Global Commercial Banking Survey 2014

Advancing service in a digital age
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Over the past 12 to 18 months, the global economy has shown signs of recovery. Global markets have rebounded (albeit with some recent volatility), and banks have begun to report improving credit quality and stronger balance sheets.

But despite these encouraging indications, the outlook remains cloudy. Around the world, companies are experiencing uncertainty around increasing regulation, interest rates, employment levels and economic growth.

In the midst of the mixed signals, successful banks will be those that execute and innovate to increase their market penetration and share of wallet in spite of flat markets. With the continuous rise in the cost and burden of regulatory compliance, it is more important than ever to focus on strengthening customer relationships to find new sources of growth and protect against increasing competition from banks and non-traditional entrants.

As part of EY’s ongoing commitment to providing banks with insight on different types of bank clients, we undertook a global survey to explore the changing requirements and expectations of mid-market customers, defined as those commercial banking customers with annual revenues of US$25 million to US$500 million in established markets and US$15 million to US$500 million in emerging markets. We chose to isolate this segment due to its strategic importance and heterogeneous nature, making it one of the most challenging to serve.

Our findings are based on interviews with more than 2,000 commercial banking customers domiciled in 24 countries around the world. We collected input from a representative group of financial decision-makers about their banking relationships, with emphasis on current and anticipated banking needs.

Drawing on this input, we provide insights into five timely and strategic topics:

• Overall customer satisfaction and concrete ways banks can make improvements
• Current digital banking usage and how banks can promote even greater adoption
• Companies’ use and consideration of non-bank competitors
• Optimal service models for divergent company needs
• Drivers of actual vs. threatened customer attrition

In addition, we isolated three distinct global customer segments based on commonalities in strategic growth priorities, product usage, digital adoption and potential returns to the banks:

1. The “Increasingly International” segment includes companies with cross-border ambitions, high digital adoption and an increasing need for a wide range of banking products and services.

2. The “Traditionalist” segment includes smaller, primarily domestic companies that tend to use fewer products and are slower to adopt new banking channels.

3. The “Diverse and Dynamic” segment includes companies with wide-ranging strategic goals but, when examined through the lens of technical savvy, whose common priorities and drivers for bank selection and channel preferences become more apparent.

We would welcome the opportunity to meet with you to discuss the issues raised in this paper and the implications for your organization. Please visit ey.com/commercialbanking for additional information, including insights on other topics affecting the banking industry.

Bill Schlich
Global Banking & Capital Markets Leader
EY
Banks are facing virtually unprecedented challenges in the current environment. Customer needs and expectations are changing rapidly at the same time as loyalty declines and switching of providers increases. Satisfaction levels are being eroded by nagging operational issues and underwhelming onboarding experiences, and further budget cuts are placing an additional burden on customer-facing bank personnel. Digital channel adoption is growing globally, yet security concerns limit its effectiveness. Management teams have to do more with less as competition continues to escalate among traditional banks as well as ambitious new entrants.

To increase profitability and respond to these market pressures, banks need to leverage available data and analysis to develop a deeper understanding of the customer. Technology will play a crucial role in designing an enterprise-wide system that provides different parts of the organization with a common view of a customer’s entire footprint. That single view will be crucial as banks encourage more customers from all segments to use digital channels more often for basic banking activities. It should also result in more effective onboarding.

Where customers need to use multiple channels during a transaction, they will expect the bank to have and provide a real-time view of where they are in the process. However, the improved customer satisfaction and greater efficiency derived from more widespread use of digital channels are dependent on banks enhancing security, functionality and ease-of-use.

By engaging in a continuous dialogue with customers through a rolling customer-experience program, banks can supplement the data available for analysis. This dialogue also provides a valuable opportunity to track progress against changing expectations, measure the success of new initiatives and target business development initiatives more effectively.

Where banks represent a company’s customers and suppliers, there’s an opportunity to build a profile of the whole business life cycle, which can be used to identify business problems across the supply chain and offer appropriate solutions.

This is a difficult task for many banks given current systems constraints, but relationship managers should strive to identify and capitalize, where possible.

Banks must become more efficient and effective in serving their mid-market customers. By using more sophisticated segmentation criteria, banks can categorize customers more accurately and apply more tailored service models. These models will meet customer requirements more effectively, cost banks less to support and help banks to unlock greater revenue potential from this diverse group of customers as well.

Beyond enhanced segmentation and service models, banks can make important headway with customers by investing in training and development to equip relationship managers with the skills necessary to address customers’ evolving needs. With the right training and incentives programs in place, bankers will more accurately identify optimal solutions that drive cross-sell without coming across as merely pushing products.

In addition to training, banks need to provide relationship managers with the technology and information they need to enable them to be more effective – as advisors for customers and business developers for the bank. Digital technology will minimize the amount of time bankers have to spend dealing with routine servicing issues.

### Countries included in survey

<table>
<thead>
<tr>
<th>Americas (developed)</th>
<th>Americas (emerging)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Canada, United States</td>
<td>Brazil, Colombia, Mexico</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Asia-Pacific (developed)</th>
<th>Asia-Pacific (emerging)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australia, Japan</td>
<td>China, India, Indonesia, Malaysia, Thailand</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>EMEA (developed)</th>
<th>EMEA (emerging)</th>
</tr>
</thead>
<tbody>
<tr>
<td>France, Germany, Italy, Netherlands, Spain, Switzerland, United Kingdom</td>
<td>Nigeria, Poland, Russia, South Africa, Turkey</td>
</tr>
</tbody>
</table>

For interview quotas obtained in each country, visit ey.com/commercialbanking.
Customer segments

- Increasingly Internationals
- Traditionalists
- Diverse and Dynamics

Service models

- Dedicated banker
- Access plus
- Commercial access

No strategy will fit every company’s specific needs perfectly, so it’s important to establish a framework with a degree of flexibility built in.
The banking landscape is changing, creating opportunities for those banks that understand the underlying drivers and act swiftly to capitalize on their own competitive advantages. Non-traditional competitors are emerging, in addition to the more established alternatives to banks, such as credit card and insurance companies, new entrants are contributing to altering patterns in bank loyalty and switching service providers. In this new environment, ensuring sustainable profitability requires a more nuanced service strategy.

For many banks, the strategic response will draw heavily on technology solutions that were not available just a few years ago. New digital banking channels are being adopted and embraced by a significant proportion of mid-market companies. The new tools and capabilities provide banks with a degree of efficiency and flexibility that will change the economics of service in the commercial banking business. Beyond efficiencies, enhanced technology capabilities will improve banks’ abilities to provide “always-on” access and enable relationship managers to dedicate more time to positioning product and service solutions. The speed of change in the digital IT space requires a different approach to monitoring and managing IT innovation and investments. Winning organizations will invest in technology as well as the training and education of both customers and employees to drive even greater utilization.

