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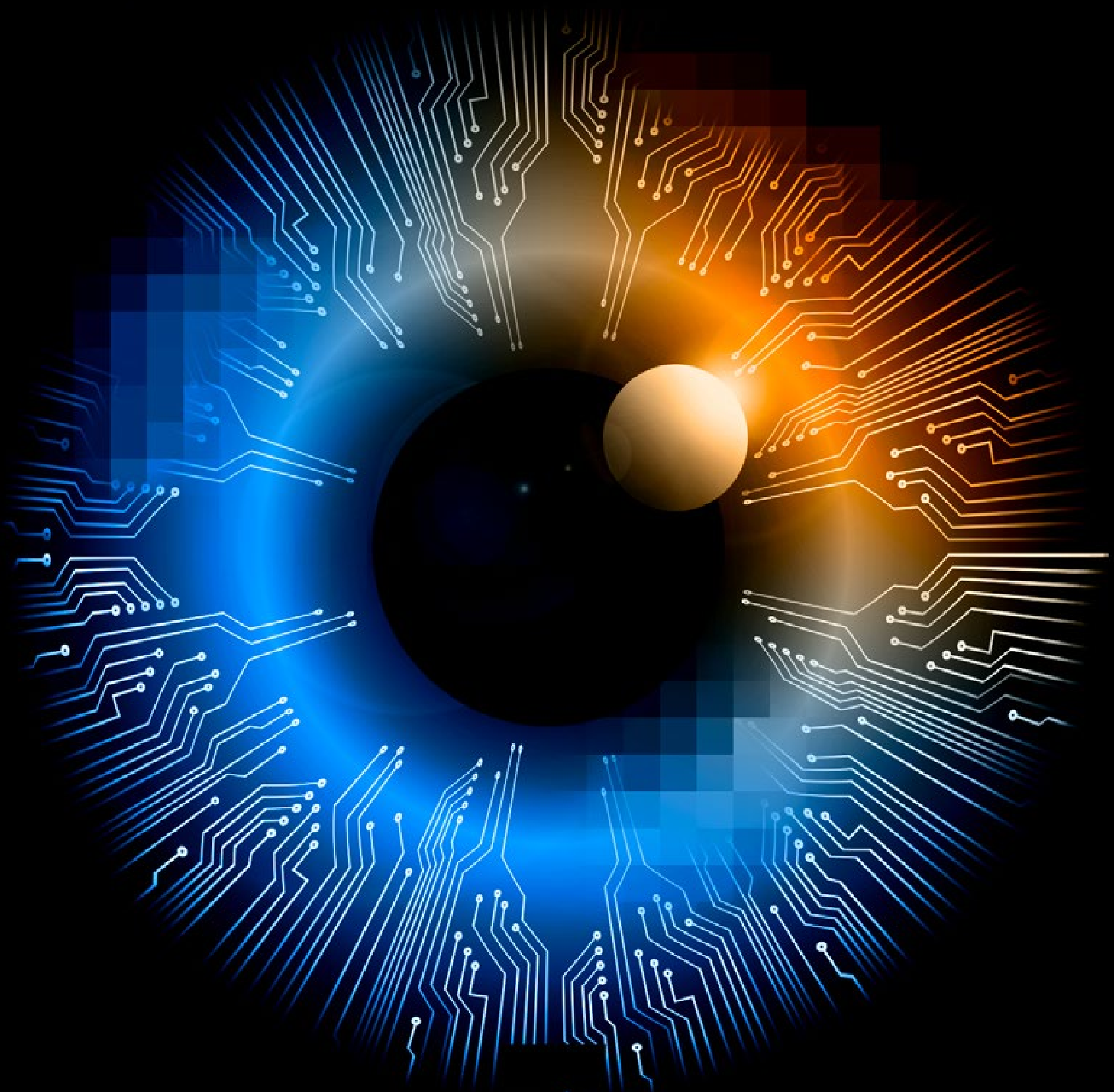

A vision for the future of US retail banking

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The US retail banking sector has been transforming at a fast pace, like the rest of consumer financial services. The COVID-19 crisis has only accelerated consumer shifts toward digital. With a depressed macro environment, banks have little choice but to embrace digital transformation. This report describes this transformation of retail banking as three tectonic movements and 10 key shifts.

