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BY 2025, LEADING BANKS WILL BE OPERATING AS DIGITAL FINANCIAL SUPERSTORES THAT BLUR THE LINE BETWEEN TECHNOLOGY COMPANIES AND BANKS.

94% OF NONBANK BORROWERS SAY THEY WOULD OBTAIN CREDIT FROM A NONBANK PROVIDER AGAIN

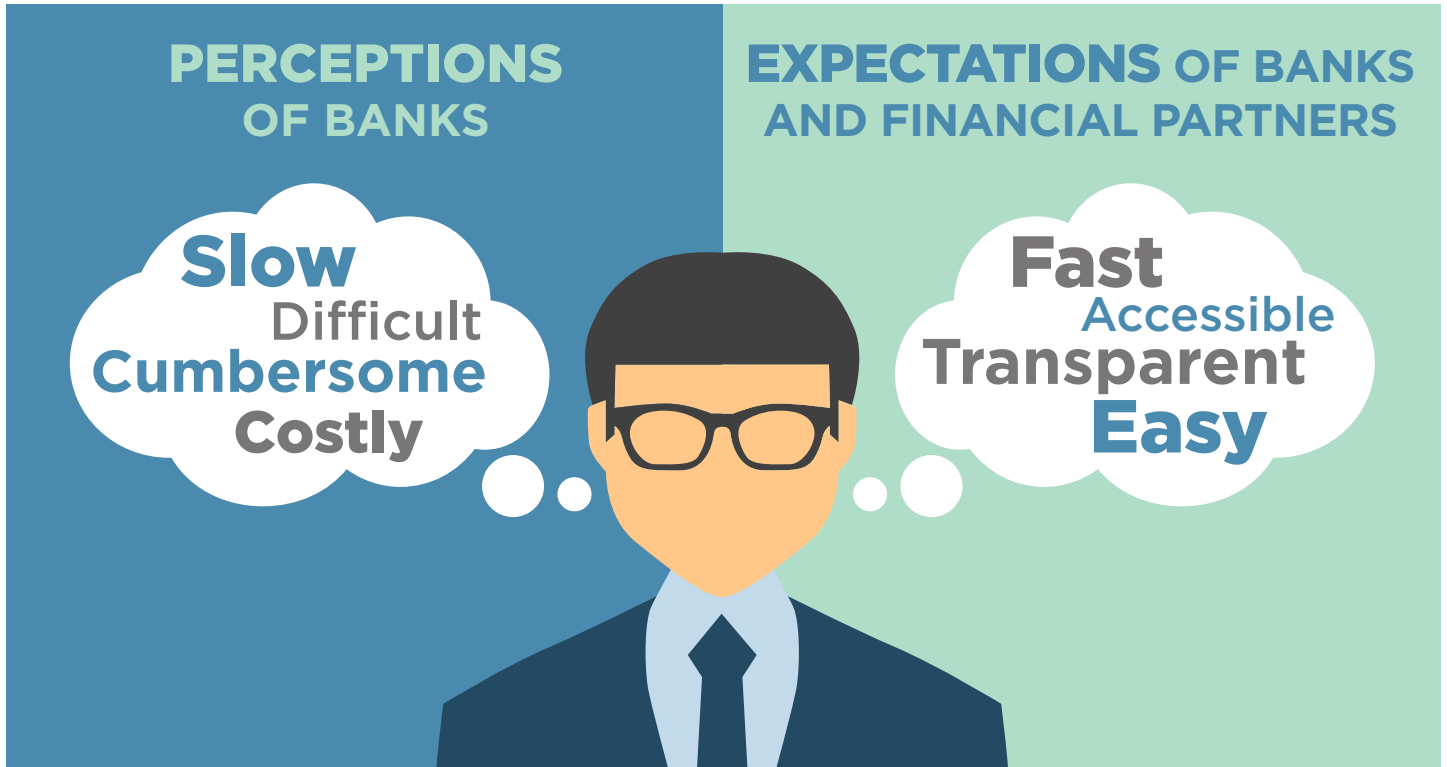
## Introduction

Banks today, in many ways, feel like analog players in an increasingly digital world. Yet change is coming fast: Within the next decade, they will feel and operate more like tech companies with banking licenses.

Over the last year, buyers of wholesale banking services have started bringing their personal experiences as online consumers to their expectations for commercial banking services. One-click ordering from Amazon, tracking fulfillment requests from Uber, auto-populating information from Google Chrome, and other innovations have changed perceptions about what is possible and what is expected in electronic commerce. With tech and retail sites setting new standards, customers increasingly expect interactions with their banks to be easy, fast, transparent, and done on their own terms. Expectations have changed dramatically in the last six to 12 months, with frustration evident when desired digital simplicity is not found.

These demands and other competitive factors are pushing banks inexorably toward a new model: By 2025, leading banks will be operating as digital financial superstores that blur the line between technology companies and banks.

Getting to that point will not be a smooth ride. Even in the best scenario, banks as currently constructed will struggle to keep pace with retail and tech providers when it comes to innovations in online functionality and service. New regulations and compliance demands have made onboarding, loan applications and other standard bank functions more difficult, time-consuming and frustrating for customers. Although banks are trying to use technology to overcome these new challenges and deliver a more seamless customer experience, their efforts to date have largely failed to alleviate the problems and keep up with rapidly rising expectations.



These developments have left banks in a tough spot. At exactly the time when their customers are learning how fast, easy and transparent online service can be, banks are struggling simply to maintain the quality of service, as much of their technology spend is dedicated to addressing risk, security and compliance needs and keeping disparate legacy systems running.

Enter the nonbanks. Banks' troubles in this area have created an opening for nonbank lenders and fintech providers that leverage cutting-edge technology and their largely unregulated status to deliver the type of service and experience consumers have come to expect from the best Internet and mobile sites.

For the next five years, the industry will continue to experience this "digital divide," in which technology-fueled disruptors drive rapid and dramatic change in the financial landscape. However, this fierce competition will set the stage for a new era. To overcome their regulatory disadvantages and keep pace with high-tech rivals, traditional providers will be forced to make sizable investments and implement sweeping alterations to their culture. Some providers will make it, many will be left behind.

These changes will transform many of these traditional providers into "digital financial superstores" that represent the future of banking.

# The Future of Banking: An Overview

Greenwich Associates sees the post-crisis banking industry evolving through three distinct phases:

## 2013–2016: Rise of Fintech and Regulatory Inconsistency

New regulations force banks to step up already sizable technology investments to address risk, compliance and security in addition to new client-experience enhancing capabilities. These investments bear fruit in retail banking but only gradually impact the commercial business. Meanwhile, high-tech, lightly regulated nonbanks capture increasing amounts of business from banks.

## 2017–2021: Rise of the Specialists and the Great Digital Divide




Fintech providers and other nonbanks move upmarket from consumer and microbusinesses to wholesale and gain market share in lending, payments, merchant services, wealth management, and other areas. Clients increasingly select separate “specialist best-of-breed” providers for these functions. Banks continue building out upgraded technology platforms and streamlining processes to the degree legal and compliance teams allow.