Customer satisfaction

Delivering a consistently excellent customer experience to mid-market customers remains problematic for most banks. Customer experience management and customer satisfaction tracking programs have yet to yield steadily strong results across portfolios, and company executives continue to report varying satisfaction levels with their primary banking provider.

There is room for improvement across the industry, particularly in the sub-US$50 million revenue bracket. As expected, it is the larger companies that benefit from more attention and report greater levels of overall satisfaction with their primary banking relationship (73% are “highly satisfied” vs. 60% of the smaller companies1).

While sustaining highly satisfied customer relationships among this diverse customer group can be expensive and time-consuming, analysis shows a strong correlation between customer satisfaction and successful cross-sell (see Chart 1). The business challenge is to find the right service approach that suits customers’ needs while remaining profitable for the bank. This is no easy task as the service model customers want varies from market to market and even company to company.

Chart 1. Strong correlation between customer satisfaction and successful product cross-sell

Among the most powerful tools for driving customer satisfaction are simple, convenient and efficient service channels. Customers are increasingly turning to the new digital modes of communication with their banks, and the

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1 “Highly satisfied” is defined as customers that indicated 8, 9 or 10 on a 0-10 scale with “0” being “very unsatisfied” and “10” being “very satisfied.”
change in behavior is working well for users and providers alike. Harnessing this potential to develop more effective and efficient commercial banking relationships represents one of the most compelling strategic opportunities for banks today.

Digital banking
An increasing percentage of customers want to do more of their banking via digital channels, and providers are starting to embrace the change. New online\(^2\) and mobile\(^3\) channels present a powerful combination of sales and servicing opportunities, along with substantial delivery efficiencies for banks (see Chart 2). A key driver of satisfaction will be how successful banks are in providing a platform that is secure and meets customer expectations for both functionality and ease-of-use.

When asked about reasons for not using online and mobile channels more often, the most commonly cited concerns related to security, slow speed and poor functionality (see Chart 3). Additional security measures are the leading enhancement customers believe would prompt more frequent digital channel use while better functionality and the ability to track the progress of transactions follow closely behind.

Despite strong momentum for adoption, and as more services become available through digital channels, banks can do even more to accelerate online and mobile usage. Training and education initiatives for customers will more than pay for themselves over time through servicing efficiencies, particularly for less profitable segments. Teaching customers to initiate and complete transactions through a single digital channel will help build confidence, address ease-of-use concerns and shape future preferences.

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2 “Online channel” defined as accessing a bank’s website through a computer browser.
3 “Mobile channel” defined as accessing a bank’s customer application (app) via smartphone or tablet device.
In particular, banks should be constantly informing customers and their own relationship managers about comprehensive security measures taken to protect customer identity, personal and account information, and transactions. Banks that succeed in reassuring commercial customers about the safety of their platforms will remove a primary impediment to further digital growth.

As we discuss in the next section, digital channel adoption varies considerably among customer segments. It is important for banks to understand these variances down to a company level and to use these preferences when determining the best service model for each customer (to be discussed further on page 23).

Notwithstanding individual customer preferences, further investment in digital technology and increased use of self-service transactions should result in fewer manual interventions and therefore fewer errors. However, mistakes are a fact of life, and effective resolution will remain a crucial aspect of the overall customer experience.

Chart 3. Obstacles to using online and mobile banking more frequently and features that would promote more frequent use

| Obstacles to more frequent online/mobile use | Additional features or services that would prompt more frequent online/mobile use |
| Security concerns | Enhanced security measures |
| Slow speed | Ability to electronically submit/sign required documents |
| Poor functionality | Ability to track progress of transactions |
| Difficult to use | Flexibility to conduct more banking purely using online channel |
| Not available | Instant message support |
| None | Do not plan to increase usage |

<table>
<thead>
<tr>
<th></th>
<th>Mobile</th>
</tr>
</thead>
<tbody>
<tr>
<td>Security concerns</td>
<td>39% 42%</td>
</tr>
<tr>
<td>Slow speed</td>
<td>22% 25%</td>
</tr>
<tr>
<td>Poor functionality</td>
<td>17% 21%</td>
</tr>
<tr>
<td>Difficult to use</td>
<td>15% 19%</td>
</tr>
<tr>
<td>Not available</td>
<td>10% 10%</td>
</tr>
<tr>
<td>None</td>
<td>19%</td>
</tr>
</tbody>
</table>
Error incidence and resolution

Routine account errors may seem like minor hiccups, but small mistakes accumulate and fester. If left unresolved, they lead to a gradual erosion of customer satisfaction levels. To mitigate this risk, banks must pursue error resolution more proactively and see the process through to completion.

Nearly one-third of all companies say they have experienced an error or problem in the past 12-24 months. Globally, over one-half of commercial executives report being less than highly satisfied with their bank’s resolution of the situation. While companies in the Americas tend toward higher satisfaction levels, companies in developed Asia-Pacific markets are less often highly satisfied with their banks’ responses (see Chart 4).

Process improvements that reduce or eliminate errors should be an ongoing strategic priority at all banks. Error resolution processes can serve as one of the key focal points as banks engage in transformational change initiatives to improve business efficiency and effectiveness. Better performance in this area should also help to reduce customer attrition rates.

Diminished loyalty

Given the competitive nature of today’s marketplace, banks must focus considerable resources both on retaining key customers and finding new sources of growth. In most cases, between three and six banks are vying to capture a greater proportion of each customer’s business. The post-crisis environment has been characterized by companies’ willingness to move material parts of their banking business if presented with a more attractive option. Relationship breadth or history alone is no longer enough of a deterrent to prevent switching.

Nearly one in five companies reports having changed its primary bank in the past year, with notable differences across markets (Asia-Pacific emerging, 27% vs. Asia-Pacific developing).

Chart 4. Error incidence and resolution – by geographic market

- **Overall**: 57% highly satisfied, 60% less than highly satisfied, 43% error with primary bank in past 12-24 months
- **Americas developed**: 54% highly satisfied, 46% less than highly satisfied, 40% error with primary bank in past 12-24 months
- **Americas emerging**: 62% highly satisfied, 38% less than highly satisfied, 46% error with primary bank in past 12-24 months
- **EMEA developed**: 56% highly satisfied, 44% less than highly satisfied, 44% error with primary bank in past 12-24 months
- **EMEA emerging**: 21% highly satisfied, 79% less than highly satisfied, 12% error with primary bank in past 12-24 months
- **APAC developed**: 49% highly satisfied, 51% less than highly satisfied, 40% error with primary bank in past 12-24 months
- **APAC emerging**: 43% highly satisfied, 57% less than highly satisfied, 40% error with primary bank in past 12-24 months
developed, 10%). Potentially more worrisome is the fact that far greater proportions of companies are open to the prospect of making a change. More than half of the executives in emerging EMEA markets indicate they would consider switching banks over the next year (see Chart 5).

