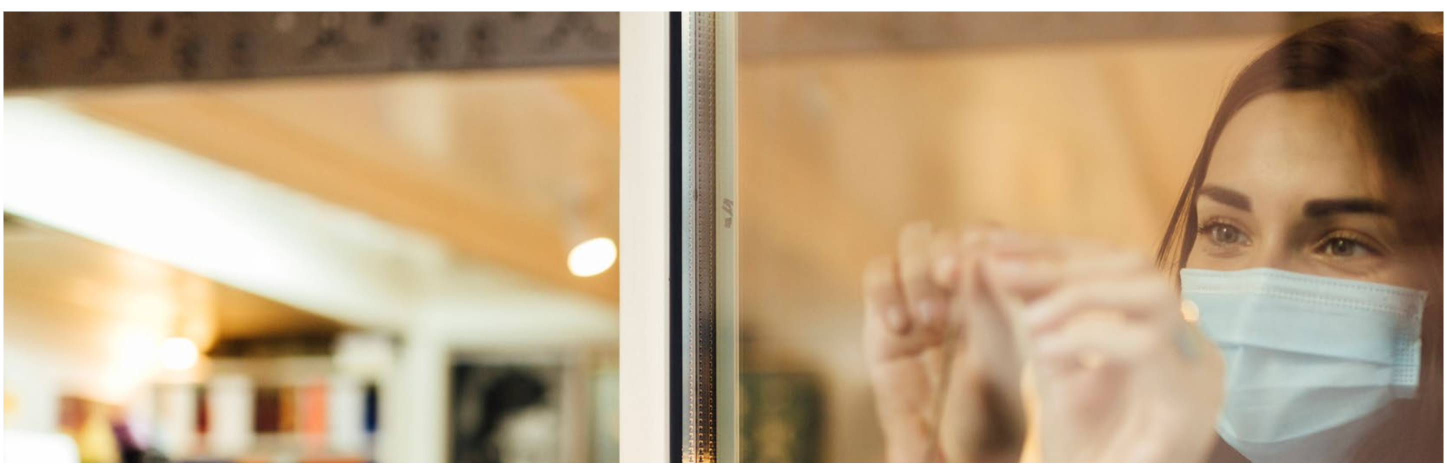
By exclusively focusing on this historically underappreciated and underserved segment, early movers are realizing the opportunity to create a profit center where previously there were thin margins and limited upside.

HOW WE GOT HERE: WHAT'S DRIVING THE OPPORTUNITY TO FOCUS ON SMALL BUSINESS DELIVERY SERVICE

A combination of increased digital expectations, automatability of low-value activities, improved integration of required systems, and high availability of potential customers all indicate an emerging opportunity for financial institutions to simultaneously provide small business customers with exactly the service they are looking for while aggressively managing down the cost to serve.

Advancing customer expectations

The small business segment is undergoing rapid generational turnover as waves of owners are retiring and handing off to digitally-native millennials and Generation Z leaders who expect instant, convenient self-service options. This effect was compounded by the rapid digitally enabled delivery of large sums of PPP loans that created new expectations of what is possible in small business credit delivery for both customers and banks.



Accessible application, interaction, and fulfillment capabilities

Many of the processes that historically made serving small businesses cumbersome and costly can now be fully automated, including application processing, CIP/KYC, approvals, loan and credit card fulfillment, streamlined monitoring, and renewals.

Maturation of tech that can form an efficient, connected application architecture

Best-in-class small business customer engagement applications can now be seamlessly combined with shared technologies, data and analytics tools, and legacy core accounting systems:

BEST-IN-CLASS SOLUTIONS

(CRM, Customer Portals, Internet/Mobile Banking, Loan Origination Systems, Value-Add Third Party Services)

Improved Integrations

Shared Technologies
(Master Data Management, Identity Management, RPA, etc.)

Data & Analytics Tools
(Data Warehouse, Data Visualization, Reporting Tools, etc.)

Legacy Core Accounting Systems

Digital competitors continue to emerge

Larger financial institutions including Capital One, Chase, and American Express that have invested heavily in digital for decades are leveraging their digital capabilities down-market to efficiently serve core loan and card offerings to the small business segment. At the same time, emerging and established FinTechs such as Fundbox and BlueVine are disrupting the space with digitally native funding options. Institutions without digital capabilities may not be able to fully compensate simply by leaning heavily on historic strengths in high-touch community relationships.

Widespread disruption in business relationships

The pandemic has dramatically changed how we do business as a society and has created a high degree of churn in the market as customers find new providers that best meet their needs. This effect has been keenly felt in small business banking as thousands of small businesses sought new banking providers to rapidly secure limited PPP funding.

ACHIEVE SMALL BUSINESS BANKING SUCCESS BY ANALYZING SPEED, EFFICIENCY, AND SATISFACTION

Building a focused small business segment supported by dedicated resources, an optimized end-to-end process, and right-sized technology can move the needle not only with bottom line profitability but also by providing greatly improved customer experience. Three key metrics that a thoughtfully constructed small business segment can enhance include:

Speed to market: Reduced time to funding

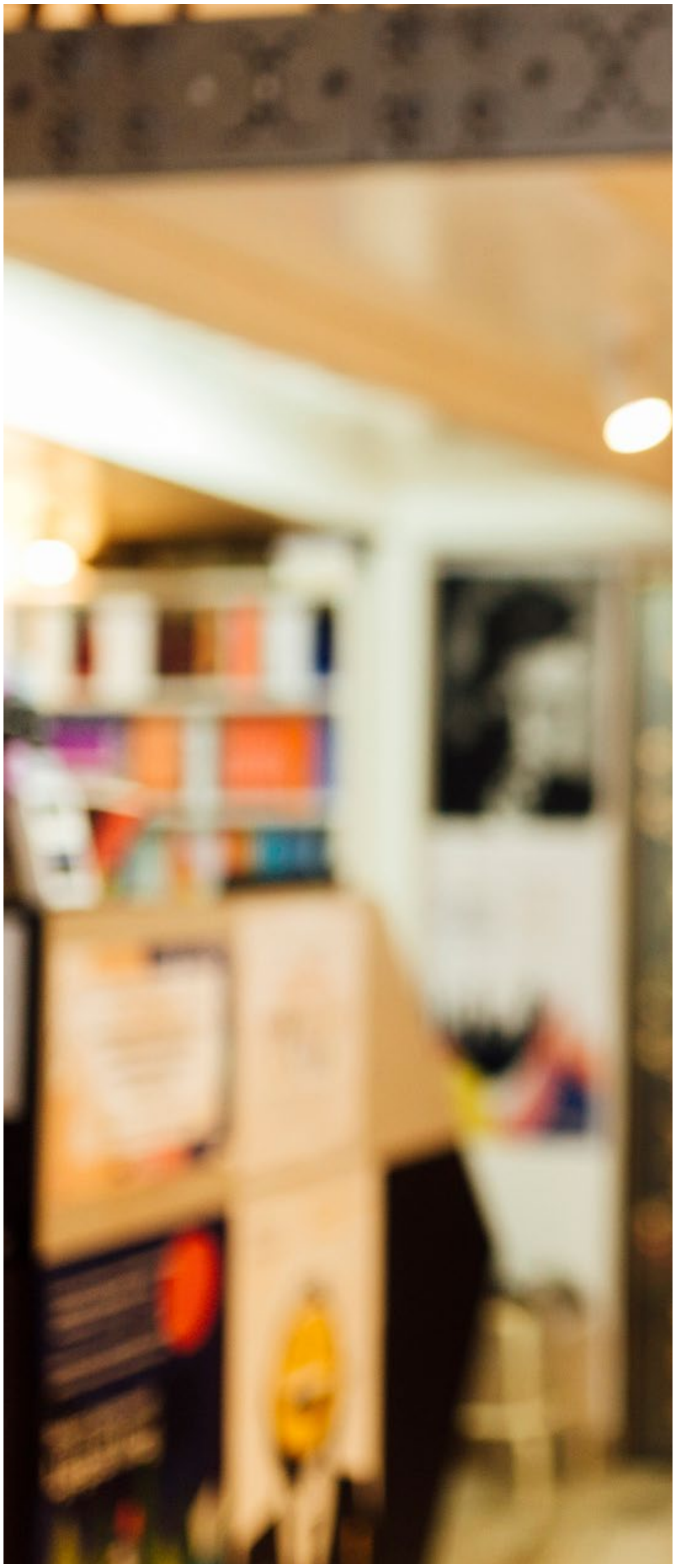
Commercial lending origination processes designed to treat every business loan request the same needlessly slow the decisioning, closing, and funding processes for small business loans and cards. Institutions that develop operating models with customer-focused technologies can develop a credit delivery process aligning risk with speed. The result is a differentiated customer experience that efficiently assesses risk and right-sizes the effort needed to serve the small business segment.