New digital approaches to making applications empower users to save time, increase transparency or make smarter decisions are carried over from retail banking by larger providers. These gradually improve the client experience and buttress bank profit margins. Advice is and will continue to be a key differentiator, with traditional in-person advice augmented or substituted by digital advice based on algorithms. Others lacking the technology and/or advisory talent are increasingly left behind. Many nonbanks and fintechs are bought by banks in pursuit of a more digitally focused strategy.

## 2022–2025: Rise of Digital Banking Superstores

With electronic banking ubiquitous, large traditional providers transform into “digital banking superstores.” Stripped of their technology advantage (and their regulatory advantage as well, assuming regulators act appropriately), nonbanks cede clients and share of wallet to the banks, and clients rediscover the benefits of one-stop shopping with large banks. Many remaining major fintech and nonbank providers are acquired by banks, further enhancing banks’ technology prowess.

Others increasingly merge to expand product capabilities and become more like banks. Regional banks struggle to keep up with mounting costs of IT investments, while small and community banks attempt to leverage white-labeled technology from third-party providers to maintain their own value propositions.

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|  <p><b>2013-2016</b></p> <p><b>Rise of Fintech and Regulatory Inconsistency</b></p> <ul style="list-style-type: none"> <li>▶ Digital adoption in consumer applications raises expectations for convenience everywhere</li> <li>▶ Rise of fintechs and nonbanks</li> <li>▶ Regulatory playing field not level - CARL (compliance, audit, risk, legal) issue</li> <li>▶ Large banks invest in digital capabilities primarily for retail</li> <li>▶ Most banks feel “analog” in an increasingly digital world</li> </ul> |  <p><b>2017-2021</b></p> <p><b>Rise of Specialists and Great Digital Divide</b></p> <ul style="list-style-type: none"> <li>▶ Nonbank and fintech providers move upmarket to wholesale</li> <li>▶ Products increasingly purchased from specialists due to value and convenience</li> <li>▶ Economic choppiness removes many online lenders, fraud sinks less secure payment providers</li> <li>▶ Increasing regulation of nonbanks begins to level playing field</li> <li>▶ Trust and digital security increasingly important</li> <li>▶ Massive investment as leading banks build and acquire digital capabilities, others left behind</li> </ul> |  <p><b>2022-2025</b></p> <p><b>Rise of Digital Banking Superstores</b></p> <ul style="list-style-type: none"> <li>▶ Digital banking is mainstream</li> <li>▶ Transformation of leading banks’ cultures to “tech companies with a banking license”</li> <li>▶ Specialized knowledge of clients’ industries translated into distinctive advice; capabilities remains a differentiator</li> <li>▶ Subscale banks can’t compete, valuations impaired</li> <li>▶ Major banks continue to acquire bank and nonbanks to fill in product, technology or geographic gaps</li> </ul> |
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**HOW WE GOT HERE**

So far, the 21st-century banking industry has been defined by the cycle of rapid growth, crisis, regulation, and recovery. During the “irrational exuberance” of 2000 to 2007, booming markets and frenetic lending activity led to a deterioration of loan quality that set the stage for the global financial crisis of 2008-2009.

Regulators then dominated the scene, with Dodd-Frank signed into law in 2010, and the Basel Committee on Banking Supervision implementing strict new capital reserve requirements as a primary defense against a repeat of the crippling credit crisis. Compliance requirements and strict enforcement regimens have forced banks to simultaneously shore up strained balance sheets and adjust to new reserve

requirements by slashing costs, revising business models, amassing capital, and beginning to build out vast new compliance apparatuses to satisfy regulators. These large, new and expensive CARL (compliance, risk, audit, and legal) teams are making SIFI (systematically important financial institutions) banks slower, more cumbersome to deal with and expensive for customers. All the while, banks are working to restore reputations and trust lost in the crisis.

By 2012–2013, U.S. banks had made impressive strides in all those areas but were feeling sharp pressure from investors to return to growth. As revised regulations drained profitability from retail banking, many banks pivoted their resources toward commercial banking, rapidly driving up competition for commercial loans. With interest rates stuck at historic lows and loan demand hampered by continued doubts about the economy, banks became increasingly aggressive, offering more attractive terms and looser covenants. This heated competition has some observers worrying that the industry is repeating the mistakes of recent history.

Throughout this cycle of boom, bust and recovery, the spread of digital technology has been a constant. Technology was starting to remake banking before 2008, but post-crisis regulations altered that evolution. With capital reserve requirements, compliance demands and other new expenses biting into profit margins and degrading the customer experience, banks need vast improvements in efficiency.

Banks are therefore ramping up their investments in technology. Many large banks report more than half their technology spend last year went to meeting regulatory, risk or fraud needs. However, digital functionality, widely adopted in consumer banking, is advancing into small-business banking and, at a slightly slower pace, to middle-market and corporate banking—to the frustration of many business executives who are eager for these capabilities.

Meanwhile, regulators inadvertently set the stage for another technology revolution that threatens to upend the industry. By applying a set of tough



post-crisis rules primarily to banks, regulators have empowered a new cadre of nonbank lenders and fintech providers that are carving out a presence among businesses in loans, payments, merchant services, wealth management, and other areas.

These providers often arrive on the scene with a built-in technology advantage, while banks are usually saddled with legacy systems. Nonbanks are also exempt from a preponderance of regulatory costs and burdens imposed on SIFI banks. They are leveraging that advantage to provide a superior overall client experience that is winning some customers away from the banks. While certain clients going to nonbanks today are less attractive to banks, cost and technology advantages of nonbanks set the stage for a disruptive change.



## 2013–2016: Rise of Fintech and Regulatory Inconsistency

The industry today remains characterized by fierce competition among banks, and between banks and new nonbank providers. On the customer side, business owners cite being solicited “by so many banks that it’s tough keeping them all straight.” There are many opposing forces shaping the competitive landscape, each challenging bank leadership teams.