Chart 5. Bank switching by market

Over the past 12 months, have you switched your primary bank?

<table>
<thead>
<tr>
<th></th>
<th>Overall</th>
<th>Americas developed</th>
<th>Americas emerging</th>
<th>EMEA developed</th>
<th>EMEA emerging</th>
<th>APAC developed</th>
<th>APAC emerging</th>
</tr>
</thead>
<tbody>
<tr>
<td>Recent switch</td>
<td>17%</td>
<td>15%</td>
<td>26%</td>
<td>16%</td>
<td>19%</td>
<td>10%</td>
<td>27%</td>
</tr>
<tr>
<td>Anticipated</td>
<td>34%</td>
<td>36%</td>
<td>42%</td>
<td>40%</td>
<td>53%</td>
<td>15%</td>
<td>29%</td>
</tr>
</tbody>
</table>

[If no] Would you consider switching providers over the next 12 months?

<table>
<thead>
<tr>
<th></th>
<th>Overall</th>
<th>Americas developed</th>
<th>Americas emerging</th>
<th>EMEA developed</th>
<th>EMEA emerging</th>
<th>APAC developed</th>
<th>APAC emerging</th>
</tr>
</thead>
<tbody>
<tr>
<td>Recent switch</td>
<td>14%</td>
<td>10%</td>
<td>17%</td>
<td>18%</td>
<td>17%</td>
<td>15%</td>
<td>16%</td>
</tr>
<tr>
<td>Anticipated</td>
<td>18%</td>
<td>17%</td>
<td>16%</td>
<td>15%</td>
<td>16%</td>
<td>10%</td>
<td>15%</td>
</tr>
</tbody>
</table>

While pricing is among the most often-cited reasons for companies to consider switching banks, those that have recently changed banks indicate a range of influences, including product capabilities, access to capital, bank reputation and geographic coverage as key reasons for making the change (see Chart 6).

Price can be an effective way to initiate a prospect conversation, but it will not necessarily be enough on its own to compel a mid-market company to leave its current bank. Relationship managers (RMs) will need to convey a value proposition encompassing a range of benefits that extend well beyond competitive fees in order to unseat all but the worst-performing incumbent.

However, once a bank has convinced a customer to switch providers, it needs to make sure that the customer’s first experience is positive. Unfortunately, this is often not the case, and there is significant room for improvement across the whole onboarding process.
New customer onboarding

Increasingly rigorous compliance requirements have turned many new customers’ onboarding experience into a frustrating one. Overall, 46% of companies describe being less than highly satisfied with their new bank’s process. Customers report the highest satisfaction scores in developed Americas markets (82% highly satisfied). However, 77% of companies in developed Asia-Pacific markets reported they were less than highly satisfied. For banks to avoid souring relationships from the outset, these processes must be made less cumbersome for customers.

Chart 7. Onboarding experience – by geographic market

Those respondents that were less satisfied with the onboarding experience highlighted four areas where banks should focus on making improvements:

- Improve accuracy of transition: 34%
- Reduce paperwork and documentation: 27%
- Improve communications: 26%
- Reduce duration of process: 13%

While accuracy, documentation and duration issues will require further investment, time and operational streamlining, banks can achieve immediate gains by setting reasonable customer expectations, providing more frequent communications and improving coordination across different parts of the bank. These readily identifiable areas are tangible ways for banks to build a stronger foundation for sustainable satisfaction and loyalty.

Multiple requests from different departments, often driven by regulatory compliance requirements, such as “know your customer,” and repeated requests for the same piece of information are major pain points for new customers. Over the longer term, management teams will need to make investments in both processes and technology to simplify the experience for customers. In our experience, these initiatives should include integrating the account platform with the customer portal, the bank’s customer relationship management (CRM) system, and proposal management and money movement tools.

We have found that a centralized repository for all customer agreements will help support efficient document management, including electronic signature and submission capabilities and automatic archival. Banks can also clarify their information requirements so that customers need provide information only once, and the bank can convey that information across different groups.

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4 “Less than highly satisfied” is defined as 0–7 on a 0–10 point scale, where “0” is “completely dissatisfied” and “10” is “completely satisfied.”
Non-bank alternatives

A number of banks have already increased their focus on mid-market companies. In addition, more firms from outside the industry are entering the market. Non-banks have traditionally competed in product categories that, while important to banks, tended to be more specialized in nature. However, advances in technology are allowing some non-banks to increase the scale and expand the breadth of their financial service offerings. Long-standing alternative providers, such as credit card issuers and insurance companies, are being joined by telecommunications and technology companies, alternative asset managers, peer-to-peer lenders and specialist internet firms competing in core banking areas ranging from lending and trade finance to foreign exchange and merchant services.

For incumbent banks, the competitive landscape for commercial banking is becoming increasingly crowded. Chart 8 shows a wide range of products and services that executives would consider obtaining from a non-bank. For example, while no single non-bank is likely to threaten traditional institutions, almost one-third of mid-market companies would consider a non-bank for a commercial loan. Banks must continue to fend off these diverse competitors that are seeking to win portions of commercial customers’ banking business. This is especially true in emerging economies, where the proportion of companies that use or would consider using a non-bank is notably higher (see Chart 9). In our Global Consumer Banking Survey 2014, we also found a greater openness to use non-banks among retail consumers in the emerging markets.

With increased competitive threats, pressures and expectations, addressing some of these core issues will benefit all customers. However, as their needs continue to diverge, more effective segmentation will be crucial to ensuring service models are properly aligned with customers’ preferences and growth potential to allocate limited bank resources efficiently.