A new normal is fast emerging—along with vast transformation

For several years, industry-wide transformation has been underway in the retail banking sector. Then the COVID-19 pandemic arrived. All signs lead us to believe that banking will never be the same.

Why? While the pandemic has acted as a catalyst and accelerator, the digitization of banking had already reached a tipping point at large banks, with a majority of transactions going digital and more customers engaging with digital budgeting and planning apps, as well as other robo-investment solutions.

Now, the pandemic is dramatically accelerating customer digital adoption and forcing banks to make rapid decisions about the digitization of key processes to support work from home for branch managers and other associates (such as account opening and customer onboarding). Furthermore, as customers face growing financial stress, banks have gained a more prominent role in helping them navigate uncertainty and maintain their financial well-being. We believe that the COVID-19 crisis may ultimately accelerate the transformation of retail banking by as much as a couple of years.

We see three tectonic movements in this transformation that will upend retail banking as we know it (see figure 1):

1. **Digital banking:** Retail banking customers now demand compelling, intuitive digital experiences, similar to what leading technology companies have taught them to expect, on both mobile and online platforms. To enable such experiences (and free up funds to develop these experiences), banks have been digitizing core banking processes through front-, middle-, and back-office functions. For banks, it is also a cost imperative to shift most transactions from analog to digital channels, where unit costs are much lower. As a result, the traditional branch-based, face-to-face banking model has been on the decline, although retail branches will continue to play a role as part of an omnichannel experience as the shift to digital banking continues (shifts 7 and 8 in figure 2).

2. **Advice at the center of customer relationships:** Financial lives are inherently complicated; more customers are seeking advice in uncertain times. It used to be that only affluent customers could afford such advice, but not anymore. With digital technologies allowing for the creation and delivery of quality advice at low price points, advice is moving to the center of the relationship between banks and their customers. In fact, the worlds of retail banking and wealth management have started to collapse into each other. Some level of financial planning and high-quality advice around achieving financial goals is now delivered through an omnichannel experience. Indeed, in a world with new payments solutions readily available and relatively painless to use, banks can no longer rely on transaction accounts to encourage customer stickiness. Going forward, advice will play the prime role of anchoring retail banking relationships. The challenge for banks will be to deliver high-quality advice consistently and at scale.

In fact, the worlds of retail banking and wealth management have started to collapse into each other.

Figure 1. Three tectonic moves transforming retail banking

Digital banking
Compelling digital customer experiences and the digitization of core banking processes across front-, middle-, and back-office functions

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Advice at the center
Advice and guidance at the heart of every relationship between a bank and its customers

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Segment of one
Experiences are hyper-personalized and tailored to each customer or family

=

Transformation of retail banking

3. **Hyper-personalization to a segment of one:** Customers increasingly believe that they should be treated as unique individuals or families, rather than as a monolithic group sharing the same banking experiences, products, and services as everyone else. Ultimately, every client wants to feel that their banking experience is unique while remaining consistent with standards validated by their peers (indeed, surveys of millennials have shown repeatedly that they believe both in their uniqueness and in the wisdom of their tribe). This expectation is why the hyper-personalization of retail banking is accelerating. Banks are just starting to see this tectonic move and are taking steps in this direction with new segmentations, customer marketing platforms, and propositions. Customers are able to assemble the right set of product and service features in unique packages that fit their families at a particular point in their lives. The problem is that legacy banking systems and product-focused organizations stand as impediments against this new change in direction.

This transformation has major implications for just about every dimension of banking—from how a bank engages with its customers to how it manages its talent pool, to the ways it can empower customers and associates with new technology platforms and physical infrastructure. More specifically, the transformation manifests itself in 10 major shifts (see figure 2). These shifts are derivatives and enablers of the aforementioned tectonic shifts.