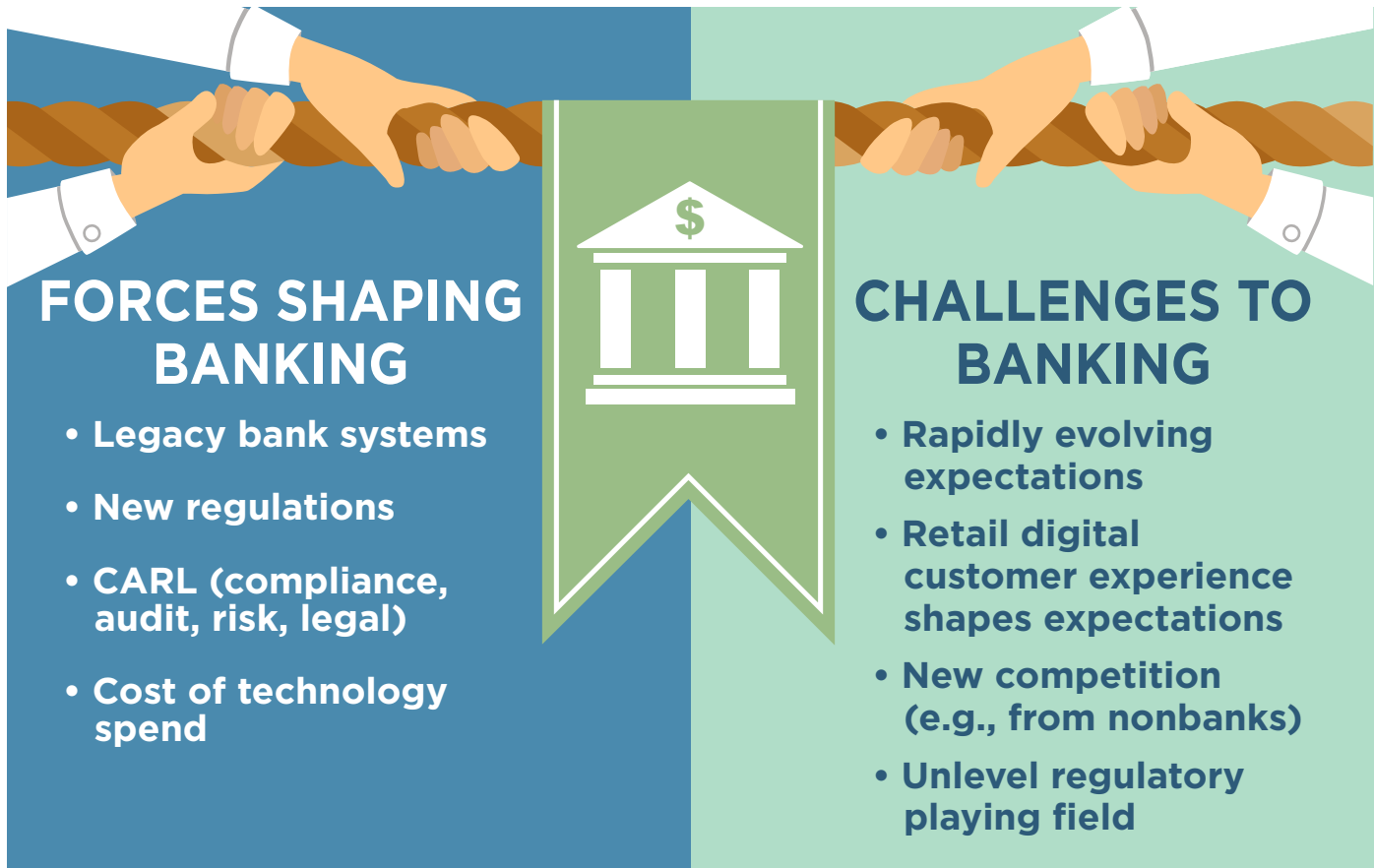
MOST BANKS FEEL “ANALOG” IN AN INCREASINGLY DIGITAL WORLD



## Regulations Erode Bank Profits

Meanwhile, bank executives are trying to work out the best and most profitable business models for the new environment. With new capital reserve requirements and CARL expenditures eroding profit margins in core business lines, banks are cutting costs across their businesses. Most back-office costs were slashed during or immediately post financial crisis. Many additional cost reductions are coming from front-office efficiencies. One key priority: reducing cost to serve by making more and better use of less expensive delivery models and channels. Banks are also working to improve the effectiveness of their sales forces.

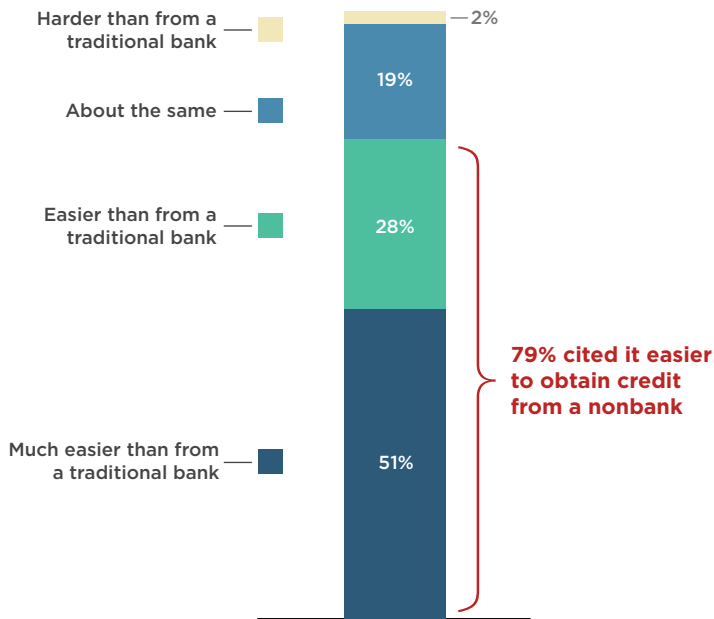
To achieve growth in this competitive environment, banks must deploy highly coordinated sales teams capable of building relationships with companies by providing distinctive ideas and advice. Finally, banks are working to enhance the customer experience by streamlining functions like onboarding, account openings and documentation while upping overall quality of service.



However, when it comes to using technology to deliver a faster, smoother and more seamless customer experience, banks continue to fight strong headwinds in the form of regulations and compliance/documentation requirements. The race between those two opposing trends is now underway and, given new competition from nonbank lenders and other providers that operate largely outside the bounds of most bank regulations, the outcome will go a long way in determining the business performance of individual banks and the industry as a whole.



## OBTAINING CREDIT FROM A NONBANK PROVIDER vs. A TRADITIONAL BANK



Source: Greenwich Market Pulse, v59

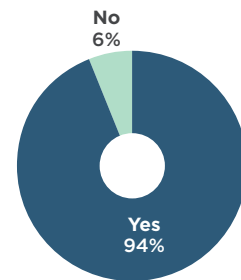
## Nonbank Lenders a Competitive Threat

Greenwich Associates research shows that companies are being attracted by nonbanks' ability to deliver credit along with a high-quality customer experience. This includes a rapid turnaround on loan applications. About 8 in 10 companies that have borrowed from nonbank lenders say the process of obtaining credit is easier with nonbanks than with traditional banks. A full 51% actually say it is "much easier" to get credit from nonbank lenders.

Of even more concern to traditional banks will be the fact that 94% of nonbank borrowers say they would obtain credit from a nonbank provider again. That share is up from the already impressive 89% of nonbank borrowers who said they would return to nonbanks for credit last year.

With nonbanks leveraging technology platforms and advanced algorithms to provide a fast, seamless customer experience, traditional bank offerings can seem stale. This divide in technology prowess will play a major role in shaping the industry over the next five years.