Technology transformation initiatives

Investment in technology transformation is enabling banks to respond to the evolving demands of the marketplace faster and more efficiently. Through this investment, banks will be able to increase process efficiency, improve data quality, achieve service consistency and strengthen risk management. Banks have begun to focus their investment budgets in the following key areas:

- **Digital imaging and e-signature capabilities**, which support faster transaction approval and processing
- **Document management solutions**, which help to rationalize various credit documents
- **End-to-end origination workflow**, which enhances consistency, traceability and transparency throughout the process
- **Digital relationship management**, a web-based CRM platform with mobile functionality, which can be accessed by relationship managers while in the field
- **Enterprise data management**, which will improve banks’ ability to capture and analyze data more holistically
Chart 8. Use and consideration of non-bank products and services

<table>
<thead>
<tr>
<th>Category</th>
<th>Currently use a non-bank</th>
<th>Would consider using a non-bank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asset finance (e.g., equipment leases, computers, transport)</td>
<td>14%</td>
<td>32%</td>
</tr>
<tr>
<td>Corporate credit/debit/purchasing cards</td>
<td>15%</td>
<td>32%</td>
</tr>
<tr>
<td>Foreign exchange (currency conversion and/or hedging)</td>
<td>9%</td>
<td>31%</td>
</tr>
<tr>
<td>Cash management</td>
<td>10%</td>
<td>29%</td>
</tr>
<tr>
<td>Loans/commercial lines of credit</td>
<td>10%</td>
<td>29%</td>
</tr>
<tr>
<td>Merchant services</td>
<td>10%</td>
<td>28%</td>
</tr>
<tr>
<td>Retirement/pension plans</td>
<td>11%</td>
<td>27%</td>
</tr>
<tr>
<td>Investment banking</td>
<td>10%</td>
<td>23%</td>
</tr>
<tr>
<td>Interest rate risk management and/or derivatives (i.e., hedging)</td>
<td>10%</td>
<td>22%</td>
</tr>
<tr>
<td>New borrowing (past 12 months)</td>
<td>7%</td>
<td>22%</td>
</tr>
<tr>
<td>Trade finance/supply chain finance</td>
<td>9%</td>
<td>22%</td>
</tr>
<tr>
<td>Commercial mortgage(s)</td>
<td>7%</td>
<td>18%</td>
</tr>
<tr>
<td>Personal wealth management</td>
<td>4%</td>
<td>14%</td>
</tr>
<tr>
<td>Business checking/current account</td>
<td>9%</td>
<td>0%</td>
</tr>
</tbody>
</table>

Chart 9. Use and consideration of non-bank products and services by geographic market*

<table>
<thead>
<tr>
<th>Region</th>
<th>Currently use a non-bank</th>
<th>Would consider using a non-bank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overall</td>
<td>53%</td>
<td>38%</td>
</tr>
<tr>
<td>Americas</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Developed</td>
<td>47%</td>
<td>36%</td>
</tr>
<tr>
<td>Emerging</td>
<td>50%</td>
<td>57%</td>
</tr>
<tr>
<td>EMEA</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Developed</td>
<td>57%</td>
<td>48%</td>
</tr>
<tr>
<td>Emerging</td>
<td>55%</td>
<td>38%</td>
</tr>
<tr>
<td>APAC</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Developed</td>
<td>37%</td>
<td>16%</td>
</tr>
<tr>
<td>Emerging</td>
<td>71%</td>
<td>59%</td>
</tr>
</tbody>
</table>

*Numbers do not add up to 100% as they are from different groups of respondents.
Evolving segmentation and service strategies

With changing customer needs and intense margin pressures, banks are recognizing that they need to develop more efficient customer service strategies. Enhanced customer segmentation models represent one of the most important tools available for this undertaking.

As companies’ needs and preferences become less and less homogenous, there is an opportunity to consider more sophisticated segmentation methodologies that complement and go beyond the traditional filters like revenue, industry sector and geographic reach. Advances in technology and greater degrees of flexibility from other service providers have made customers far less willing to accept traditional modes of servicing from their banks.

Fortunately for banks, the same innovations that have raised the bar in customer expectations have provided the means to offer a much more customized level of service, and banks have begun to take action. The ability to tailor their service not only gives banks a powerful tool for improving customer satisfaction levels, it also facilitates serving customers in a cost-effective manner.

Of course, no bank has the ability to tailor servicing strategies at an individual company level. However, thoughtful customer segmentation strategies that identify companies with common behaviors and preferences allow banks to align efficient service models with the needs of different customer groups.

Creating activity- and preference-based segments

Creating activity- and preference-based segments requires company-level information to be synthesized in such a way that it produces meaningful groupings based on preferences and potential profitability to the bank. Revenue alone is a proxy that cannot fully contextualize key business needs. But banks have the opportunity to leverage the wide array of data already available to them to construct sophisticated and intuitive company profiles.

In addition to customer data gathered from onboarding activities and day-to-day relationship interactions, information captured through rolling customer-experience research programs can help banks remain attuned to evolving needs and preferences. Our experience tells us that these programs include both qualitative and quantitative metrics and analysis derived from in-depth customer interviews. We have seen such programs deliver an array of valuable benefits that can enhance marketing programs, strategic planning and communication activities. Customer-experience programs can also help banks to develop a much deeper understanding of current and future product needs. With this additional insight, proactive relationship managers can drive a larger share of wallet and take pre-emptive measures to reduce customer attrition.

As we highlighted in our 2014 report, Business banking: Redesigning the front office, there are a number of approaches that banks can use for segmentation, and there is no “one-size-fits-all” approach. However, based on our experience in customer profiling and data analytics, more advanced segmentation approaches consider companies’ behavioral traits, the customer life cycle and growth potential, as well as various risk metrics and total credit exposure. Data from our sample of commercial organizations generated three distinct global customer segments (see Chart 10). In practice, each bank’s portfolio will yield slightly different distributions along similarly modeled segments, based on its geographic presence and business strategy.
Chart 10: Three distinct customer segments

| Increasingly Internationals (36%) | • Leading strategic priorities include international expansion and broadening current product/service offerings  
|                                   | • On average, 41% of business is currently international, with an expected average of 53% over the next three years  
|                                   | • Key selection criteria include bank reputation, innovative processes/services and willingness to customize offerings  
|                                   | • Use an average of 6.7 products from their banks, including higher-margin offerings such as investment banking, trade finance, cash management, foreign exchange and asset finance  
|                                   | • Use an average of 3.71 banks  
|                                   | • Largely savvy technology users with frequent online and mobile banking channel use (89% and 66%, at least weekly) |
| Traditionalists (28%)            | • Simpler relationships with more straightforward strategic priorities — revenue growth, cost reduction  
|                                   | • Key bank selection criteria include relationship manager quality, competitive pricing and product/service quality  
|                                   | • Somewhat smaller companies — 60% under US$50 million in annual turnover  
|                                   | • Tend to use fewer (3.97 on average) and more “plain vanilla” products and services, including commercial loans, corporate/credit cards and cash management services  
|                                   | • Have fewer banking relationships on average (2.4) and are less inclined to turn to a non-bank provider  
|                                   |   • Only 20% currently use a non-bank; 12% of those that do not would consider using one  
|                                   | • Less frequent technology users, particularly in mobile (81% use online weekly; 45% use mobile weekly) |
| Diverse and Dynamics (36%)       | • A heterogeneous collection of companies with potential for growth  
|                                   | • Strategic priorities range from increased cash flow to revenue growth, capital expenditure and cost reduction  
|                                   | • On average, 42% of current business is international, with an expected expansion to 48% over the next three years  
|                                   | • 26% use more than four banking products while 38% use fewer than three  
|                                   | • 75% access their bank’s online platform at least weekly with approximately 80% reporting satisfaction with the channel  
|                                   | • 55% utilize their bank’s mobile applications at least weekly; however, 27% do not take advantage of the technology  
|                                   | • 51% use fewer than three banks, 18% use more than four |
Increasingly Internationals