Figure 2. The transformation of retail banking in 10 shifts

How banks interact with customers (moving beyond transactions)	How banks manage talent (creating a highly skilled future workforce)	How banks manage infrastructure (creating a flexible physical and digital infrastructure)
1. From analog transactions to digital transactions 2. From transactional engagement to continuous, relationship-based, advice-centric engagement 3. From product rewards to loyalty as advice 4. From products for all to personalized experiences	5. From associates servicing and transacting to associates advising and building relationships 6. From a provisional, low-skilled workforce to a professionalized and engaged workforce 7. From a branch-centric operating model to a call-center-focused operating model	8. From consistent geographic coverage to strategic coverage with multiple branch formats 9. From a collection of monolithic legacy systems to a flexible, cloud-based technology platform 10. From a data-scarce environment to a data-rich, analytics-driven environment

Shifts in how banks interact with customers

1. **From analog transactions to digital transactions**
   As mentioned, this shift from analog to digital transactions is well underway. A large national bank reported that, even before recent social-distancing guidelines and branch closures, more than a third of its customers were already banking most often online or via mobile devices, with less than a fifth of its customers visiting branches on a regular basis. More than two-thirds of its customers used a mobile device to manage their bank account at least once in the past month.

   These numbers testify to the significant shift in how customers prefer to bank. Over the years, several banks have extended branch hours to make branches more convenient for customers, but this operational change has not matched millennials' expectations. Customers want to bank as they please—and mostly on their own. To answer to the demand for "anytime, anywhere" access, banks have had to increase their investment in digital banking. The COVID-19 crisis has only amplified this demand, convincing bank management teams of the need to embrace or accelerate an ambitious end-to-end digitization agenda.

   Many banks have found themselves in the position of playing catch-up. In the past decade, fintech companies have focused on particular banking products (such as mortgages or consumer loans) and activities (such as account opening) to create compelling digital experiences that leave traditional banks behind. By now, a majority of bank customers across most age groups are comfortable doing most basic banking transactions online or on their phones. In particular, millennials have been there for a while. The urgency for banks to convert to digital has never been clearer: Follow suit quickly or potentially lose their customers.

2. **From transactional engagement to continuous, relationship-based, advice-centric engagement**
   In the past, customers interacted with their banks mostly through transactions they initiated—perhaps for a new product purchase or servicing an existing account—or bank-initiated, account-related communications and product marketing campaigns. The touchpoints between a bank and its customers were often quite focused in scope and, overall, fairly low in frequency and engagement.

   The emerging picture appears to be quite different. Digital apps now allow for quasicontinuous engagement models, with curated, real-time content made available to customers. On the call center or bank associates' end, rich, holistic customer profiles available through omnichannel customer experience platforms, and next-best-action engines will make it possible for them to engage in broader, more meaningful conversations with every customer. With persistent touchpoints and deeper engagement, financial guidance will not necessarily spike around life events. Digitization means that advisory relationships tend to generate a steadier flow of interactions—and provide a stream of customer insights that help guide proactive, personalized marketing and improve subsequent one-on-one advice.

   In fact, retail customers have been hoping that their banks would engage in more advisory relationships with them. One pre–COVID-19 industry survey revealed that 78 percent of US retail consumers wanted their banks to provide financial advice or guidance, 58 percent digitally.[1] A separate study found 56 percent wished for their banks to provide them with tools to monitor budgets and spending.[2] Banks' financial apps are poised to become the center of customers' financial lives, giving them access not only to budgeting and planning tools, but also to everyday payments, real-time account access and market information, and the consideration of financial and life goals. Such financial apps can allow for quasicontinuous engagement models, with much more targeted and effective marketing.

   As part of this shift, banks must reimagine how to communicate with customers who want the flexibility to choose how, when, and where they will communicate with banking associates and advisers. The foundation for this is a new digital-first approach that works in layers of increasing expertise and engagement: 1) a rich foundation of proactively served, contextually relevant content, 2) chatbots for simple questions and contact center teams as the next layer to provide general financial advice, and 3) expert financial advisers at the top for more complex guidance. Integrating these layers with an appointment and referral capability will provide a steady pipeline of engaged and interested customers as banks grow their teams of advisers.

3. From product rewards to loyalty as advice

By now, most banks are quite experienced in designing and managing product rewards. The emphasis over the past few years has been on incentivizing cross-selling (by consolidating separate product programs with a single, shared point system) and rewarding beneficial customer behaviors (such as digital transactions instead of in-branch visits). Overall, these rewards programs are still very "bank-centric" and have become increasingly commoditized.

> Loyalty is thus less about rewarding behaviors beneficial to the bank than it is about behaviors beneficial to customers, keeping them on track to successfully reach their milestones.