Operational efficiency: Increased portfolio size per FTE

The cost to originate and service loans and cards for small business customers can be prohibitive in what is a narrow margin business segment. Applying customer service and loan monitoring techniques appropriate for larger businesses makes achieving profitability difficult. A small business segment supported by the right automation technology can efficiently manage an exponentially larger portfolio significantly reducing the cost of service.

Customer satisfaction: Improved Net Promoter Scores

There is significant customer experience upside in the rapid delivery of small business products via bankers that are focused exclusively on the segment. Small businesses appreciate streamlined processes that allow them to quickly obtain information, quotes, and ultimately capital to support their business needs. These businesses recognize and appreciate a financial partner that values their time, addresses their specific needs, and meets them where they are digitally.



GROWING PROFITABLE SMALL BUSINESS BANKING RELATIONSHIPS REQUIRES A DEFINED FOCUS

Applying sales strategies, operating models, and supporting technologies designed for middle-market customers to the small business segment is not a profitable strategy. Banks must focus on the unique needs of small businesses and design an end-to-end service delivery model tailored to their needs.

Implement an operating model focused exclusively on the small business segment

Successful delivery of products and services tailored to small businesses requires a thoughtfully designed operating model streamlined to fit the needs of customers in this segment. This model requires bankers that understand small businesses and how to orchestrate the right mixture of high-touch advisory engagement with no-touch automation and speed. These team members will need to be driven by an appropriate incentive structure designed to optimize behavior and supported by technology providing the automated digital delivery of exceptional customer experiences.

Define products and product bundles with small business customer needs in mind

Lending, deposit, card, cash management, payment, and treasury services should be specifically designed and bundled to meet the unique needs of small businesses without overcomplicating setup or pricing.

The customer engagement model must meet small businesses where they are

Small business customers expect to be able to interact and transact through multiple channels (online banking, mobile banking, portals, digital payments, chat, etc.), and will seek out a bank that can meet them on the go while also being available to sit across the table and think through critical credit decisions.

Differentiate delivery to strategic target segments

To maximize digital investments in this segment, tailor solutions to niche markets that are of strategic importance to the institution. Striving to "be everything to everyone" risks commoditizing the small business offering back into a low-profitability space rife with competitors. Successful institutions will find their own unique value proposition and leverage digital investments both offensively and defensively to hold and expand their market position.

Efficient product fulfillment must complement digitized application processes

The promise of online applications must be backed up by technology that ensures requested products and services can be fulfilled in a streamlined, efficient manner.

Leverage a digitally enabled enterprise-wide architecture to serve the small business segment

Small business-focused applications should be seamlessly integrated with core enterprise applications to drive efficiency, leverage data, and reduce manual work.

Policies and procedures must align with technology to enable efficiencies

Risk adjusted policies should be established to automate approvals, streamline monitoring (covenants, tracking items, reviews, renewals, modifications, etc.), and ease the compliance burden on small business segment relationships.

CONCLUSION

The time is now. Small businesses that survive the pandemic will have endured a stress test unlike any conceived by the most conservative underwriting scenarios. With their business models fully tested, small businesses will be looking for reliable financial partners with products, services, and delivery models aligned to their needs.

The time is now to design the experience, build the operating model, and align the technology, process, and team structures needed to focus exclusively on the small business segment.

The demand is substantial, the digital tools are available, and the opportunity to profitably serve small businesses has never been more real.

CHAPTER 2

Digital

The old way of doing business may never return, meaning your bank's technology and implementation of new capabilities is more important than ever. Here's how to get the most from it.

STORY 1

The digital innovation opportunity for banks in times of crisis

By: Neil Hartman, Jordan Sternlieb, Steve Purvis

In a matter of weeks, the COVID-19 pandemic simultaneously ushered in a once-in-a-millennium public health crisis and upended the American economy at an unprecedented pace.

The financial services industry quickly pivoted to help stem immediate challenges, but as organizations and industries become increasingly settled into life mid-pandemic, banks must plan for new economic realities brought on by COVID-19.

Predictions around the state of the post-COVID-19 economy remain uncertain. More dismal outlooks in the earliest weeks of the crisis gave way to brighter predictions following a rally in the markets and better-than-expected recent jobs reports. And though it's unknown how deep a recession will take hold in the U.S., we can look to past crises and significant historical events to better predict how the financial services industry will respond to COVID-19.

In fact, we believe banks should lean into the shaky financial outlook and accelerate investments in technology and innovation that will equip them to compete in the post-COVID-19 economy.

Apart from lessons learned to help us better anticipate systemic impacts to the industry, there is also reason to believe the current crisis presents the industry with the opportunity to rapidly innovate.

TIMES OF CRISIS HISTORICALLY HAVE CREATED BOTH CHALLENGES AND OPPORTUNITIES FOR BANKS

Times of crisis tend to reveal real vulnerabilities and entrenched challenges in systems, organizations, and entire industries. The current pandemic is no different, having already revealed the vulnerability of organizations unprepared to operate in digital environments when work-from-home capabilities became a necessity almost overnight.

But coupled with these challenges are very real opportunities to solve what were long held as intractable problems. We posit that the shaky economic outlook actually provides banks with the right circumstances to accelerate investments in innovation. What's more, we believe banks that take advantage of these circumstances will be better positioned to outpace competitors in the post-COVID-19 economy.

RESPONSE TO THESE CRISES HAVE CREATED PERMANENT SOLUTIONS

Looking back as far as the Great Depression, the financial services industry historically responded to times of crisis by leveraging some combination of regulation and government intervention. From the regulatory perspective, the major financial crises of the 20th and 21st centuries resulted in significant regulatory reform in addition to the use of fiscal and monetary policy to stem each crisis and strengthen the economy.

We still live with regulations born from the Great Depression and the Great Recession like the 1933 Banking Act (which resulted in the creation of the FDIC) and the Dodd-Frank Act of 2010 (which created the CFPB). In both cases, regulation was used to mitigate systemic risk going forward and boost confidence in the system.

Apart from boosting consumer confidence, regulation and government intervention in the form of stimulus injections are another tool typically wielded to prop up the economy in the face of global events. We've already seen this come into play in the early economic fallout from the COVID-19 pandemic. In the first quarter of 2020, the federal government slashed interest rates and injected historic amounts of cash into the economy.

The historical view is no different, particularly when we look to major global events or external shocks to the financial system. Examples abound—from government spending programs leveraged in World War II to balance tax increases used to fund the war effort to huge injections of cash in the days following 9/11, adding almost $100 billion per day.

A NEED FOR INNOVATION ARISES, AND BANKS RESPOND

Beyond the stopgaps or emergency levers the financial industry has historically employed in times of crisis, we also see evidence of significant innovations emerging from major world events and global crises. Many of the technologies and innovations embedded in our daily financial lives were born out of more recent global events.

For example, remote deposit capture was born in the weeks following 9/11 when all flights in the U.S. were grounded. Prior to remote capture, checks had to be flown between bank locations for verification, but the disruption to flight schedules revealed an urgent need for remote capabilities. Similarly, Bitcoin came online in 2009 as a direct response to consumer distrust in the government's ability to prevent another crisis. Square and Venmo also popped up in 2009, revolutionizing the P2P payments space and outpacing more cumbersome processes available within formal financial institutions.