Companies in the Increasingly International segment represent the greatest growth and profitability opportunities for banks. However, a high-touch service model is required, centered on strong relationship management and insight and enabling the bank to help the company grow into its target markets. These companies have a significant international presence and/or plans to expand further over the next three years. They are technically savvy and generally comfortable with digital platforms, preferring to conduct routine account-servicing activities through digital channels, which enables relationship managers to focus on strengthening the relationship and address business issues. Increasingly Internationals use higher-margin products, such as trade finance and foreign exchange two to three times more than any other segment.

Due to the potential of relationships with this segment, banks face increased competition from other providers. Sixty-seven percent of Increasingly International companies reported having observed increased activity from banks to win their business over the past year.

Banks must carefully assess whether the Increasingly International segment is a fit for their overall business strategy. Pursuing and retaining these relationships without the right product mix, expertise and international network will prove frustrating and ultimately unprofitable. Smaller, primarily domestic players will want to evaluate potential partnerships and alliances with banks in other key markets to enable more seamless service across borders. For those that have sufficient scale and appropriate operational capabilities, or those able to establish such alliances, the Increasingly International segment can be particularly lucrative.

International expansion

Banks serving the Increasingly International segment must be aware of companies’ current or anticipated expansion beyond the country in which they are based. Executives in the segment report an average of 41% of their business is currently being conducted internationally, and they expect that level to rise to 53% over the next three years.

As this group begins to execute on their plans, banks must be cognizant of the following characteristics, which are unique to emerging markets:

- Businesses across all emerging markets cited higher daily use of online channels compared to companies in developed markets.
- In APAC, emerging market companies were twice as likely to be highly satisfied with online and mobile channels as their peers in the developed markets (70% vs. 35%-40% highly satisfied).
- All emerging markets have a much higher error incidence rate (11% or higher) than developed markets in the same geographic region.
- Emerging market companies are more likely than developed market companies to have switched banks in the last 12 months and to be considering switching providers in the next 12 months.
- Companies in the Americas emerging markets are far less satisfied with their onboarding experience than those in the Americas developed markets (69% highly satisfied with onboarding experience vs. 82%, respectively). However, in both the EMEA and APAC regions, this is reversed.
- In both the Americas and APAC regions, emerging market companies are much more likely to consider using a non-bank in the future than those in developed markets in the same region. Conversely, in EMEA, nearly 50% of developed market companies would consider a non-bank in the future compared with only 38% of emerging market companies.
Traditionalists

Companies in the Traditionalist segment have more modest growth ambitions, product requirements and potential fees relative to their increasingly international counterparts. However, when serviced through an appropriate model with the right approach and systems in place, the segment can be profitable for banks. To serve the segment profitably, banks need to equip and train Traditionalist customers to self-serve where possible through a combination of enhanced branch, online and mobile channels. These clients may expect relationship managers to continue to play a role; however, the banks should change the degree of their involvement. Ultimately, there must also be an acknowledgement that some customers in this segment may not be profitable in light of a particular bank’s business model and operating structure. A level of attrition may therefore be necessary to deliver acceptable returns.

Traditionalists are generally smaller companies with businesses that are primarily domestic in nature. These companies use fewer banking products on average, and they are generally plain vanilla, such as cards, cash management and commercial loans.

The core challenge for banks serving Traditionalist companies is that many of these businesses have come to expect a service model that is unsustainable. Traditionalists place great importance on the quality of their banker (61% indicate the strength of the banker is highly important in bank selection) and are slower to embrace digital platforms (only 29% of Traditionalists use mobile applications on a weekly basis). Because of the limited projected growth potential, banks must deploy new models that serve Traditionalist companies with an increased focus on efficiency. This will require an adjustment period for both banks and Traditionalist customers and will require regular and consistent communication.

With approximately one-half of the world’s GDP expected to come from rapid growth markets (RGMs) by 2020, and with trade and capital flows continuing to expand into these markets to foster domestic corporate expansion (Chart 11), it is critical for banks to act now and capitalize on these emerging growth opportunities.

Chart 11. Growth rate of trade flows (indexed at 2011)

Diverse and Dynamics

The third major customer segment, the Diverse and Dynamics, comprises companies that vary markedly in business strategy. While 30% of companies are focused on revenue growth and 25% are considering a capital expenditure, there are also distinct groups targeting improved cash flow (34%) and cost reduction efforts (24%). Accordingly, their needs for banking products and services vary considerably as well.

However, a common theme for the vast majority of this segment is the eagerness to embrace technology and digital banking, particularly for basic banking services. Given the varied nature of the Diverse and Dynamic segment, banks’ first priority should be to classify the companies to understand which ones fall inside and which outside of this digital adoption group.

Within our sample, nearly 80% of Diverse and Dynamic companies qualify as high-tech, meaning they have demonstrated a willingness to adopt new technology for the delivery of banking services. This further segmentation also shows how much companies value technological sophistication when selecting their banks (see next section).

Customer migration

Customer segmentation is critical to properly align the needs of the customer to the correct service model. However, banks face additional challenges once the segmentation process is complete, including how best to manage the transition of customers from one segment to another. We believe there are five components to effective customer migration:

1. **Regular customer segmentation analysis and review.** Banks should evaluate customer segments either on a fixed basis (every year) or through an event-driven process to ensure evolving customer needs are properly understood and the right service model is implemented.

2. **Quarterly account meetings.** These meetings should be conducted with the relationship manager(s), senior bank management and any other specialists in regular contact with the account. At the meetings, the bank should do a thorough assessment of the account, including its profitability, the trajectory of the account, and its need for products, services and people over the next 6-18 months.

3. **Relationship manager migration plan.** A by-product of the segmentation analysis and account meetings is an assessment of the relationship manager and, if needed, the transition of that relationship to a manager with the necessary skill sets.

4. **Relationship manager training.** Relationship managers should not only be trained each year on the best practices for cross-sell and servicing but also on how to properly communicate to customers the bank’s servicing model plan. These training sessions should concentrate on consistent communications with the customer about how roles and services will be managed as the company’s needs and preferences continue to evolve.