Some banks, however, are starting to think differently about their rewards programs. The reason is, advice is emerging as the center of the customer relationship, revealing their financial and broader life goals and defining a trajectory for them—in terms of balance-sheet leverage and growth over time, spending habits and saving rates, risk-taking, and protection. A loyalty program can no longer be static. It must now work as a mechanism to keep customers on the right trajectory toward a set of goals, correcting course as needed should circumstances or goals change. Loyalty is thus less about rewarding behaviors beneficial to the bank than it is about behaviors beneficial to customers, keeping them on track to successfully reach their milestones. Imagine a customer getting a reward if they pay their loan on time or if their exercise tracker says that they have sufficiently exercised. Banks work as long-term advisory partners, helping customers to strive toward goals they have set, be it retiring within a certain time frame or achieving the lifestyle they want. With this shift, loyalty programs are becoming an integral part of a broader advisory relationship with customers.

Moreover, as loyalty programs consolidate into one central program across all customer interactions and rewards take on multiple forms—from discounts to products and service features—they become a source of new customer insights. Those insights can inform the design of truly tailored experiences (see shift 4 below), translate into behavioral nudges, and drive personalized product marketing efforts beyond the loyalty program itself.

Banks' loyalty programs are also likely to evolve away from being purely points-based, adding experiential rewards that follow trends set by programs in other industries, such as retail and travel. As banks increasingly emphasize experience and advice, more opportunities open up to tailor the rewards themselves to match customers' aspirations and goals.

> For banks, being able to create an emotional connection with their customers is increasingly the main differentiator in the eyes of retail customers.

For example, customers saving to buy a house could be rewarded for hitting their savings goals with future discounts on home improvement or the chance for a free home makeover. While these are unlikely to completely replace existing points-based programs and redemption options, they may encourage genuine loyalty by showing customers that their bank truly understands and values them.

4. From products for all to personalized experiences

Traditionally, retail banks have organized around product silos and shared distribution channels so they could efficiently push standardized offerings to as many clients as possible. While this model served banks well in the past, it has now reached its limits. Today's customers value their overall long-term banking experience over particular banking product and servicing features. In fact, they experience banking through a series of "moments that matter" (from considering advice, to opening an account, to making a transaction). For banks, being able to create an emotional connection with their customers is increasingly the main differentiator in the eyes of retail customers. It is what fosters stickiness and helps deepen relationships.

As a result, customers are expecting more unique personalization from their banks. They expect product solutions that fit their particular circumstances and want to be treated as a "segment of one." A young, suburban family with a certain level of income is very different from a single person who is about to retire. They will need a different combination of credit and savings features, perhaps a different account structure, different access to education and long-term planning, and different digital proficiency and pricing expectations. Consequently, banks are experimenting with propositions that assemble—or allow their customers to assemble—products and services in unique packages tailored to a segment of one. The implication is that there is still a role for product differentiation, but more of it will come from seamlessly assembling the right set of features for the unique circumstances of a particular household at a particular point in time in the right tailored experience, rather than merely introducing new features that competitor banks may not have on hand.

Large banks have already awakened to this new reality. Their operating model segments and differentiates their offerings between mass-market or affluent customers and small business owners. Their marketing groups have also defined detailed segmentations based on demographic and behavioral variables and have advocated the use of modern customer platforms to enable personalization at scale.

Still, most banks have a long way to go to deliver on the promise of tailored customer experiences. In fact, their data infrastructure often does not lend itself to activating detailed segmentations and even less to enabling tailored experiences and offerings for "segments of one" (read more about the need to shift to more flexible data and technology platforms in section 9 below).

Shifts in how banks manage their talent pool

5. From associates servicing and transacting to associates advising and building relationships

Our surveying of branch and call center personnel at several large retail banks revealed that they are eager to engage with the bank's customers in more value-added conversations. This held true not only for branch managers, investment and lending specialists, or other senior associates, but also for more servicing-oriented personnel—even tellers. They actually welcomed both the digitization of servicing transactions (to free up their time) and the development of digital planning and budgeting customer tools that can kick-start more advisory conversations. At the same time, they said that they needed more support to effectively shift their time from servicing and transactional selling to providing guidance and advice. Five themes capture their needs and aspirations (see figure 3).

To enable this shift in associate roles, banks will have to invest in modern customer relationship management (CRM) platforms. These platforms will not only provide a unified, enterprise-level view of customers, but also serve as an integrated front end for all of the sales, servicing, and advice interactions for an associate. Associates will need next-best actions and contextual guidance on how to hold conversations, as well as tools to engage customers through discovery, planning, advice, and shopping journeys.