Crises succeed in not only shining a light on these problems but also focusing intense attention to finding solutions. Banks have opportunity to provide intense focus to long-held challenges and obstacles as a result of COVID-19.

The common thread among these historical crises are the conditions that uniquely positioned individuals and organizations to solve seemingly intractable problems. Moments of crises tend to reveal real vulnerabilities and entrenched ways of operating. Crises succeed in not only shining a light on these problems but also focusing intense attention to finding solutions. Banks have opportunity to provide intense focus to long-held challenges and obstacles as a result of COVID-19.

As we move into the next few months, uncertainty around the economic outlook looms large. But if we take cues from the lessons of history, we believe it is not in banks' interest to decelerate their planned investments around technology and innovation. Balance sheets in 2020 will likely not meet projections, but there will still be "winners" and "losers" on the other side of the pandemic and anticipated recession. In fact, we urge banks to leverage the opportunity present in a weak financial outlook to focus investment in positioning your organization for the post-COVID-19 economy and customer.

Expectations around 2020 financials will be softened universally across the industry. Banks would be well served to accelerate longer-term investments that will position them to win, engage, and retain customers in the new COVID-19 economy.

WHY BANKS SHOULD ACCELERATE INNOVATION INVESTMENTS

Digital transformation has been an industry buzzword for years. Yet, the real value of digital organizations was never made clearer than in the early weeks of the COVID-19 pandemic and the onset of stay-at-home orders. In the mid-market particularly, the transition to digital and data-driven environments has felt like an almost insurmountable challenge and journey that would take any organization years to achieve. We're now playing catch-up in our new reality.

In a matter of weeks, the industry shifted its workforce from entrenched branch-based settings to their homes. Like other historical instances, the pandemic revealed a real vulnerability for banks that weren't prepared to operate in digital environments.

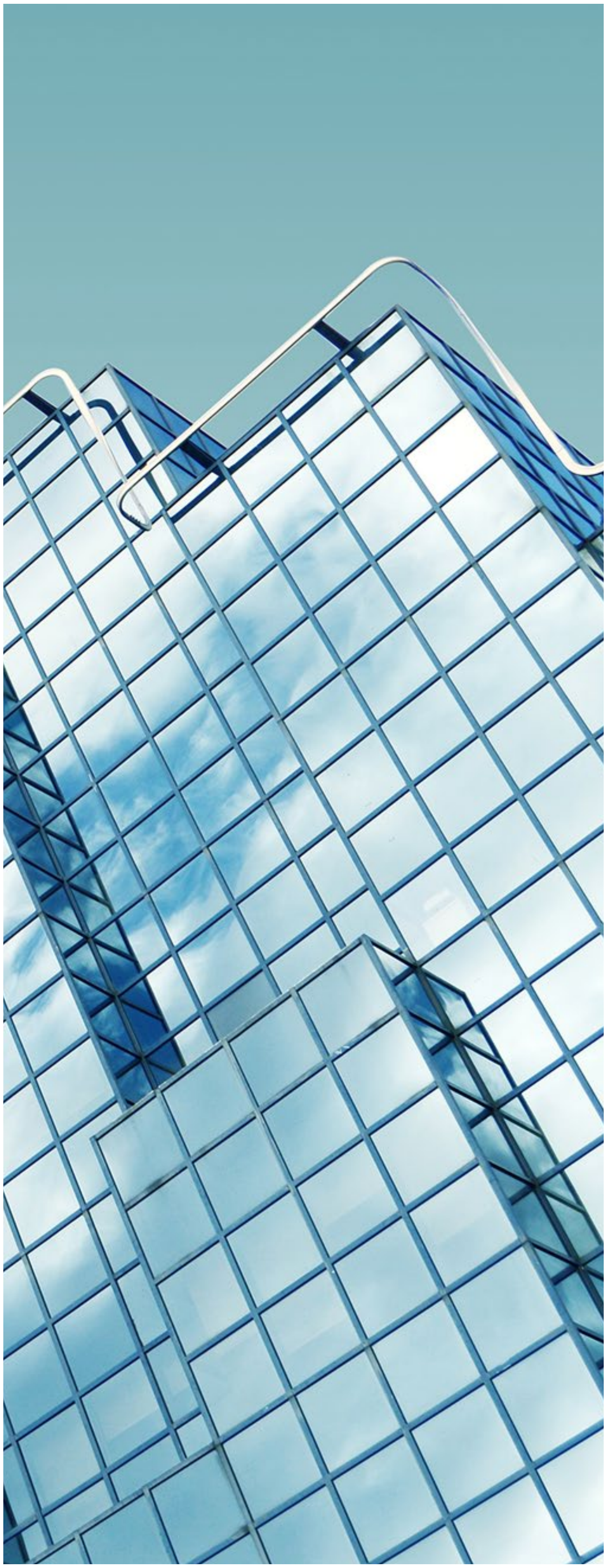
We've also seen the industry pivot to rapidly stand up new digital tools and automation capabilities to help service small business loans under the CARES Act Payroll Protection Program. In a mere matter of weeks in March and April 2020, banks across the United States mobilized to accept small business loan applications from their customers under the Paycheck Protection Program (PPP).

The short timelines and national pressures of the CARES Act and PPP allowed no margin for delay and forced banks to respond with a degree of agility and speed that many only aspired to previously. Banks that acted decisively were able to deliver value via digital channels to their clients and communities at a time of great need. Those that took the more traditional path to technology innovation—trying to "perfect" their solutions—often found their clients at the back of the line for critical funding.

Having helped more than 25 banks stand up PPP loan origination capabilities in only a week, West Monroe had a unique view into this effort. Prior to COVID-19, the thinking was it would take months to stand up new tech-equipped lending groups, but our own team helped clients stand up new automated lending solutions in a matter of days—allowing our clients to process 46,000 loans in the first few weeks of the program. We saw firsthand banks shift to an agile mindset where sound solutions with an emphasis on creating meaningful interactions with customers were prioritized over "perfection." Banks can move fast when they need to.

It is reasonable to expect that demand for digital interaction will only increase, especially coming out of the COVID-19 pandemic. Apart from industry "wins" in moving workforces offsite and responding to the PPP, social distancing has also already overturned what we "knew" about customer interactions as we've moved to almost exclusively digital interactions.

How will desired interactions change going forward? The customer journey and experience will be forever different. While we expect to regain some in-person interaction in the future, it is unreasonable think we will one day simply return to "normal." Banks would be wise to leverage the intense focus provided by COVID-19 and invest in the technology and experiences the post-pandemic economy—and the customer—demands.



CONCLUSION

Experts expect the public health crisis to subside sometime in the next 12-18 months, and it is reasonable to assume that the economy will eventually stabilize and ultimately recover, yet more permanent change is already in motion. COVID-19 has forced our hand in changing the way businesses operate and in how they interact with customers.

Banks would be prudent to leverage 2020 with a vision of longer-term impacts in mind. When we look back 3-5 years from now, there will undoubtedly be winners and losers. We're placing a bet that the "winners" will be those who doubled down and invested in tools, technology, and processes that enabled their bank to compete in the new post-COVID-19 economy.

STORY 2

Embracing microtransformations: A flexible approach to digital transformation in banking

By: Joshua Hoppes and Nathan Porter

The financial services industry has been inundated for years with dialogue around "digital transformation." There has also been widespread accompanying sentiment that mid-market banks are particularly behind the digital curve. The impact of the COVID-19 pandemic has only more acutely revealed that digital interactions will increase and self-service channels will become the backbone of the industry. 2020 sealed the mid-market's fate in the need to become digital enterprises.

Yet, the scope of a broadscale digital transformation for any bank, is significant—in terms of investment, time, and resources. However, 2020 also taught us that digitizing a bank's operations to provide robust self-service channels may be more attainable than previously thought.

Over some extraordinary days in March and April 2020, banks across the United States mobilized to accept small business loan applications from their customers under the Paycheck Protection Program (PPP). The short timelines and national pressures of the CARES Act and PPP allowed no margin for delay and forced banks to respond with a degree of agility and speed that many only aspired to previously.