5. **Evaluation of relationship manager compensation.** Compensation packages for relationship managers have not historically encouraged bankers to transition customers to another service model or banker. Banks need to re-evaluate how they can properly compensate the banker to eliminate this reluctance. Some current practices are a one-time bonus or customer “swap” program.
In addition to technical savvy, banks should try to evaluate the current and future potential value of a Diverse and Dynamic company. Although this is difficult to assess, banks can use propensity modeling based on information gathered at regular account meetings or as part of feedback from their customer-experience programs. These metrics include, but are not limited to, the following:

- Indication of international and product/service expansion are stated strategic priorities for the company.
- High future cross-sell potential based on fit between company’s aspirations and a bank’s ability to support them.
- Use of or likely need for more complex, higher-value products (e.g., foreign exchange, trade finance, investment banking).
- Purchasing decision not made primarily on the basis of price.

Due to this complexity, the Diverse and Dynamic segment presents the single greatest strategic opportunity for commercial banks to establish a differentiated approach. Banks that “get it right” with Diverse and Dynamic companies will nurture their increasingly international prospect pipeline while efficiently maintaining or exiting relationships that present less compelling potential. Banks currently struggle to find the right fit for these companies, thereby frustrating their customers, causing almost one in three companies to switch providers over the last 12 months and another third to consider switching over the next year. For the most part, Increasingly Internationals and Traditionalists are far easier to identify and serve appropriately. Diverse and Dynamics warrant a more flexible approach.

**Drivers of bank selection and customer satisfaction**

Companies assess a wide variety of binary factors (e.g., geographic presence, reputation) and more nuanced elements (e.g., price, products and services) when selecting banking providers. While competitive pricing is among the drivers of bank selection for all customer segments, it is not the only, or even the most important, driver (see Chart 12). Bank reputation and product quality can rank above pricing, and factors like service quality, global reach and relationship manager quality all carry similar weight in the decision process. Banks must be prepared to position and then deliver consistently strong products, people, advice and service.

A key differentiator between Increasingly Internationals and companies in the other categories is the importance placed by the former group on banks’ “sophistication of technology for product and service delivery.” This factor is considered important by 61% of Increasingly Internationals vs. just 43% of Traditionalists and 37% of the Diverse and Dynamic group. In addition to placing more weight on banks’ technology, due to the broader span of their operations, Increasingly Internationals also want expertise in specific industries or sectors (63%) and service areas (60%), and they want that expertise delivered by high-quality relationship managers (62%).

Traditionalists evaluating potential banks are most concerned with the quality of the relationship manager (61%), followed closely by overall quality of service and products (60% and 59%, respectively). Only 43% of Traditionalists value a bank’s technological sophistication in product and service delivery.

Because of the nature of the segment, the priorities of Diverse and Dynamic companies are more usefully assessed through the lens of their technical savvy:

- For high-tech companies, bank reputation (48%) and willingness to customize offerings (47%) are the most important factors considered when selecting their banks.
- Among low-tech companies, bank reputation and expertise in a specific service area (36% each) rank as the most important considerations as they shop for a bank.

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5 Thirty-one percent of Diverse and Dynamic companies indicated they had switched banks over the past 12 months, compared with 14% of Increasingly Internationals and 7% among Traditionalists.
### Chart 12. Key bank selection and performance metrics – by customer segment

<table>
<thead>
<tr>
<th></th>
<th>Increasingly Internationals</th>
<th>Traditionalists</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>Importance</td>
<td>Performance</td>
</tr>
<tr>
<td>Bank reputation</td>
<td>63%</td>
<td>67%</td>
</tr>
<tr>
<td>RM quality</td>
<td>62%</td>
<td>61%</td>
</tr>
<tr>
<td>Service quality</td>
<td>63%</td>
<td>61%</td>
</tr>
<tr>
<td>Product quality</td>
<td>65%</td>
<td>63%</td>
</tr>
<tr>
<td>Global reach</td>
<td>63%</td>
<td>58%</td>
</tr>
<tr>
<td>Industry/sector knowledge</td>
<td>63%</td>
<td>59%</td>
</tr>
<tr>
<td>Sophistication of technology for product and service delivery</td>
<td>61%</td>
<td>57%</td>
</tr>
<tr>
<td>Expertise in a specific service area</td>
<td>60%</td>
<td>59%</td>
</tr>
<tr>
<td>Presence in your key growth markets</td>
<td>60%</td>
<td>56%</td>
</tr>
<tr>
<td>Product and service breadth/depth</td>
<td>59%</td>
<td>59%</td>
</tr>
<tr>
<td>Willingness to customize offerings</td>
<td>58%</td>
<td>55%</td>
</tr>
<tr>
<td>Competitive pricing</td>
<td>64%</td>
<td>55%</td>
</tr>
<tr>
<td>Fee structure flexibility</td>
<td>56%</td>
<td>53%</td>
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<tr>
<td>Innovative processes or services</td>
<td>55%</td>
<td>55%</td>
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<tr>
<td></td>
<td>Diverse and Dynamics (high-tech)</td>
<td>Diverse and Dynamics (low-tech)</td>
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<tr>
<td></td>
<td>Importance</td>
<td>Performance</td>
</tr>
<tr>
<td>Bank reputation</td>
<td>48%</td>
<td>46%</td>
</tr>
<tr>
<td>RM quality</td>
<td>42%</td>
<td>47%</td>
</tr>
<tr>
<td>Service quality</td>
<td>45%</td>
<td>46%</td>
</tr>
<tr>
<td>Product quality</td>
<td>46%</td>
<td>45%</td>
</tr>
<tr>
<td>Global reach</td>
<td>45%</td>
<td>49%</td>
</tr>
<tr>
<td>Industry/sector knowledge</td>
<td>40%</td>
<td>45%</td>
</tr>
<tr>
<td>Sophistication of technology for product and service delivery</td>
<td>44%</td>
<td>46%</td>
</tr>
<tr>
<td>Expertise in a specific service area</td>
<td>43%</td>
<td>46%</td>
</tr>
<tr>
<td>Presence in your key growth markets</td>
<td>44%</td>
<td>48%</td>
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<tr>
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<tr>
<td>Fee structure flexibility</td>
<td>43%</td>
<td>45%</td>
</tr>
<tr>
<td>Innovative processes or services</td>
<td>41%</td>
<td>48%</td>
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</tbody>
</table>
Digital channel usage and preferences

How companies interact with their banks varies significantly by customer segment.

Increasingly Internationals are among the highest adopters of digital bank channels and the most satisfied with these services. Nearly all (90%) of Increasingly Internationals use their banks’ online platforms weekly – including about half that use online banking daily. Forty percent of these companies use their banks’ mobile platforms every day and a similar proportion use mobile banking at least once a week.