Banks will also need to enable and encourage greater collaboration across teams in order to break down internal silos. Putting the customer at the center of this collaboration while enabling seamless information transfer is key to allowing disparate associates with distinct expertise to show up for customers as one integrated team. A compelling appointment and referral capability will be critical to connecting customers with the right associates and enabling value-added conversations right from their first interaction. Lastly, incentive schemes will need to change so that quality and depth of customer interactions are rewarded, rather than the sheer volume of touchpoints.

6. From a provisional, low-skilled workforce to a professionalized and engaged workforce

The old model of relatively low-skilled resources and high employee turnover will need to be turned on its head to enable this shift to more impactful human interactions between bank associates and customers. Banks will have fewer, but better-trained and more motivated, loyal associates; they will shift from strictly defined work processes to more flexible guardrails that give associates more flexibility for higher-value, complex tasks and conversations.

Figure 3. What bank associates need

Know me:
Give me the credibility and autonomy I need to build authentic, lasting client relationships

Inform me:
Make it easy to see the full set of rich data, content, and tools I need to guide client conversations

Enable me:
Support me with a streamlined set of tools and easy access to the bank's full capabilities

Guide me:
Give me clear support and flexible guardrails to have insightful, natural conversations with clients

Connect me:
Enable us to work as one team to consistently serve clients how and whenever they engage with us

Associate roles will be defined less around specific products and management responsibilities and more around client service roles. For example, one leading US bank recently defined five key associate roles: connectors, servicers, relationship-builders, financial partners, and coaches (see figure 4). These roles together frame an integrated team approach to serving customers and deepening relationships. Each provides distinct value toward advice-driven engagement—while creating a clear career progression path for frontline associates. Associates may also enjoy greater clarity on where they can gain deeper specific expertise as they progress in their career. For example, a servicer will learn more about credit card sales, and a relationship-builder may deepen their knowledge of mortgage advice.

To achieve this workforce shift, banks will need to invest in their people through tailored training programs, enabling technologies, and more flexible career paths with clear advancement opportunities. They will need to clearly redefine roles and responsibilities to capture this new flexibility and communicate how each associate's daily efforts align with and make an impact on the bank's mission. Rewards and compensation will need to shift in parallel to reflect the increased expectations of this more professionalized workforce.

Equity and advancement opportunities for minorities—currently underrepresented in the higher echelons of financial institutions—should also be part of workforce redesign efforts. Professionalizing the front line is a singular opportunity for banks to increase the diversity of advisers, aligning with corporate social responsibility programs and reflecting the changing nature and expectations of society at large. This effort may take the form of specific training programs, development opportunities, and intentional tracking of diversity of workforce at each level.

7. From a branch-centric operating model to a call center-focused operating model

It used to be that a majority of customer-facing employees sat at a branch office and worked various roles—from tellers to branch managers—that were clearly separate from contact centers that play a support role. A majority of new customer acquisitions and sales happened in the branch network. This picture has been changing rapidly.

As customers' digital propensity has steadily risen over the years, they have become less dependent on visiting their branches. With the increased importance of advice, customers now put a premium on connecting with the right expert—through remote access if necessary—rather than on geographic proximity (with some notable exceptions, such as small business owners who tend to value a personal relationship with a local branch manager or small business banking specialist).

Figure 4. Five associate personas

The connector:
The first point of contact for clients to help them find the right person or tools to meet their needs

The servicer:
Works virtually with clients to help with ad-hoc support, sales and service needs, and account maintenance