Banks that acted decisively were able to deliver value via digital channels to their customers and communities during a time of great need. Those that took the more traditional path to technology innovation—trying to "perfect" their solutions—often found their customers at the back of the line for critical funding or turning to other institutions.

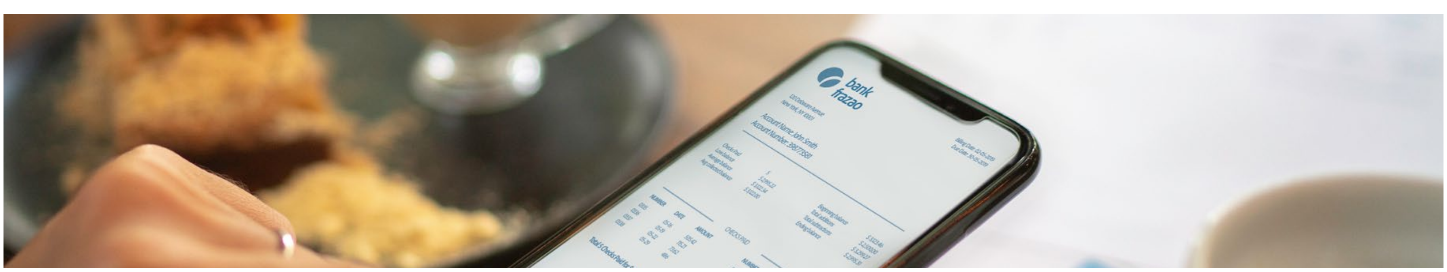
After the first round of PPP stimulus passed and the world settled into the new reality of prolonged pandemic conditions, it became increasingly clear that banks must rapidly digitize their operations and self-service channels to meet market need.

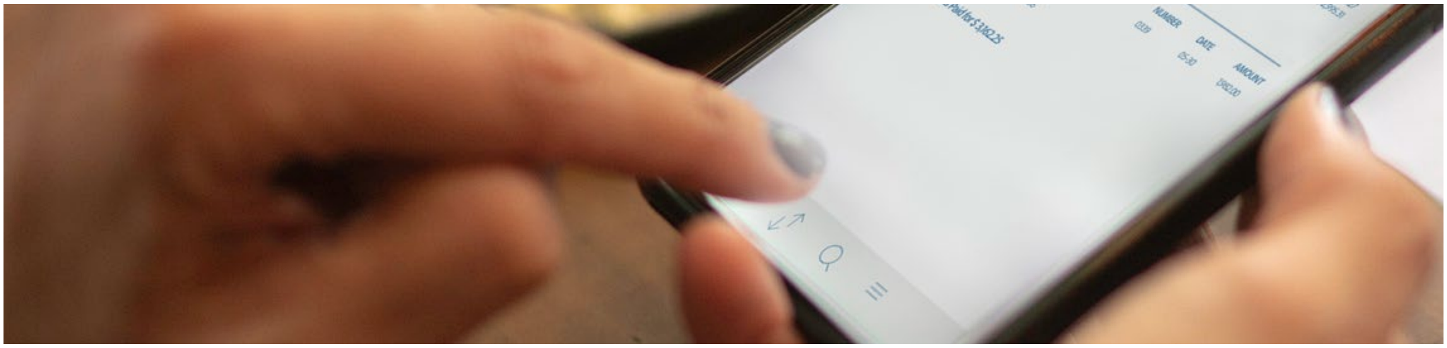
In our view, 2020 necessitated a new digital implementation playbook—one that flips the old way of thinking about digital transformation and embraces a nimbler, more flexible, less-than-perfect approach to leveraging technology. We think of this new approach as microtransformation—the ability to launch discrete digital capabilities faster while improving the customer experience and maintaining a fidelity to regulatory requirements.

BEGIN BY EMBRACING A MICROTRANSFORMATION MINDSET USING THESE FOUR PRINCIPLES

A microtransformation mindset is all about achieving "quick wins" that will allow institutions to be flexible and customer-focused by implementing smaller, bite-size technology projects that can have a narrow but measurable impact on the organization. It's also about fostering rapid user adoption by avoiding massive, multi-faceted transformational projects all at once, which may cause customers to revert to old habits. Like the Agile method, microtransformations allow institutions to accelerate time to value by tackling the highest ROI, least disruptive needs first, then layering on additional features over time. They steadily move the enterprise toward full-fledged digital transformation in manageable, cost-effective stages.

But don't mistake micro for easy. Getting employees on board with the concept and shifting their respective mindsets as they embark on new behaviors and processes—while shedding long-held institutional practices—through an innovative approach will need to be calculated. These guiding principles offer a way forward for more seamless, efficient microtransformations.





1. Small moves faster

There's a tendency in business—especially banking—to try and be perfect. Risk management and compliance considerations drive a desire to see every box checked. The effort involved is such that deployments tend to happen infrequently, typically with many new features consolidated into one "big bang" release.

Here, however, we saw with PPP how a solution can be scoped rationally to meet urgent market needs while still managing risk. This was a textbook example of a minimum viable product (MVP), a solution that delivers the basics but doesn't necessarily have all of the bells and whistles that stakeholders normally request. Many banks realized that out-of-the-box functionality provided most of what was needed at the time, and that brand and/or technology customization was not essential to meeting the needs of small businesses. Where speed to market was the most important factor, there will be time for customization later as banks "industrialize" or build out these capabilities to their full potential.

Notably, the concept of "small" applied not only to the scope of the solution but also the size of the team involved. Small, cross-functional teams with a focused and clear vision—and the necessary autonomy—can move faster. They can work in rapid iterations, accelerating progress and learning. People tend to learn better and build "muscle memory" by doing the work in real time versus a training session.

2. The red tape is really caution tape

The PPP effort demonstrated that there is more institutional flexibility than many believed was possible. This is not to discount the importance or influence of regulatory and compliance risk management. That remains key. But in the economic sense, taking a test-and-learn or fail-fast approach can actually be less risky for a bank because it limits wasted resources and allows for assessment of efforts in manageable pieces. Banks are not technology companies, but we now know that some industry leaders are starting to operate that way, even in the community bank space.

3. Customers—and now employees—expect results at a digital pace

The banks that acted fast under this pressure seized an opportunity to build trust and goodwill with customers that will remain throughout and beyond the current crisis. On a broader basis, consumers expect to increase their use of digital banking channels as a result of the pandemic. According to an April 2020 survey by FIS, 45% of those polled said they have permanently changed how they interact with their bank, and 31% of respondents said they will increase their use of online and mobile banking.

Further, bankers and customer representatives felt energized and a sense of satisfaction by being part of the response and by flexing their digital muscles to help small businesses within their geographic reach. They have now seen what is possible and—like customers—will expect even more speed and digital proficiency the next time.

4. Relax the scope and lower the stakes

For banks adopting a microtransformation mindset, success will be defined differently than in traditional broadscale technology implementations. The key to a microtransformation mindset is the ability to launch with a product that meets the urgent needs of the bank and its customers—while allowing for the experience to be expanded and perfected over time. Because of this more flexible, iterative approach, defining success requires banks to:

- **Relax the scope:** A smaller "MVP" scope is easier and faster to execute. Set your sights on that "full strength" solution once the core elements are proven. Your institution will become better at optimizing and automating once you know what really requires optimizing and automating.
- **Lower the stakes:** Allow teams the space to explore, experiment, learn, and fail—and, if so, move on quickly to the next idea. This experience is necessary if an entire organization is to embrace rapid implementation.
- **Emphasize value creation from the start:** Demonstrating the ability to create operational and economic value dramatically faster through rapid implementation and innovation will do more than anything else to convince the organization of its efficacy and to shift the mindset.

MOBILIZING YOUR ORGANIZATION TO TACKLE MICROTRANSFORMATIONS

The benefits of a microtransformation are clear no matter what a bank's long-term digital goals are. Though day-to-day operations will be narrower, there are overarching factors to keep in mind as you mobilize your organization for these changes. Banks seeking to take a microtransformation approach to becoming a digital organization should consider the following factors:

Document your digital vision

Executive leadership should work with marketing to understand the future needs of their customers to determine a clear digital vision driving the overall arc of the transformation which empowers the flexible, cross-functional teams to meet these needs through microtransformations.