Although roughly 80% of Traditionalists use their banks’ online platforms weekly, these companies are satisfied with the digital experience far less often than other segments. Only slightly more than one-half of Traditionalists say they are “highly satisfied” with their bank’s online platform.

Traditionalists are even less enthusiastic about banks’ rapidly evolving mobile banking capabilities. Only 45% of Traditionalists use their banks’ mobile platforms on a weekly basis, compared with rates of 70%-80% among other segments, and more than 40% say they have no intention of increasing their usage in the future.

Companies in the Diverse and Dynamic segment have markedly different channel usage patterns. The companies in the high-tech sub-segment use mobile channels even more frequently than Increasingly Internationals (over 80% use them at least weekly). At the same time, companies in the low-tech sub-segment are not yet users of digital banking services. It is interesting to note that the high-tech group have evolved to be regular mobile banking users and now have relatively less frequent online banking use (37% use online banking).

Service model strategies

Banks must continuously evaluate modes of service, assessing emerging technologies, preferences, costs and suitability for customers. No strategy will fit every company’s specific needs perfectly, so it is important to establish a framework with a degree of flexibility built into it. Adopting a three-tier service model strategy applied to companies based on their needs, preferences and potential can help banks serve customers more efficiently and effectively (Chart 13).

Chart 13: Global mid-market service models

| Dedicated banker | • Senior relationship manager for each account • Supported by senior credit and risk officers as well as experts on debt capital markets and equity capital markets • All digital and self-service channels available |
| Access plus | • Junior "generalist" relationship manager for each account • Supported by a pool of highly trained and specialized commercial bankers as well as a credit manager and risk officer • All digital and self-service channels available |
| Commercial access | • Branch, digital and self-service channels are the foundation of this service model • No relationship manager support for day-to-day interactions • When face-to-face interaction is needed, customers will have access to branch personnel, including branch manager |
To ensure that customers in this tranche receive highly responsive service, the relationship managers should be responsible for a manageable number of accounts, derived from a capacity analysis. By handling the load in this way, the bank will enable these highly trained and effective sales people to build stronger relationships with the more profitable accounts and maintain and enhance the bank’s share of wallet.

Dedicated banker

In this service model, the digital and self-service channels will be paired with a named senior relationship manager. Customers want a banker who can advise them or act as a sounding board on major strategic decisions and not have just a “transactional relationship.” This service model allows the customer to have a dedicated representative who has intimate knowledge of the customer’s account, industry and key stakeholders. The individual relationship managers should also have the experience and connections within the bank to be able to navigate the organization successfully in order to deliver the right outcomes for customers. These senior-level bankers will be focused on cross-sell rather than account-servicing activities, which should be handled through less costly channels.

For this concept to work, banks must have an overarching operating model in place. A number of elements need to be considered prior to implementing a new target operating model, including customers, employees, operations goals and risk factors.

In our experience, a well-defined operating model has the following capability requirements and must not only seek to close process and technology gaps, but also incorporate appropriate controls to measure and monitor quality, risk and compliance:

1. End-to-end perspective
2. Rapid market response time
3. Common processes and data access
4. “Open” solutions not hard-wired to status quo
5. Embedded comprehensive risk and controls framework

Target operating model

A critical component of any modern service model is a seamless branch, online and mobile banking experience. To serve commercial banking relationships efficiently, banks must increasingly direct the majority of routine bank interactions to these lower-cost channels in order to keep skilled bankers focused on business development and relationship-building activities.
**Access plus**

This model features the availability of all of the 24/7 digital and self-service channels for routine transactions, but also includes access to a dedicated junior “generalist” relationship manager. This “generalist” will be supported by a pool of highly trained and specialized commercial bankers, as well as a credit manager and risk officer. The teams will be collectively equipped to address even the most sophisticated business needs and provide meaningful advice.

Aspiring bankers can gain important relationship-building experience overseeing between three and five times the number of accounts of the dedicated banker model as part of a pooled-banker strategy. The relationship manager pool would ideally be accessible at all times (based on a bank’s resources) and have immediate access to a customer’s full account and relationship information. Similar to the dedicated banker model, it is essential that the RM pools are resources for value-added activities and not allowed to become mired in account-servicing that can take place through other, lower-cost channels.

Critical to the success of the pooled-banker strategy are effective CRM systems, clear rules of engagement and reward/recognition programs that facilitate teams of relationship managers and product specialists working together seamlessly across transactions, products and points of contact within the customer organization. Each customer interaction must be approached with detailed understanding of the company, its needs and the history of past bank interactions. Many otherwise sophisticated banks still lack sufficient CRM infrastructure and operating procedures to execute an effective pooling strategy. Investment in this technology, including a real-time customer relationship dashboard and the necessary banker training, is yet another call on scarce resources, but the efficiencies that can accrue through more streamlined banker allocation models should outweigh the cost.

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**Enabling relationship managers through technology**

To support revenue growth, relationship managers must be equipped with the proper technology and information to enable them to be more effective, both as advisors for customers and as business developers for the bank. This should include a single view of a customer’s entire footprint with the bank and, ideally, real-time updates on transactions. Mobile solutions will ensure these are available on the road as well as in the office.

Information on a customer’s customers and suppliers, where that is available, will help the RM anticipate customer requirements in areas such as supplier financing. Digital technology will also be needed to minimize the amount of time the RM spends dealing with basic transactions and servicing needs. Sales and operations leadership must streamline processes while demonstrating to bankers various ways that new technology can benefit them and their customer relationships.

Technology that will help support bankers includes:

- Straight-through processing
- CRM systems
- Covenant monitoring
- Salesforce automation

Our experience has shown that, for most banks, this transformational journey evolves over time, typically spanning two to three years. The process touches on technology, processes and functional roles across the organization.
The majority of companies are looking to bankers to be experts who can help them solve specific business problems and answer questions. More companies indicate they want their relationship managers to be “problem-solvers” rather than “advisors” (51% and 20%, respectively). This is an important business development role, not to be confused with that of a customer service representative who addresses routine account problems or errors.

The “business problem-solver” role aligns well with bankers’ cross-selling goals, as bankers can address various questions or problems with unique product solutions. With Increasingly Internationals, the relationship manager’s primary objectives should be to serve as an advocate for customers within the bank and shape cross-selling conversations by:

1. Identifying specific business problems facing the company (liquidity, leverage, balance sheet optimization, risk management, etc.)
2. Matching the business problem with bank products and services
3. Presenting the company with a solution to the problem utilizing these products and services
4. Deepening trust and uncovering additional opportunities to expand the relationship over time

Commercial access

The commercial access model includes branch, digital and self-service channels but excludes access to a relationship manager. This model will aim to eliminate reliance on relationship managers for day-to-day interactions and to make greater use of emerging digital technology to shift these activities to lower-cost self-service channels. These can include self-service kiosks, call centers, online chat rooms, video conferencing and access to “how-to” videos for frequently asked questions. Within this model, it is important to provide a simple, seamless and connected experience as customers move across channels, so that they can easily begin a transaction in one channel and continue in another.