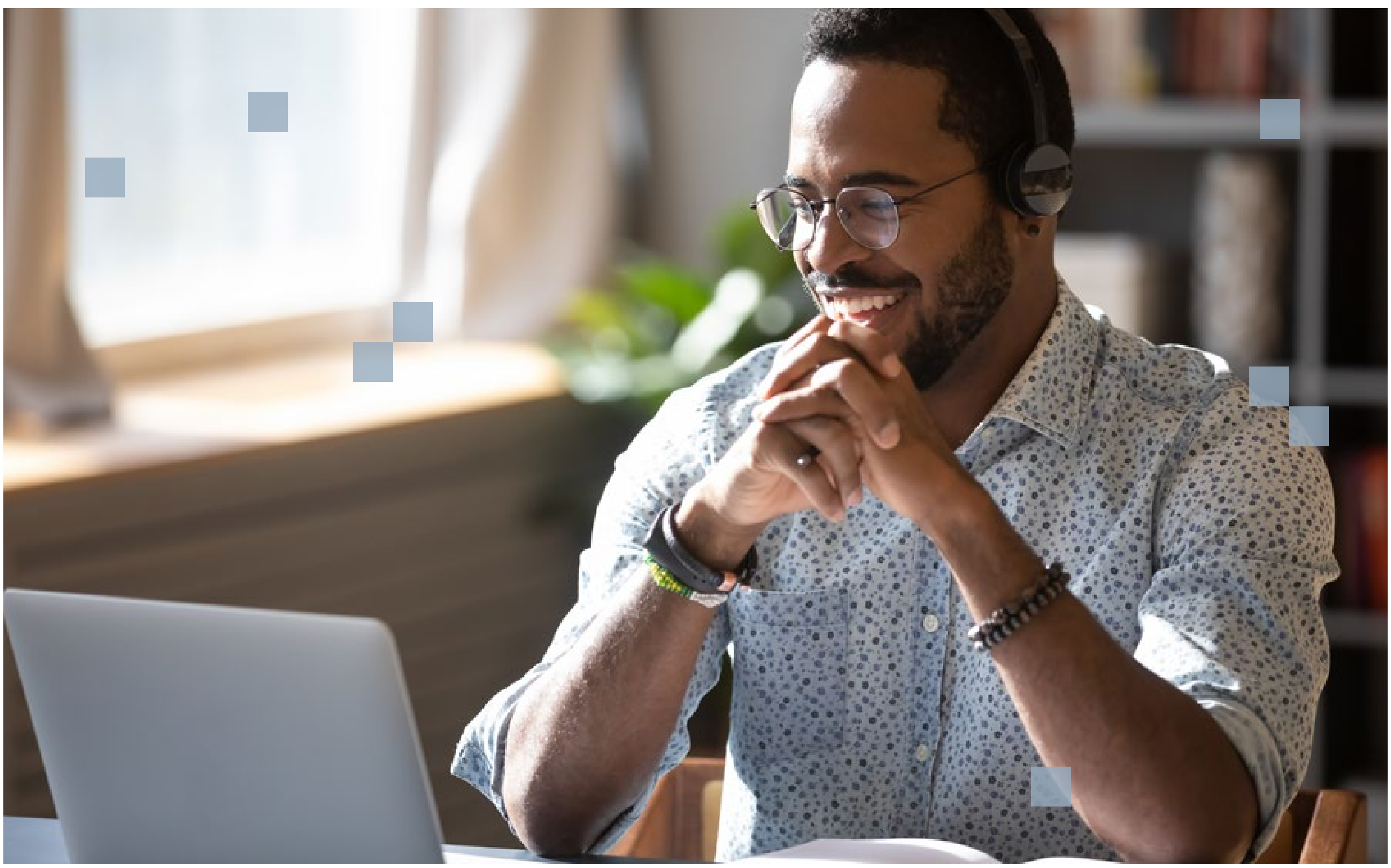
The relationship-builder:
Develops and deepens relationships with clients and the community

The financial planner:
Works with clients over time to help them improve their overall financial health

The coach:
Does whatever it takes to support associates so that they meet their goals and win as a team

The rise of digital lifestyles, coupled with customers' continued reliance on human interactions for higher-value advisory conversations, has moved the center of gravity for retail banking from branches to call centers. Going forward, more bank employees will be sitting in physical or virtual call centers. With COVID-19, a third channel emerged: associates working remotely from home; this channel is likely here to stay. In particular, specialist skills will be made available virtually to increase geographic reach and utilization of these experts.

To keep up with this shift, banks will design their technology platforms to support call center work and will leverage the same customer management, product, and servicing platforms across its various channels (call centers, branches, and the emergent work-from-home channel) so as to avoid duplications. With a more flexible approach to resource management, associates will be able to be redeployed back and forth between call centers and branches as needed.