Assemble the right team

A cross-functional team brings different perspectives and capabilities to the table to innovate together. The team should have the latitude to operate like an entrepreneurial business with a dedicated senior leader who has full decision rights, a defined but flexible budget, and performance measures to gauge success without stifling innovation.

Only empowered representatives of the most critical stakeholder groups should be involved in leadership and decision-making. However, there should be clearly defined supporting roles for representatives of other groups—IT security, legal, or compliance—who can help clear roadblocks.

Shuffle the talent

The best people should not always be the same people. Each innovation challenge will have unique needs, so pick talent best suited to the particular task at hand and make the most of the diverse skill sets within your institution. Allow them the space to focus on innovation rather than an ever-growing list of ongoing ownership responsibilities and unnecessary functionality. Once the innovation is up and running, hand it off to others to own, optimize, and evolve.

Be realistic about required technology

Innovation depends on and uses data. That is enabled by a modern architecture with features such as:

- Data warehouses and master data management (MDM) that govern and deliver clean, consistent, and quality data
- Middleware that makes data accessible while managing risk and minimizing rework
- Flexible automation tools such as robotic process automation to facilitate testing without overburdening operations personnel
- A modern experience layer that offers flexibility and control to try out new concepts without relying on expensive, slow-moving vendors

Some of these features are major investments, and some of them are forms of microtransformations—starting small with pilots in automation or improved data management can build use case by use case to big-picture improvements in architecture and operational flexibility down the line.

Prioritize oversight, approvals, and budgets with a bias for action

Rapid implementation requires competency in agile project management. More importantly, it needs leadership that understands and accepts new flexible approaches. Executives must prioritize and bias toward action, allowing innovation teams the freedom to find their way and self-manage within established parameters that reflect business strategy. Project governance should be "lighter" until an initiative is ready to move to "industrial strength."

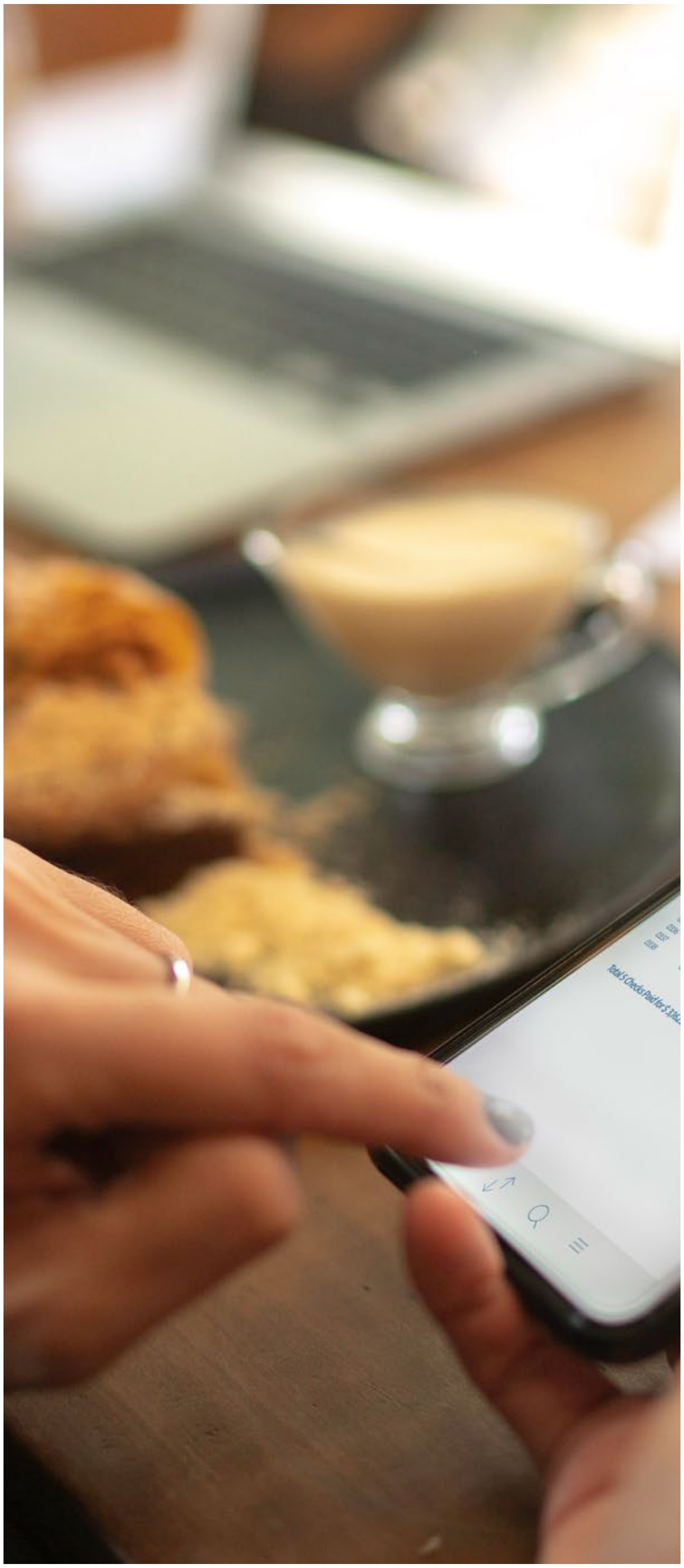
A portfolio-style investment approach can streamline approvals, allowing teams to work without excessive red tape from budgeting or procurement barriers. It is also important to have goals and metrics that promote measured risk-taking and help the bank quickly identify both successes that warrant further scale and failures that can be mitigated with minimal impact to both the innovators and the bank at large.

TACTICAL OPPORTUNITIES IN THE MID-MARKET TO PROMOTE MICROTRANSFORMATIONS

As we've moved into 2021, and even with the promise of a receding pandemic, there are three areas that banks must digitize. In other words, for banks that want to compete in a post-COVID 19 environment, there is no turning back. These areas must be digitized and provide clear entry points to test the microtransformation approach.

Customer onboarding

Across industries, onboarding experiences and capabilities are evolving rapidly—as are consumer expectations. The deposit account opening process is often the customer's first experience with a bank. To ensure first impressions are consistent with the desired customer experience, you will need to make sure your bank controls this process and can adapt it at will.



New digital channel experiences

Under current contact-less conditions, capabilities such as wires, ACH transactions, automated loan decisioning, loan renewals, and account service requests are essential to remaining connected with and engaging customers wherever they are. As we ease out of the pandemic, banks will continue to rely on digital channels rather than in-branch interactions to grow revenue.

Continuous improvement

The ability to implement with speed and flexibility is particularly important to continuous improvement efforts, where teams will want to test and prove out concepts with minimal investment whenever possible. The more comfortable your bank becomes with the core concepts of microtransformation, the more it can optimize operations without incurring major financial and personnel costs.

CONCLUSION

Despite the daunting scope of changes required within the mid-market to become digital enterprises, we believe taking a microtransformation approach to digitizing a bank's environment is a more viable and realistic path forward.

The impacts of 2020 on customer expectations and interactions with their banks are here to stay. Given the urgency and scope of these new market demands, the old technology playbook needs to be replaced with a newer, more flexible approach that can actually transform an organization. Mid-market banks that embrace microtransformation will continue to outpace their competition.

STORY 3

How to prioritize the right innovation projects

By: A.J. Meyer

Every company is an entity built for the future. Its purpose is to continue creating value for its customers, users, or clients. To do that, its leadership must constantly reimagine what the future will hold, preparing and planning for the most advantageous outcomes.

The process of envisioning the future, forming hypotheses, and testing new ideas is the heart of innovation—and businesses need it like you and I need oxygen.

No executive team at any organization of any size in any sector would say innovation is less than a top priority. But in order to create a successful culture of innovation, it takes more than a few slides in a PowerPoint deck or a one-time app launch. Many organizations will take a shallow approach to innovation or let the events of the present overshadow the need to invest in the future.