## BORROWERS WHO WOULD OBTAIN CREDIT FROM A NONBANK PROVIDER AGAIN



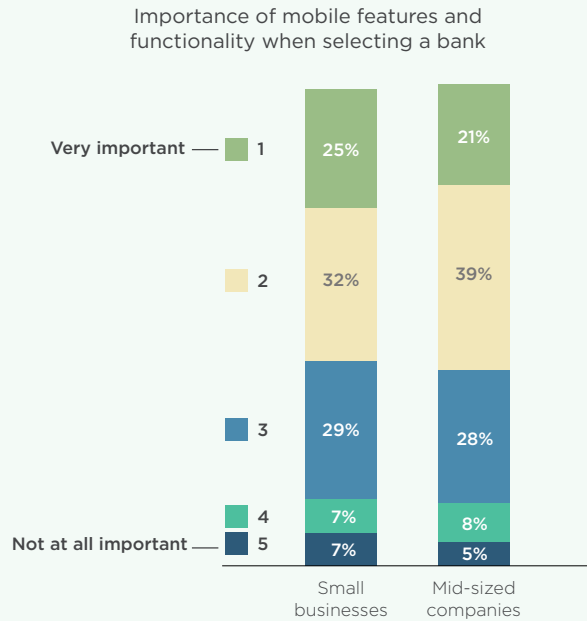
Note: Based on respondents that used an alternative provider in the last 10 months.  
Source: Greenwich Market Pulse, v59

## SMALL AND MID-SIZED COMPANIES AND DIGITAL BANKING

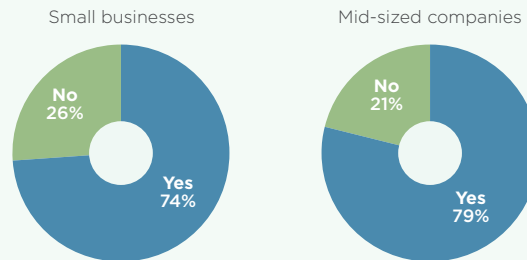
Small businesses and mid-sized companies say the Internet is their preferred channel for a wide variety of tasks, including: viewing paid check images, requesting statements, viewing balances, initiating payments, investigating the status of unpaid checks, and issuing stop-pay orders. The digital channel's dominance in these commonplace functions will continue to grow as bank platforms get better and business owners and executives—many of whom are heavy users of online banking at home—become more comfortable trusting their business banking to the Internet.

Mobile banking is becoming an increasingly important part of commercial banking for many of the same reasons. In a Q3 2015 Greenwich Market Pulse, 60% of small businesses and mid-sized companies interviewed said mobile features and functionality are the top criteria in picking a bank, and roughly three-quarters of the companies said mobile features are becoming increasingly influential in their bank selection.

### MOBILE GROWING IN IMPORTANCE TO BUSINESS EXECES



Importance of mobile features when selecting a bank (over past 12-24 months)



Source: Greenwich Market Pulse, v59



## 2017–2021: Rise of Specialists and the Great Digital Divide

As companies are solicited by a hyper-competitive array of banks, nonbanks and fintech providers, business executives are becoming less loyal to their relationship banks and more willing to consider rivals offering better pricing, advice or a technology-enhanced customer experience. Many banks are not particularly well coordinated across product areas, incentives or systems. This creates vulnerabilities for specialist providers to exploit and win business.

### RISE OF SPECIALIST PROVIDERS AS BANKS LAG ON DIGITAL AND SERVICE EXPECTATIONS



This trend will intensify in coming years as banks and non-traditional providers alike focus strategies on their most profitable businesses and clients, while retrenching from less attractive products and customers. Over the next few years, the largest banks with substantial technology budgets and the ability to invest in or acquire attractive nonbank competition will be able to significantly outpace peers.

As the “Age of Specialists” unfolds, fintech companies and other nonbank providers will maintain their momentum and continue luring clients, share of wallet and market share from traditional banks. These gains will come in lending, leasing, trade, FX, payments, card products,

merchant services, wealth management, and other areas like 401(k) retirement plans. Companies will find that individual specialist providers can deliver solutions comparable to those of the banks—often in an easy-to-use digital platform with superior pricing, service and/or advice.

## Consolidation Looming for Nonbanks

There is no doubt that the nonbanks have achieved this success by leveraging sophisticated technology and innovative business models. But some of their success must be attributed to their regulatory advantage over traditional banks in laws, enforcement or both. As such, nonbanks are likely to continue winning market share until regulators level the playing field.

Greenwich Associates expects regulators to act on the issue—eventually. This action will likely mark the high-water point for nonbanks and the start of a period of consolidation in which major banks more rapidly acquire nonbank lenders and fintech service providers for their assets, capabilities, technology platforms, and cultures of innovation.

Of course, those projections assume that the nonbank sector is not laid low by market events. As of now, critical elements of the nonbank lending industry remain untested, including the algorithms that drive lending decisions and the loan portfolios these decisions create. A significant increase in default rates or a major downturn in the U.S. economy will represent the first true test of this new and largely unregulated part of the banking system.

Until then, the digital divide between banks and fintech providers will remain a defining feature of the industry. This divide will push banks to integrate digital technology into their wholesale banking platforms much faster and take other steps to neutralize the nonbank advantage. In particular, banks will attempt to use strong relationship manager coverage to overcome negative customer experiences and shore up customer satisfaction and loyalty.

With compliance demands complicating onboarding and other basic functions, improving performance in “ease of doing business” has been identified as a strategic priority by nearly all banks. While technology investments required to build out strong digital capabilities are expensive and take time, banks can control more relationship-manager-centric opportunities today.