When face-to-face interaction is needed for product inquiries, service or more complex transactions, the customers will have access to branch personnel, including the branch manager. With this model, it is anticipated that there will be fewer human interactions with customers, particularly face-to-face, so it is crucial that banks view each human interaction as an opportunity to strengthen the overall relationship and position new solutions.

Aligning service models with customer segments

Each company in each customer segment will have individual needs, preferences and growth trajectories. Hence, there is no perfect one-to-one relationship between customer segment and service model. Banks will need to retain a degree of flexibility to account for exceptions. Chart 14 outlines how banks ideally should align the three customer segments with the three service models.

For most Increasingly International relationships, the dedicated banker service model will be the appropriate approach. Because these companies are growing their businesses and expanding their geographic reach, they are strong candidates for additional product and service conversations. Thus, bankers need to prioritize structured cross-selling dialogues during regularly scheduled relationship meetings. Optimal frequency will vary by company, but quarterly in-person meetings should be considered standard for Increasingly International relationships.

Chart 14. Matching service models with customer segments

<table>
<thead>
<tr>
<th></th>
<th>Increasingly Internationals</th>
<th>Traditionalists</th>
<th>Diverse and Dynamics</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dedicated banker</td>
<td>Default</td>
<td>As warranted</td>
<td>As warranted</td>
</tr>
<tr>
<td>Access plus</td>
<td>As warranted</td>
<td>Default</td>
<td>As warranted</td>
</tr>
<tr>
<td>Commercial access</td>
<td>By exception</td>
<td>As warranted</td>
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1. Identifying specific business problems facing the company (liquidity, leverage, balance sheet optimization, risk management, etc.)
2. Matching the business problem with bank products and services
3. Presenting the company with a solution to the problem utilizing these products and services
4. Deepening trust and uncovering additional opportunities to expand the relationship over time
The access plus model will most often be appropriate for Traditionalists. However, select Traditionalists may also have access to the dedicated banker or commercial access service models. Management teams must be prepared for some account attrition from companies within the Traditionalist segment that are uncomfortable with the transition to a commercial access model. Although this process can be painful, it is necessary for sustainable long-term profitability. Banks must exercise the will and discipline necessary to exit unprofitable relationships that insist on outdated and unsustainable banker coverage. Meanwhile, they must continue to invest in leading technology platforms and digital capabilities to ensure Traditionalist accounts are receiving a competitive experience, commensurate with their profile.

Equally important are ongoing education programs. Banks must sponsor and deliver customer training that continually reinforces the benefits and security of digital banking. Over time, the sustained commitment to enhanced technology and service strategies will combine to maximize profitability within the Traditionalist segment.

The nature of the Diverse and Dynamic segment requires that service models be assigned according to the customer's technical savvy.

**High-tech:** depending on the potential value to the bank, these companies can be serviced in two ways. The higher-value companies resemble Increasingly Internationals in important ways, and in some cases will graduate to this segment over time. However, these customers have not quite reached the same level of demand for products and services. For such companies, banks should employ the access plus model that enables personalized communication, but retains the ability to scale. Lower-value companies must be served through the optimally efficient commercial access model, similar to companies in the Traditionalist segment.

**Low-tech:** low-tech yet higher-value companies pose a unique service model challenge – they represent a potentially meaningful opportunity for their banks, but are slow to embrace online or mobile banking for significant portions of their bank interactions. In this case, the optimal model calls for banks to assign the dedicated banker model, as they would with Increasingly Internationals. Because these companies demonstrate potential for meaningful growth, the cost of an assigned relationship manager should be viewed as an investment in the future. For the low-tech and lower-value companies, however, the commercial access coverage model should be assigned, similar to the case of high-tech, lower-value companies above. The primary difference will be the anticipated response. Because low-tech companies may resist redirection to branch and digital channels, banks can expect to see diminished customer satisfaction levels and attrition from this group. There is an opportunity here to educate these companies about the benefits of the commercial access model, including branch access, digital channels and 24/7 call center availability.
Conclusion

The case for urgency

Banks face the challenge of adapting quickly to heightened competition, rapidly changing technology and increased regulatory scrutiny in the current environment. As the needs and preferences of mid-market customers become increasingly heterogeneous, banks must continue to evolve to avoid falling behind. This calls for continuous customer monitoring to understand how company executives are interacting with their banks and making buying decisions.

In today’s environment, regulatory pressure is often the primary driver for change. As such, typical programs adopt an “inside-out” approach that emphasizes regulatory compliance achieved through technology, data and process change. We believe this thinking should be turned on its head. An “outside-in” approach would be business-led, requiring only a marginal incremental cost to deliver customer-centric products, services and channels that address customer needs and also satisfy the demands of regulators.

This “outside-in” approach represents a clear call to action for banks to refresh segmentation, identify increasingly International, Traditionalist and Diverse and Dynamic companies within individual portfolios, and properly align service strategies with appropriate bank resources. These programs require meaningful investment in technology rationalization, data integration and more standardized business processes. However, best-practice banks will leverage digital innovations that allow new channels to support mid-market relationships of various shapes and sizes both effectively and efficiently.

Digital leaders will not only deliver new features and functionality but, just as importantly, demonstrate a sustained commitment to ensuring customers’ security. Educating customers on the safety of online and mobile channels will facilitate even greater adoption and free up relationship managers to focus on their number one priority – solving customers’ business problems and deepening relationships.

In the words of the customers we interviewed, banks can improve in a number of specific ways:

“Provide analysis tools to help with cash management and understanding when money is being spent.”

“Listen to the customers’ needs and devise programs around them.”

“Be more honest and open about various functions, allow for input and take opinions quickly and consider them for immediate action. Allow businesses to customize their services.”

“Understand our business better and maintain stronger local relationships.”

“Customize our needs and provide innovative financial guidance.”

“They should be more available and more focused on solving our problems quickly.”

“Make international business simpler ... access and functionality implementation. Simplicity!”

“Stop changing the relationship managers and limit the documentation.”

“Faster decision-making, better communication and more transparency.”

“Be more flexible, provide better trained and experienced management, and provide more innovative product offerings.”

“More availability of online chat.”

“Enhanced security over the internet in foreign countries.”

“Provide better online capabilities to trace all transactions.”

“Make security tighter and clearer so that customers feel safe.”
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