Innovation, the practice of looking ahead and making bets on the future, is something that too many business leaders struggle to make a part of their regular, ongoing business practice.

It's the aspiration of all business leaders to invent products, systems and models, and be first to market. But how do we actually get there? How do we move from aspiration to intention to execution?

We'll share the framework we use to keep our consultancy moving forward; it has steered us through new product development, game-changing acquisitions, and unparalleled returns for our clients.

THE THREE-BOX SOLUTION POWERS ORGANIZATIONS TO THINK DIFFERENTLY ABOUT INNOVATION

Surprising and successful corporate innovation transformations are all around us—from Amazon buying Whole Foods in 2017 to Hasbro going from a toy manufacturer in the 1990s to a much larger brand-licensing and media conglomerate business today.

How do organizations know how to make these types of moves?

For many, the answer comes from an influential business school professor named Vijay Govindarajan and his Three-Box Solution. The Three-Box Solution is a framework that describes how firms must divide their attention into three time zones, or boxes:

BOX 1
Managing the present

BOX 2
Selectively shedding the past

BOX 3
Creating the future

This insight has helped shape the growth trajectory of some of the top corporations around the world. Indra Nooyi, CEO and chairman of PepsiCo, has said, “At Pepsi, we practice what VG preaches.”

What exactly is he preaching with the three boxes?

Box 1 is the category of activities an organization undertakes to manage the present—to make the business as it exists today more efficient. Strategies such as reducing production costs or improving logistics fall into this category. Box 2 contains the activities specially carved out to examine the past and intentionally shed previous assumptions and strategies that no longer serve the future. Strategic pivots are the result of Box 2.

To be successful, a company must be engaged in meaningful activity in all three boxes, but perhaps none is as vital as Box 3—where innovation happens. As VG told Fortune Magazine in 2016, “The basic idea here is the future is now. The future is not what you have to do in the future. That means if you are a corporation and you want to be a leader in the year 2020, the job does not start in the year 2020. The job starts today. The future is now. Your future is now.”

BOX 3 OR BUST

And yet, in our experience, the leaders at many organizations direct more attention at Box 1 than on Boxes 2 or 3. That is a recipe for disaster. A company that spends the majority of their attention on initiatives and meetings dealing with the business today or on responding to real-time events is a company that won't stand the test of time.

Companies that are not regularly spending time in Box 3 are vulnerable to the competitive forces of the market. They might fall victim to "death by 1000 startups" where a proliferation of technology companies make inroads in an area where the company has failed to innovate. Startup companies can be a particularly effective market threat because they are set up from the beginning to be focused on Box 3 initiatives—there is no legacy business for them to manage.

Falling behind the curve on innovation affects market narratives and the ability to attract and retain top talent—thus creating a negative feedback loop effect. According to a survey by Fast Company, 91% of workers said it was important to work for a company they thought of as innovative, and 30% said they would accept less money in exchange for more time spent working on innovative projects.

The pages of The Wall Street Journal are full of examples of companies that fell down on the job on Box 2 and 3. One of the most famous case studies is the story of Kodak. Despite early patents on digital cameras and continued investment through the last decades of the 20th century, they were never fully able to grasp that the future of digital photos would be shared online, not printed out. To this day, they are still oriented around a print business that continues to shrink.

The point is, if you're not making a regular habit of dedicating serious leadership attention to the types of questions Boxes 2 and 3 demand, you're leaving room for your competitors to do just that.

THE THREE BOXES IN PRACTICE

Brian Goldner is the CEO of Hasbro and the leader who realized the growth opportunity was in leveraging the power of their toy brands for film, television, theme parks, and other media. How did he do it? "I quite literally review my calendar every week to make sure I'm allocating enough attention to Boxes 2 and 3," he recounts to Govindarajan in the book, The Three-Box Solution.

You can also see the framework working when considering recent moves by Apple and Disney to get into the premium television content game. Apple's core business today is broadly hardware manufacturing and retail. But Apple TV+ is not a strategic effort to sell more laptops. It's a bet on how people will interact with technology in the future.

But it's not just consumer brands that benefit from thinking about innovation this way. It's a framework that works for all manner of organizations. West Monroe is spearheading an innovative effort with healthcare institutions, with a first test in Minnesota, known as Open Source Healthcare Innovation (OSHI). The idea is that healthcare providers from smaller community centers to larger hospitals all want to innovate, but they're all constrained by limited budgets and overworked talent. By creating an open-source framework that brings health organizations of different sizes together, the group of institutions can innovate faster together than they would developing their own proprietary technologies separately. Because it's an open-source hub, any of the institutions can contribute to the code base, and any of them are free to develop and patent new ideas for their own entities.

This open-source approach is a real departure from business as usual in the healthcare space. For West Monroe, it was a way to show the way we think healthcare technology development will work in the future. West Monroe is cultivating a culture of innovation alongside our clients and the community at large to not only co-invent solutions but to develop a practice of collaboration. It's important that we recognize that we can all benefit from this work, learning from each other while creating a broader sense of purpose that supports each organization's missions and values. We all share in the risk AND reward; the biggest winners are the most vulnerable populations in our communities. It's a new way of working, and the very definition of Box 3 innovation—not only for West Monroe, but also for the OSHI cohort members.

OSHI was set to launch just as the pandemic hit. The healthcare providers who expressed early interest found themselves underwater managing their response to COVID.

Innovation efforts will always be under pressure and can change, for better or for worse, at a moment's notice. For West Monroe, one of the key learnings was that targeting the right participants really matters. Smaller community health clinics turned out to have more acute innovation needs than larger hospital networks. By retargeting the participants and making the cohort groups smaller in size, we have been able to keep the program alive and keep learning—which is the most important success metric for Box 3 initiatives.

SPEED TO INSIGHT: BOX 3 BASICS

There are several guiding principles that will help elevate your innovation practice and get you flexing your Box 3 muscle.

First, adjust your view of success when it comes to Box 3. What you're looking for is "speed to insight" rather than "speed to market." Whether or not a new program or idea "works" is all about whether you're learning something from the effort. For example, with OSHI we learned there was more appetite during COVID from smaller community organizations, so we made adjustments to continue testing the open-source concept with that audience. It has already been successful from that insight alone.

To achieve success via "speed to insight" you need intelligence gathering tools and processes. What do you want to learn from your Box 3 experiments and how will you gather that information? West Monroe has developed cutting-edge data capabilities through our Intellio® offerings that can be custom fitted to make sure any organization's business engine is able to effectively learn from their future-oriented efforts.

Understand that to do innovation well you must build a regular practice of it. Only with regular practice will the discipline and focus you need to make innovative, Box 3 thinking a regular part of your organization's day-to-day operations.

Start by asking yourself questions about the future: Who will my competitors be? What will happen to my business if digital currencies take over? What will my customers be looking for in 10 years? What if brick and mortar retail vanishes entirely? What happens if it comes back in a big way? What will happen if my primary source of revenue is disrupted by an unforeseen event?

Like many other businesses, we find the Three Boxes framework to be a simple, highly effective methodology for making "creating the future" a key part of our business today. It helps leaders everywhere think about future planning as an ongoing, consistent practice instead of a one-time event.

CHAPTER 3

Customer Experience

Customer interactions and relationships are evolving—at a fast clip. An intentional, human-centered approach is essential in both B2B and B2C settings.

STORY 1

The new imperative for banks to build loyalty post-crisis

By: Chris Caulfield, Dana Twomey, Amy Fletcher, Dean Konick

COVID-19 upended the American economy as commerce halted and stay-at-home orders took effect. Bank clients now face significant and immediate challenges ranging from plummeting revenues, cashflow shortfalls, and liquidity constraints. In fact, 43% of small businesses believe they have less than six months before permanently shutting down. Banks can help manage this economic upheaval by strengthening client engagement focused on immediate and anticipated near-term needs.