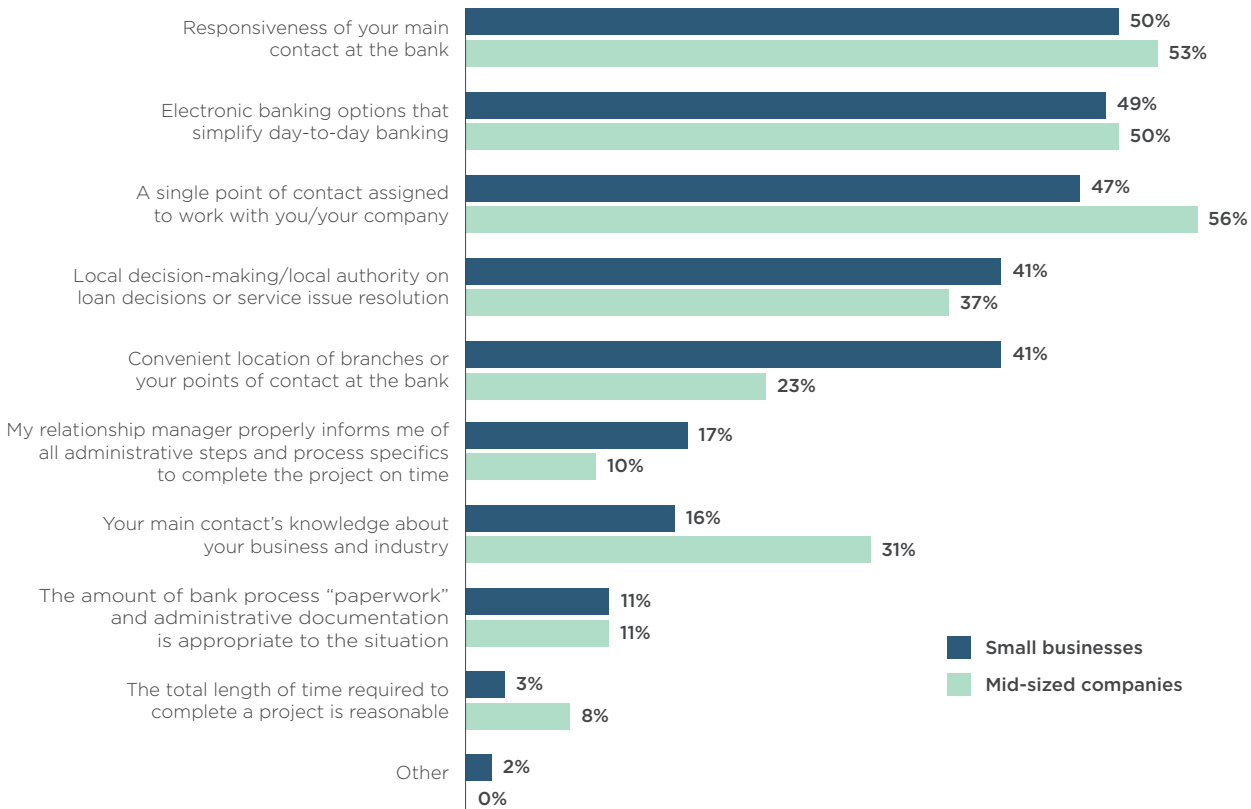
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# Relationship Managers are Key

Greenwich Associates research shows that although a variety of factors contribute to companies' perceptions of ease of doing business, the most important by far are 1) bank responsiveness, 2) electronic banking options that simplify day-to-day banking and 3) having a single, responsive point of contact. Relationship managers are the key to two of the three factors.

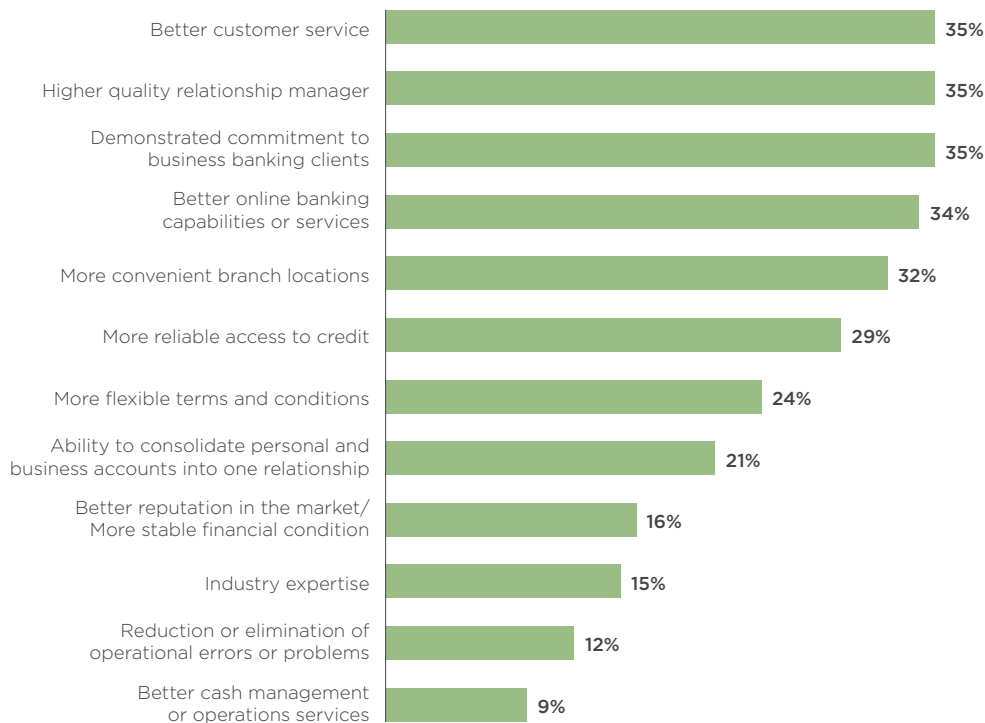
## KEY ELEMENTS OF EASE OF DOING BUSINESS



Source: Greenwich Market Pulse, v59

Over a longer horizon, relationship managers will serve as the lynchpin for banks' efforts to differentiate themselves and strengthen customer relationships by providing businesses with distinctive ideas and advice. Although the quality of banks' technology platforms counts in the eyes of business customers, the shift of routine banking transactions to digital channels will commoditize these basic functions. This will have two effects: 1) It will require banks to innovate in order to stand out and 2) By automating many day-to-day functions, it will free up time for relationship managers to focus on higher-value activities like providing industry, company or product-specific advice to clients.

## MOST IMPORTANT CONSIDERATIONS WHEN ADDING OR SWITCHING PROVIDERS— SMALL BUSINESSES



Source: Greenwich Market Pulse, v61

## Integrating High Touch and Digital

Advice will be one of the enduring pillars of differentiation. Banks have already started employing these advisory approaches by providing assistance to companies in areas such as improving efficiencies in cash-flow optimization.

But the true power of the advisory model will emerge when banks integrate “high-touch” service with digital technology. New bank competition will force banks to deploy online educational tools. More advanced banks will use algorithms based on client inputs and industry data to inform solutions to clients’ short, medium and long-term goals. Some of these will be proprietary and some white-labeled from external providers.

These solutions will also enable banks to connect customers with product experts in areas critical to their businesses. Although these experts will be drawn from across their organization, the effort will be spearheaded by a new generation of relationship managers skilled in uncovering clients’ needs and challenges, offering tailored solutions wrapped in an advisory context, and translating those into revenue growth.