Shifts in how banks manage their infrastructure

8. From consistent geographic coverage to strategic coverage with multiple branch formats

Branches used to be the primary source of new client acquisition, local market presence, and community-building for retail banks. As a result, bank management teams spent a lot of time optimizing the physical coverage of the local markets in which they chose to compete. Retail banking strategy was largely about the number and location of retail branches.

Social distancing and some branch closures have resulted in a significant drop in branch visits since the beginning of the COVID-19 crisis, with as much as an estimated 30 percent drop in traffic through June.[3] Although early data from states that have reopened seem to indicate that customers will eventually return to visiting branches, it remains that US retail banking is likely over-branched. With a shift toward a distribution model revolving around digital channels and contact centers (see above), an acceleration of branch closures is likely.

This acceleration does not mean that branches will no longer matter; it means that the emphasis will shift from establishing high-density networks of retail branches to lower-density networks, with offices located in strategic locations (much as it is today in the wealth management industry, with wirehouses optimizing a low-density network of offices and clients using remote channels or ad hoc travel). Within this new network, a diversity of branch formats can be deployed to better fit and optimize every location. For instance, drive-through branches may make a comeback, as well as digital kiosks and café-like branches located in shopping malls or company campuses, hybrid physical/digital concepts with limited personnel (such as concierge services or specialized product experts), and in-store access to various digital assets and videoconference facilities.

9. From a collection of monolithic legacy systems to a flexible, cloud-based technology platform

Most banks today run on legacy, first-generation product and servicing platforms that were never designed with our digital age in mind. These platforms simply do not have the agility and flexibility to rapidly innovate, launch new propositions in the marketplace, and support the ever-changing regulatory requirements and demands for data protection and privacy.

> Most banks today run on legacy, first-generation product and servicing platforms that were never designed with our digital age in mind.

They often cannot scale up to accommodate the increase in digital transaction volumes. Batch processing makes it difficult to enable contextual experiences based on real-time data. An aging talent pool presents its own challenges when sourcing skills to support legacy platforms based on older programming languages, driving higher cost of ownership while limiting banks' ability to introduce new products and customer capabilities. Additionally, closed and tightly coupled architectures stand in the way of integrating best-in-class vendor solutions and delivering innovations at speed.

Product innovation is hindered because these legacy platforms were architected with a limited set of product parameters so as to efficiently deliver mostly commoditized products. For instance, with the rise of goals-based financial planning, several banks have tried to create purpose-driven pockets in saving accounts, but most legacy deposit platforms will not support such new product features.

Lastly, limited levels of integration across siloed product platforms result in fragmented views of customers and households, making it more difficult to deploy products and experiences beyond standardized and commoditized ones. In the future, banks will transition to next-generation banking platforms that can get them past outdated limitations. These platforms have a modular, nimble design and often use a headless approach in offering best-in-class capabilities, enable plug-and-play architectures and an open API-driven and microservices-based interoperability layer, and bring together a set of functionalities drawn from different sources. They are being built natively in the cloud to leverage the cost, elasticity, and scalability benefits of cloud-based systems. This will enable much clamored-for customer experiences through a ubiquitous (anywhere, anytime) layer, thereby enabling all products and services to be accessible from mobile first, but also include web and social platforms of choice.

These next-generation banking platforms have started to become reality with fintech firms like Finxact, Thought Machine, 10x, and Mambu, among others. Incumbent industry vendors like Temenos, FIS, and Fiserv are also rapidly modernizing their platforms in order to deliver cloud-ready solutions and some of the key capabilities of next-generation fintech platforms.

These next-generation banking platforms have started to become reality with fintech firms like Finxact, Thought Machine, 10x, and Mambu, among others. Incumbent industry vendors like Temenos, FIS, and Fiserv are also rapidly modernizing their platforms in order to deliver cloud-ready solutions and some of the key capabilities of next-generation fintech platforms. These new platforms create flexible and agile environments where best-in-class solutions can come together within a harmonious ecosystem of reusable capabilities, whether or not they are sourced in-house. For example, banks that want to analyze their customers' spending patterns (to feed into budgeting and planning tools) would be able to access fintech capabilities (through an API) and considerably accelerate their time to market, rather than develop the necessary logic and algorithms by themselves.

Because banks will want to continue to own their customers' end-to-end experience and differentiate themselves through their own compelling UX/UI and ubiquitous, real-time engagement, they will bring together headless solutions with real-time processing and flexible underlying data models.