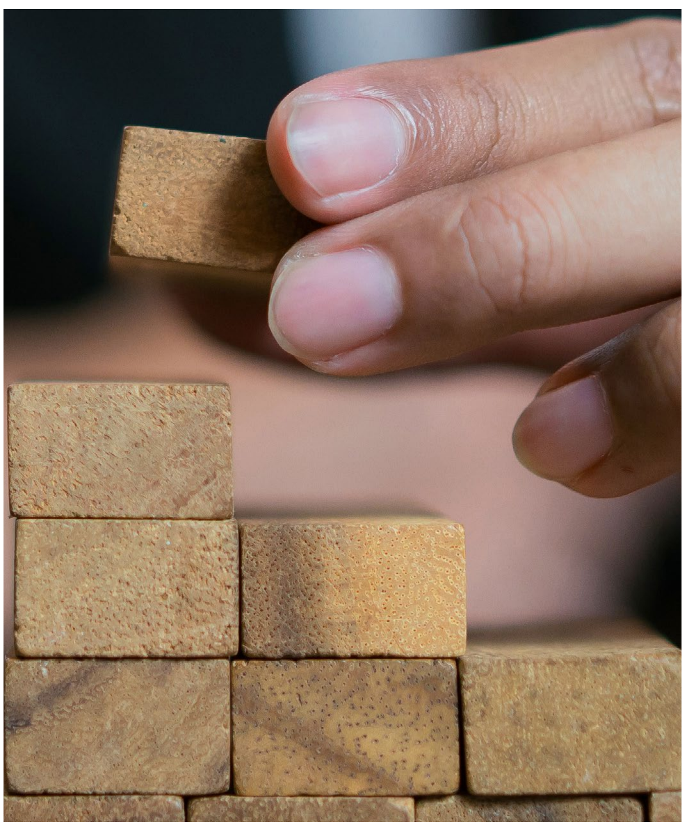
Long-lasting relationships are forged in times of crisis. Banks must reveal their value as trusted partners by helping clients address urgent concerns, offer support, and provide the financial relief necessary to stabilize and sustain in the post-crisis economy.

UNDERSTAND YOUR CUSTOMERS' NEEDS IN THIS NEW ECONOMY

Business models vary among bank clients. Some are positioned with diverse revenue streams propelling income statements and solid, cash-rich balance sheets. Most, however, are capitalized with insufficient resources to withstand the devastating impact caused by the complete shutdown of commerce in the US economy. Many bank clients have a limited diversity of revenue streams. This combination has left a large population of clients with little choice but to seek help from their bank.

Banks can balance servicing a high volume of client requests while capitalizing on interaction opportunities across the client base. To do so:

- Think differently. This recession is unprecedented, meaning rules and assumptions used to create segmentation strategies—often solely based on risk rating models—may be less predictive and effective.
- Establish relevant filters from the views of both the bank and client. These filters will better predict the next six months of operational performance. In addition to traditional credit-risk measures, consider industry, ability to leverage digital capabilities, profitability of relationship, geo-location, and number of recent bank interactions when developing filters.
- Segment and assess pandemic impacts based on client's needs (e.g., cashflow and reserves) in conjunction with bank requirements (e.g., credit risks).



CONSTANTLY COMMUNICATE WITH CUSTOMERS

Banks must deploy strategic, rhythmic client outreach plans and stress loyalty messaging. Communications should reveal customized support based on the client's segment and be tailored to the unique circumstances of each segment. Banks must also optimize delivery channels with synchronized messaging aligned with the bank's pandemic-specific support programs. With intense volume of calls flowing in, responses from all channels must be consistent, transparent, and targeted such that inquiries are routed and prioritized based on needs of both the client and bank. Additionally, banks should orchestrate proactive client touchpoints as a way to triage the response to the pandemic. These outreach efforts should span all channels of communication and assess a wide range of topics.

RESOLVE URGENT CUSTOMER ISSUES THROUGH ENGAGEMENT AND PARTNERSHIP

Given the prolonged projection of financial hardship, banks must engage and partner with clients to create innovative solutions. The level and approach of engagement should be prioritized according to the segmentation models, impact urgency, and alignment of bank resources and its mission statement.

Banks ultimately have the power to realign certain cashflow requirements of clients. They must consider the opportunity of building loyalty and retaining profitable long-term clients by engaging with their clients to synchronize clients' cash inflows to bank payments on a temporary basis. Pulling the payment and deferral levers may provide just enough financial relief for clients to survive and return successfully to what's next.

PROACTIVELY SERVICE CUSTOMER NEEDS TO CULTIVATE LOYALTY

For businesses and clients hoping to stabilize in the COVID-19 economy, how a bank services its clients will have a direct correlation on client engagement, loyalty, and ultimately retention and growth.

For those clients who participated in the SBA PPP Stimulus Program, there is a provision for loan forgiveness. Prepare now for the anticipated loan servicing volumes seeking forgiveness to provide a better, enhanced client experience. Redeploy staff in order to proactively service clients and provide exceptional client service when incoming requests are received. Consider redeploying staff strategically to process expected, heightened levels of credit servicing requests from clients.

Bank clients will likely remain financially challenged for the foreseeable future. Client interactions in the near term will prove a bank's ability to provide value and support in the long term. The actions taken by banks now will establish the tone for future relationships and position them for growth. Think strategically before acting. This moment of creativity related to servicing your clients' urgent immediate needs will position your clients for financial stability and future success and the bank for long-lasting relationships.

STORY 2

As customer interactions go virtual, being 'human' is more important than ever

By: Casey Foss

The rapidity with which the COVID-19 situation unfolded has required companies to focus on employees and operations. Understandable. Couple that with the impact to everyone's personal lives—including the distractions that come with being 100% remote—and it has been hard to return to our day jobs. But as the shock wears off, we'll need to turn our attention back to customers. As we do, certain questions start to cross our minds: Do we try to return to business as usual? How do we acknowledge the crisis without looking like we're trying to capitalize on it? And what is the right amount of communication? The answer comes down to a tried-and-true principle: being authentic, values-based, and human with your customers. Now it just comes with a twist: doing so remotely and digitally.

I've seen companies already doing this well. When Pulse Boxing and Fitness, an independent local gym in my neighborhood, chose to close its doors, it immediately created a YouTube live channel with on-demand classes and graciously loaned its equipment to members—helping us maintain fitness goals during quarantine. And e-learning companies have provided parents (turned teachers) like me the tools they need to begin to educate and support their kids from home. Both of these companies acted selflessly and immediately in hopes of making this time easier, but they have also secured a set of thankful and loyal customers.

Businesses need to move quickly to establish productive, authentic, and virtual customer interactions like these that accentuate their values. And what worked last year may not work right now. If you're like me, you're probably tired of being bombarded by organizations and people you've never heard of or haven't done business with in years.

The bottom line: The new normal requires every interaction provide value and be in tune with your customers' current needs because your buyers don't have time to decipher business jargon or time to waste on low-value work. Here are the ways I've seen this work.

BE A PARTNER, NOT A SALESPERSON

Just as our businesses have changed, so have our customers', and they're still trying to get their arms around what the "new normal" looks like. And, it changes hourly. Interacting as if nothing has changed is going to come off as tone-deaf.

This is the time to remain true to your values as you interact with customers. While we're all feeling pressure to try to get our operations back to normal, set aside that goal to sell. Simply check in on how clients are coping, personally and professionally. Be willing to listen. Focus on how you can work through this and thrive together. If an interaction doesn't offer clear value, it will be deprioritized—and quickly. As you listen, think about what you can do to add value. Maybe it's as simple as facilitating an introduction to an expert, a peer, or even another one of your customers who is facing similar challenges.