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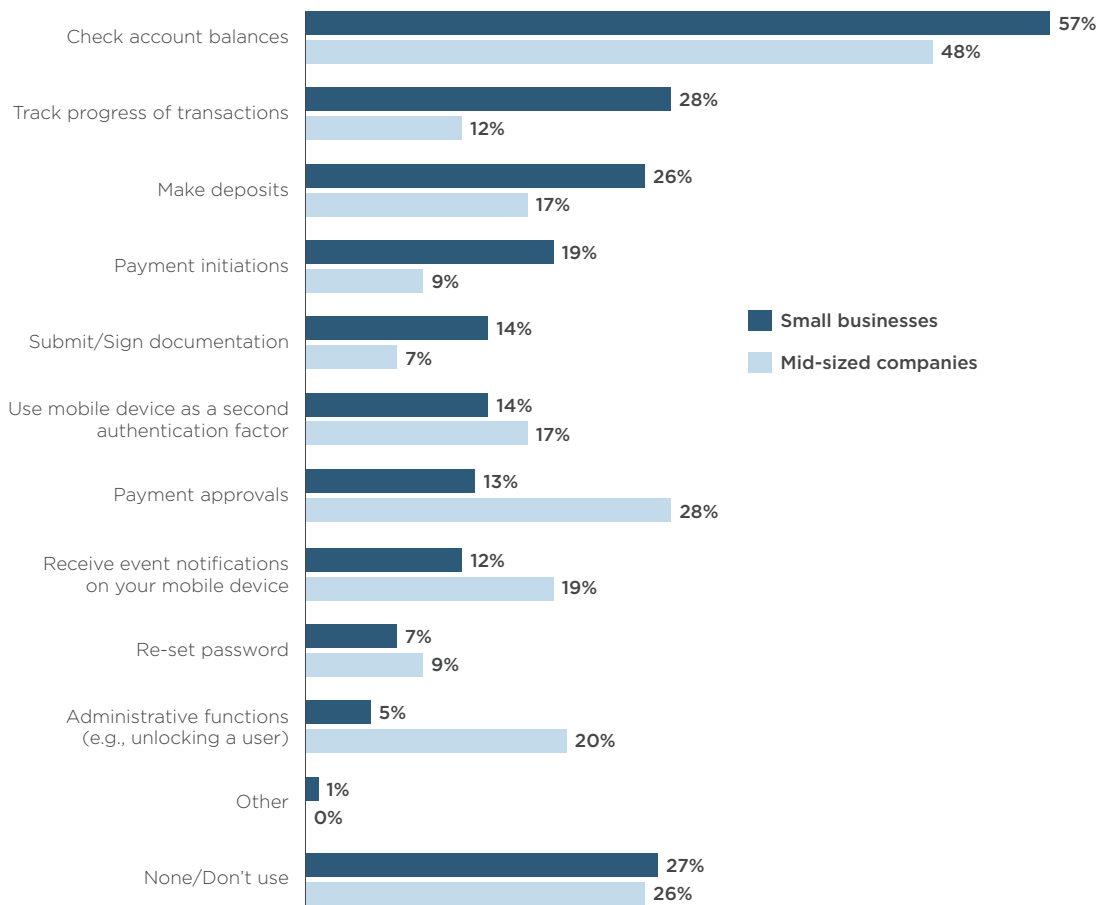
**The true power of the advisory model will emerge when banks integrate “high-touch” service with digital technology.**

# Digital Supports Ease of Doing Business

Despite the tech industry’s emphasis on continued innovation and splashy new product rollouts, banks will not necessarily have to continuously release cutting-edge digital services to satisfy their customers’ needs. Instead, they need to get the basics right and make it easier for their customers to do business with them.

For example, companies want to use mobile channels to handle everyday functions. Among small businesses, 57% want to use mobile channels to check balances, 28% want to track the progress of transactions, 26% want to make deposits, and about 19% want to initiate payments. There are still too many large banks that struggle with some of the basics.

## DESIRED FEATURES ON MOBILE DEVICES

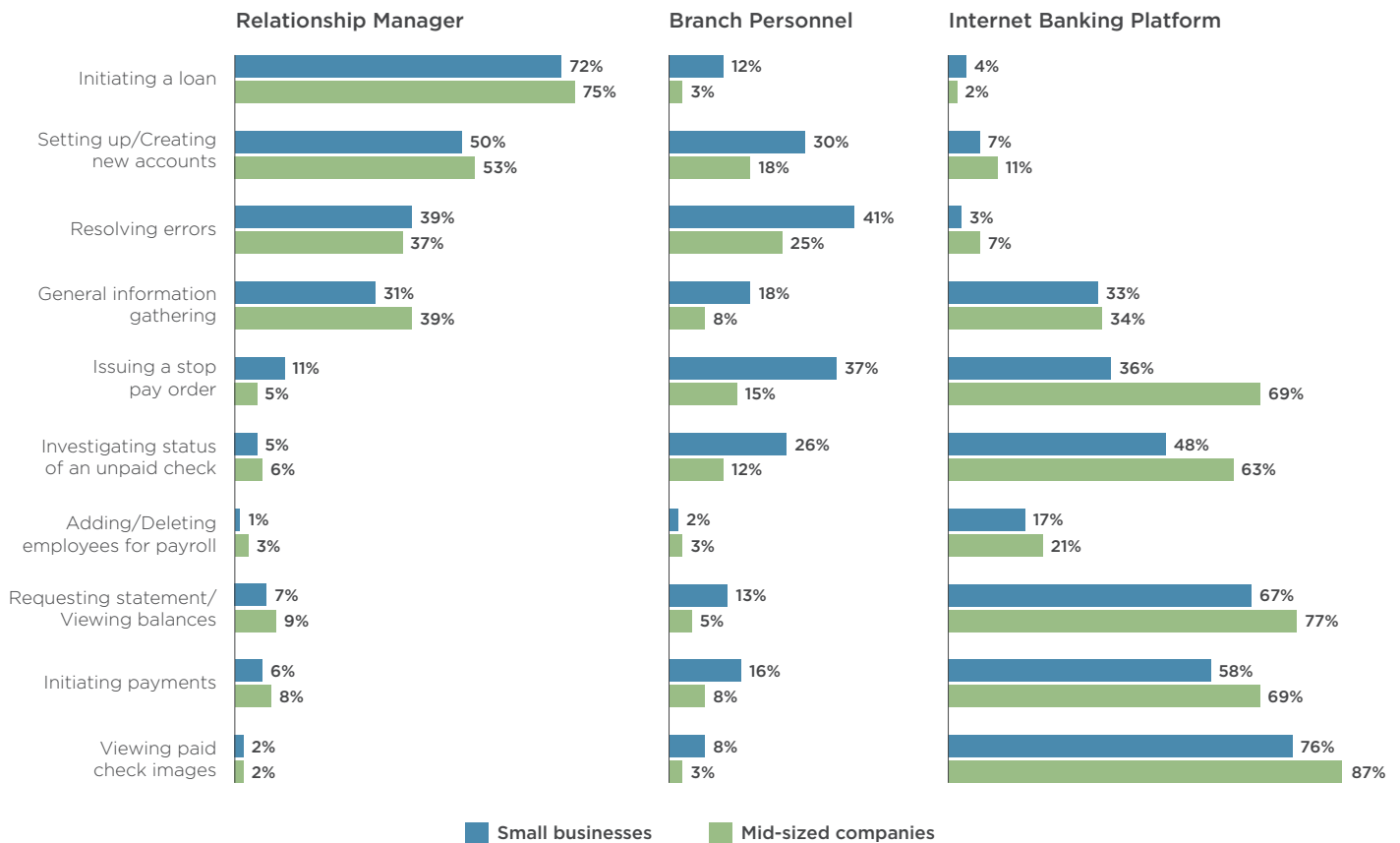


Source: Greenwich Market Pulse, v55, v59

Small businesses and mid-sized companies use Internet banking platforms primarily for routine services like checking balances and statements and viewing checks. Of course, digital platforms are already becoming increasingly sophisticated, and over time, banks will expand their list of available features and improve on execution.