By integrating outside technology solutions into their modular platforms, banks will also be able to lower maintenance costs over time by accessing vendor upgrades for off-the-shelf capabilities. This assumes that banks will have the discipline to limit customizations to a few critical areas. Their bias will be to create differentiated customer solutions by assembling the right combination of capabilities at the right time and for the right customer, rather than by customizing features from external vendor solutions and cutting themselves off from the benefits of frequent solution upgrades.

Bank customers will not be the only ones to experience the difference. These new banking platforms will also empower bank associates. At the heart of the bank associate's experience will be a single CRM platform. With a compelling UI integrated with analytics and advice and guidance tools, this platform can be shared across all channels to create a comprehensive 360° customer view with a unified client profile and access to data from channel-agnostic product and servicing systems. Designed and implemented properly, this one-stop, state-of-the-art client experience platform will empower bank associates with experiences that are intuitive, modern, automated, workflow-guided, safe, and intelligent.

10. From a data-scarce environment to a data-rich, analytics-driven environment

Banks need to harness the power of data and analytics in order to enable compelling digital experiences with quality advice at the center and customization for microsegments and individuals. Today, too much banking data is wasted because it is dispersed across systems that do not talk to one another; it is inconsistent and stored in different formats, which make it difficult to aggregate; it is simply not collected, and therefore lost; it's on its own, rather than augmented by external data; it is unstructured, with banks lacking the capabilities to make sense out of it; and it is not transformed into actionable insights through any kind of predictive analytics.

Banks need to quickly up their game in data and analytics. They have direct access to a large quantity of valuable data: customer data from client onboarding, account opening, and financial planning; product and transaction data from payments and transaction accounts; and market and other environmental data. In fact, they are in a strong position to aggregate the right data to create rich client profiles and that feed into advice algorithms and next-best-action engines.

Banks, however, are not the only companies with a privileged position when it comes to aggregating customer data. Technology companies also have access to valuable data sets, as well as superior data management and analytics capabilities. Eventually, data-rich customer profiles will include not just financial data, but also health, travel, entertainment, shopping data, and many other data sets. The risk to banks is that they lose control of customer data aggregation and relationship management to technology companies and become relegated to simply being asset and liability managers and manufacturers of financial products.

In the past 10 years, banks have invested heavily in cleaning up their data, consolidating data hubs, building data lakes and advanced analytics capabilities (through software and data science). They have also started developing and using some analytic-intensive propositions—from budgeting and automated goals-based financial planning tools to next-best-action engines for associates and customers. Through it all, they are trying to move towards a new world where no data ever goes to waste. CRM notes are automatically dropped into a shared data lake, and every data point generated by every interaction is processed by analytics and fed back into client and associate applications and tools, so that:

- Unified, rich, holistic customer profiles are always up-to-date and fed into all customer-facing applications, including CRM, intelligent assistants and chatbots, and advice engines
- Customers and bank associates enjoy experiences that always feel informed, contextual, and smart (but also secure and confidential)

Our conclusion: Transformation is also tremendous opportunity

Banks should not let a good crisis go to waste. They should feel a great sense of urgency in using COVID-19 and the economic disruption that has followed as an impetus to accelerate retail banking transformation.

In this economic downturn, banks are seen as a critical enabler of future recovery. Banks that demonstrate empathy for their customers and their associates have the potential to win big if they make an authentic shift from product-centric to customer-centric operating models. This is critical for banks to establish a competitive platform for the 2020s.

A challenging macroeconomic environment with low interest rates and small business credit softness over a probable prolonged period will also add pressure on banks to free up costs. Accelerating the transformation is likely the best way to do it.

The transformation, however, will take many more years. While digital banking is well underway in most corners of the retail banking industry, some banks have taken significant steps to put advice at the center, but the idea of hyper-personalization to a segment of one at scale remains at the earliest stages of exploration. Of course, this transformation will require continued investment in new infrastructure.

Large banks have an advantage via their customer data and magnitude of investment in digital experiences. They also have an unparalleled depth of expertise that can, if focused in the right way, drive sustained innovation. But this advantage may prove to be fleeting; technology companies have the potential to disrupt the picture, especially if they partner with smaller banks for white-label solutions. But in any case, banks of all shapes and sizes will embrace this transformation—or they will disappear.

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