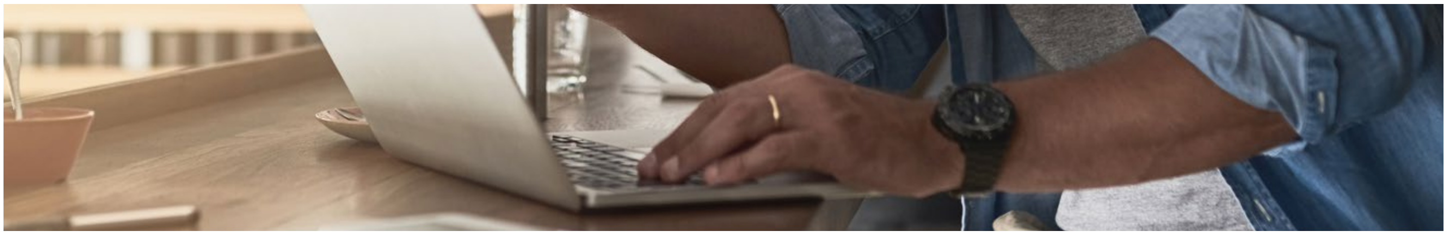
It also remains important to understand your customers and think through how your organization's products and services can meet needs. In fact, it's more important than ever to be the reliable, trusted partner that your customers can turn to for solutions that address their unique issues—because unlike an unknown vendor, you have the context of their business and the relationship to back it up. And, when you have done this right, you will find your best customers turning to you and asking how they can help you, too.

EMBRACE THE CONCEPT OF A MINIMUM VIABLE PRODUCT (MVP)

In the past, everyone wanted the best, sleekest, most innovative solutions, believing that something had to be perfect to produce the greatest value. That viewpoint has changed—in a hurry. Responding to the crisis has required people to shed the concept of perfection in favor of speed to value.

The good news is that, by and large, this is working. We've seen companies across many sectors quickly figure out how to connect virtually with customers and constituents in ways they did not before: A medical practice standing up telemedicine capabilities in mere weeks. A bank standing up a new loan program within a few days' time. A county government office conducting virtual inspections of construction projects. These efforts may not have been perfect out of the gate, but they didn't need to be. They needed to meet new needs in the moment, and now those organizations can improve upon them.

Businesses have been talking for years about becoming more agile. That's exactly what they have done out of necessity over the past weeks. Let's embrace that and build it into the new normal as we move beyond the immediate challenge.



HUMANIZE YOUR COMMUNICATIONS AND BUILD A SENSE OF COMMUNITY

We are adapting to and making the most of virtual working, but that isn't to say that we don't miss the benefits of in-person connections. This environment requires us to be more conscious about the tone of our messages, along with clarity and brevity. Clients have limited time and they can't weed through the noise to understand the value. Ditch the PowerPoint and jargon, and approach conversations like you are talking to a friend.

We also must use technology to keep our communities connected and thriving. For example, a partner of mine and fellow CMO quickly spun up a virtual weekly "coffee talk" to share ideas and collaborate on common issues. At West Monroe, our leaders are bringing together like-minded groups of executives, brainstorming about how to tackle new and ever-changing challenges (e.g., making their remote workforce successful and secure).

As we do this, we need to make sure these events emphasize two-way communication—one of the most valuable qualities of a community. For instance, ask clients what they want to hear about so they can drive the agenda, and make the time to participate in such events when you are invited to do so. I've found these opportunities enormously helpful for establishing a sense of normalcy when so many other things around us are disrupted.

IN A VIRTUAL WORLD, HUMANIZE

We are all in this together, so it befits us to approach our customer interactions with an enhanced sense of mutual support and community. Those are qualities that earn trust and extend relationships in good times and, even more, in difficult times. When the dust settles, we will all remember which companies served us well in our time of need—and which did not. Those that have always been authentic and empathetic are going to be successful because they will take time to understand their customers and spend the time to hone the proper digital tools to achieve this empathy.

Amid this uncertainty and new world of virtual connections, character is accentuated. How we interact needs to be more humane than ever. Those who act with grace, humility, and integrity today will be rewarded down the road.

ABOUT WEST MONROE

West Monroe is a national consulting firm that was born in technology but built for business—partnering with companies in transformative industries to deliver real, measurable results. Technology is who we are, it is not something we bolted on overnight, and we believe it is one of the greatest enablers of business value. That's why we work in diverse, multidisciplinary teams that blend industry expertise with deep operational and technology capabilities to create quantifiable, financial value for our clients. Our 1,500 employees based in seven offices across the United States also own 100% of our business, so when you partner with us you know we are committed—because your success is our success. Our undeniably different approach breeds undeniable results. **Visit westmonroe.com to learn more.**

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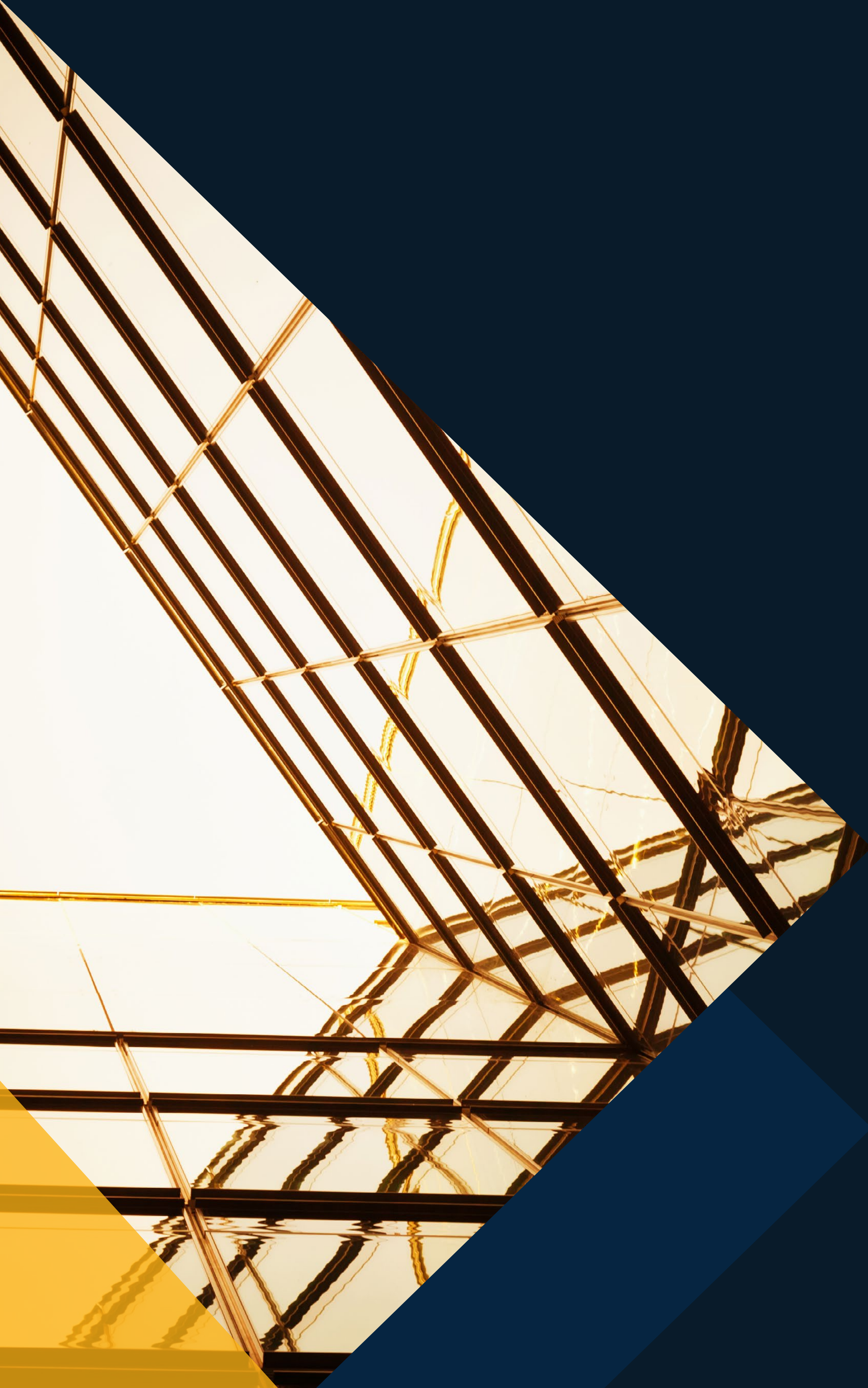

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