As the technology evolves, companies will shift more complicated and sensitive functions to digital channels. Already, 28% of mid-sized companies want mobile payment approvals, and roughly 20% want mobile administrative features, the ability to unlock a user and mobile notifications. At a broader level, 52% percent of small businesses and 42% of mid-sized companies rate the ability to make or receive real-time electronic payments as “important” or “very important.”

### PREFERRED CHANNEL FOR SELECT BANKING ACTIVITIES



Note: Call Center/Telephone and Email channels scored 10% or lower among small businesses and 16% or lower among mid-sized companies.  
Source: Greenwich Market Pulse, v55



## Reinvigorating the Branch

Banks will also attempt to differentiate themselves from nonbank providers and enhance their own client experience by using the most old-school banking channel: the branch. Reports of the death of the bank branch have been greatly exaggerated for certain key segments—repeatedly.

Small businesses in particular continue to rely on branch personnel for important banking services. This is not surprising as 71% of small businesses and 47% of mid-sized companies report visiting the branch weekly. One-third of small businesses say access to convenient branch locations is an important reason that they would switch banks or add a provider. While we continue to expect this percentage to decline, it shows there is a large and important segment that values the branch.

It seems almost inevitable that branch use will continue to decline and that growing numbers of companies will start relying on call centers, email and Internet banking for functions such as error resolution and new account creation. However, banks will use a combination of technology and customization to reinvigorate the branch, which serves as an important source of sales and cross-sales.

For starters, branches will specialize. Bank branches in affluent suburbs will be geared toward wealth management, while branches in busy business districts will focus on commercial banking. Branches will increasingly be equipped with videoconferencing stations at which customers will be able to virtually meet with experts on any topic.

The combination of the brick-and-mortar facilities with digital video capabilities will enable banks to provide business customers with quick and easy access to product experts while minimizing costs. This process illustrates how traditional providers will blend technology with expertise to create a new 21st-century banking model.

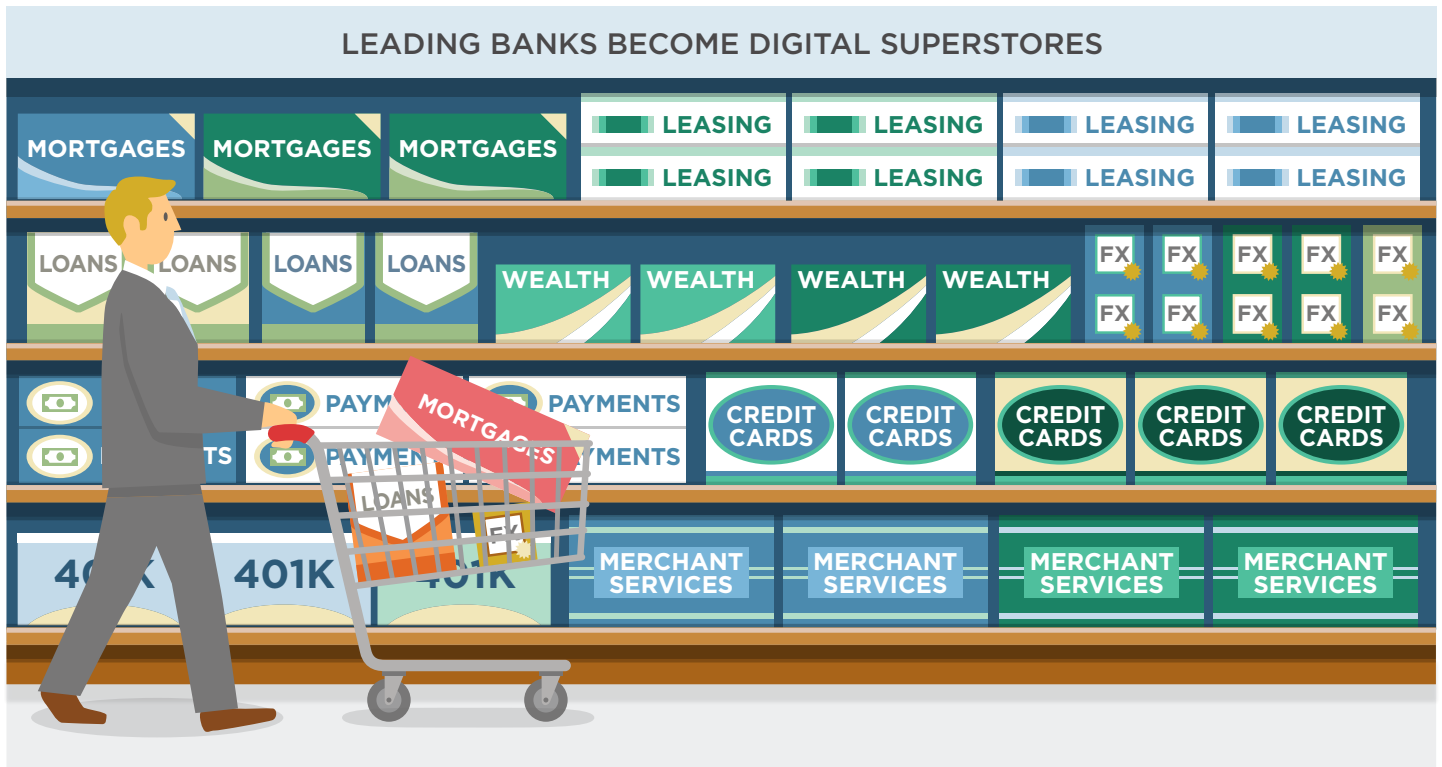
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## 2022- 2025: Rise of Digital Banking Superstores

By early in the next decade, U.S. companies will conduct the vast majority of their routine banking functions through digital channels. Customer expectations/demands, competitive pressures and industry consolidation will lead to the largest banks evolving into digital banking superstores. This change will be as much about culture as technology. As the walls between fintech and banking come down and the regulatory playing field starts to level, the largest U.S. banks will reassert themselves with a new model that uses technology to leverage their specialized knowledge of clients and industries into a powerful competitive advantage.



### Digital Video: A New Channel

Companies' interactions with their banks will change even more dramatically as digital video creates a new kind of channel. Skype-like applications that allow companies to speak face-to-face with bank relationship managers and product experts will speed the acceptance of digital channels as effective means of resolving errors, opening new accounts, gaining ideas and tackling other sensitive or non-routine tasks. Digital video will also provide an important delivery mechanism

for expert advice. This will reduce reliance on branches and allow the primary bank to leverage their specialized knowledge of clients into compelling cross-sale solutions.

From their computer, tablet or even mobile phone, business owners and executives will be able to connect not just to their relationship managers, but also to product experts from across the bank who can provide ideas, advice and solutions. Delivering this kind of “just-in-time” service and advice has the potential to remake the bank customer experience and provides an opportunity for banks to differentiate themselves with truly distinct customer service.

## Service Quality in a Digital Age

One of the industry’s primary challenges in the years ahead will be keeping the customer experience front and center as banks transition more clients and functions to digital channels. While digital banking offers an unprecedented chance for banks to support margin growth by lowering costs of servicing clients, the industry cannot afford to be perceived as pushing business customers to inferior levels of customer service. With other, nonbank competitors employing technology to deliver an often exceptional customer experience, the stakes are simply too high.

Greenwich Associates expects the best and most forward-thinking banks to get it right. As banks perfect their platforms, companies will rediscover the benefits of one-stop shopping with their key banking relationships. However, many banks and nonbanks will not even make it this far into what will be a massive and profound Darwinian shakeout of providers.

## Nonbanks Lose Their Edge

Contributing to this shift will be the reversal of fortune for nonbanks. Fintech and other nonbank providers will in all likelihood see their regulatory advantage reduced or even eliminated as politicians and regulators act to impose more cumbersome and costly oversight on their now expansive businesses.

The ranks of these competitors might already have been thinned by consolidation, acquisitions and even failures resulting from a market downturn that stresses their previously untested balance sheets and access to capital. Robbed of their technological and regulatory advantages, many nonbanks will agree to be acquired by traditional banks, further enhancing banks’ technology platforms while also restoring market share lost over the past decade.

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**Greenwich Associates expects to see a profound Darwinian shakeout with increased consolidation of business at the top end of the market, as regional banks fall victim to mounting technology costs.**

Of course, these developments will not benefit all banks equally. On the contrary, Greenwich Associates expects to see greater consolidation of business at the top end of the market, as regional banks fall victim to the increasing costs associated with building and maintaining advanced technology platforms. The same pressures will be felt by smaller regional and community banks, who will try to bridge the gap with off-the shelf technology from third-party vendors. It's too early to predict whether these regional, small and community banks will be able to thrive in the new tech-based banking industry, but it is clear the road ahead will be fraught with challenges.

Even as large banks reassert themselves, they will face competition from new market entrants eager to apply far-flung communications networks, artificial intelligence, cloud-computing platforms, and other technology advantages to the world of banking. The rapid development of retail "mobile money" and bank-by-phone networks in Africa over the past decade demonstrates how technology can disrupt traditional notions of banking. Even in more developed and heavily regulated markets like the U.S. and Europe, virtually the one thing standing between banks and giants like Google and the telecom providers will be a banking license.

# Banking: 10 Trends for 2025

## 1 Banks will transform into tech companies

Over the course of next 10 years, banks will transform themselves from traditional financial institutions to technology companies with a banking license.

## 2 Digital banking will become routine across broader processes

Virtually all routine banking functions will be done through Internet and mobile channels, and small businesses and mid-sized companies will increasingly use digital channels for more complicated and sensitive functions, such as creating new accounts and applying for loans.

## 3 Advice will be a key differentiator based on specialized knowledge

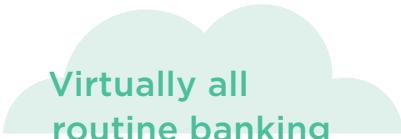
As routine banking functions become commoditized, coverage and advice will become a key differentiator for banks. Advice will come from both human (relationship managers and subject experts) and technology-based sources such as algorithms, videos and machine learning about a type of company's business needs. Specialized knowledge of the client, their business, industry, goals, history, etc. will allow the lead provider an advantage in crafting solutions.

## 4 Fewer bank branches, customized by location/need


Bank branches will decline in number but remain an important part of bank strategy and customer relationships. Banks will transform branches by customizing them by location (focusing on wealth management in affluent suburbs and commercial banking in urban business districts) and equipping them with video and other technology that allows customers to interact with experts from across the organization.

## 5 Spending on client centric digital banking grows meaningfully

In the next three to five years, fintech providers and other nonbanks will capture additional market share and pressure traditional banks to substantially increase their spending on digital banking. Banks will be able to shift from spending on risk and regulatory requirements back toward client centric solutions.



Virtually all routine banking functions will be done through internet and mobile channels.



Banks will transform branches by customizing them by location.

## 6 Bank customer loyalty will decline before rising again

Over the next couple of years, while banks continue to struggle, customer loyalty rates will decline as commercial-banking clients select specialist providers that are easiest to do business with and offer the best combination of value, capability and advice in individual products and services.

## 7 Consolidation of banks and nonbanks

The advance of the current host of nonbank competitors will eventually be slowed by a combination of changing economic conditions that pressure nonbank loan portfolios, access to capital and increased scrutiny from regulators. Many of today's nonbank providers will be acquired by major banks, merge or fail.

## 8 Tech costs will pressure regional and community banks, impairing viability

Regional banks will come under increasing pressure due to the steep costs associated with maintaining and continually upgrading advanced technology platforms. Community banks will attempt to remain relevant in part by adopting relatively inexpensive white-label technology tools from third-party providers while offering "high-touch" service.

## 9 By 2025, large banks will reassert themselves as digital banking superstores

Using vastly upgraded technology platforms, streamlined service, advice based on specialized knowledge, and wide-ranging expertise delivered in a holistic approach, big banks will win back clients and market share lost to nonbanks, and clients will rediscover the benefits of one-stop shopping.

## 10 A new era of disruption looms

New entrants will enter the banking industry from the technology, telecom and retail sectors, kicking off a new era of competition and disruption.

If put in a strategic and forward-looking framework, Customer Experience Management strategies can help banks create effective growth strategies by identifying the key drivers of the business, assessing how their organizations are performing, and improving results in winning new business and expanding share of wallet from existing customers.



Many of today's nonbank providers will be acquired by major banks.



Forward-looking Customer Experience Management strategies can help banks create effective growth strategies.

## METHODOLOGY

Data noted in this report is collected from the Greenwich Associates Commercial Banking Program and Greenwich Market Pulse studies, which is ongoing research that addresses the most important and timely issues facing small (\$1mm-\$10mm) and mid-sized (\$10mm-\$500mm) company executive decision-makers about their banking relationships.

## About Greenwich Associates

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In commercial and corporate banking, our continuous conversations with more than 30,000 key corporate decision-makers (treasurers, CFOs, and CEOs) form the independent, objective and always-current basis for our analysis and insights.

Greenwich Associates also conducts a Digital Banking Benchmarking program focused on helping providers understand where they are relative to peers on features/functionality available to businesses and corporates today, what is in beta/pilot, and what is in development or plan for release 12-18 months from now. This combines expert advice, white papers, and fact-based insights to help with business cases and prioritization of investment decisions.

In retail banking, our fully owned subsidiary, Javelin Strategy & Research, provides insights in payments, mobile, fraud, and omnichannel banking. These insights are delivered and supported by our team of expert analysts who are leaders in their field.

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