



2020 COMMERCIAL BANKING TRENDS—

AMERICAN BANKER WEBINAR TRANSCRIPT

RICH MELVILLE: Good afternoon and thank you for joining us for today's program, Top Trends in Commercial Banking 2020. I'm Rich Melville, Editorial Director for the Banking Capital Markets groups at Arizent. If you haven't heard the name Arizent before, it's because until yesterday we were known as SourceMedia. Please visit Arizent.com to find out more about what's going on at our company, but enough about us for now. Let's go to the regularly scheduled programming.

The commercial banking industry faces increasing external pressures that are requiring banks to reimagine and evolve their business and operating models. Rise in customer expectations, disruptive competitors, new technologies and increased regulation are just a few of the forces at play. In response, leading banks are investing aggressively to drive efficiency and enhance the client and employee experience, building toward a new digital future. Accenture has introduced six key trends shaping the commercial bank's transformation agenda in 2020. The combination of client work with banks all over the world, industry partnerships and renowned research uniquely position Accenture to present these trends and help to define the characteristics of a truly digital commercial bank.

With us today from Accenture are Jared Rorrer and Chris Scislowicz. Jared Rorrer is Managing Director in Accenture Banking and the Global Commercial Banking and nCino Practice Lead. He has overall accountability for defining the most important industry trends and priorities in commercial banking across the globe and aligning Accenture's teams, capabilities and technology ecosystem partners to help clients successfully execute their strategies.

Chris Scislowicz is a Managing Director in Accenture Banking and a North America Credit Practice Lead. He has overall responsibility for Accenture's consulting work across retail, small business, commercial and corporate lending. Chris specializes in the management and delivery of transformational initiatives and platform implementations for global financial institutions. Before we move ahead to the actual six trends, quick bookkeeping, housekeeping note. There will be a link visible to you to download the full report from Accenture. We'll make that visible to you toward the end of the program. We encourage you to do that, and there will be an opportunity for you to provide questions to us in the window you're looking at to view this program and we encourage you to do that as well.



A couple of questions to set the stage for the program, can you tell us a little bit about the project that gave rise to this report, how you arrived at these trends and maybe help bankers understand what it is they're supposed to be taking away from this?

JARED RORRER: Sure, and thanks for having us and hosting us here today in your studio. When we started this project, one of the things we really wanted to think about is how commercial banking across the globe is moving forward. We look at this massive change over the last five years where fintech and digital have begun to come into the commercial bank. When we look at what that has transpired into is a lot of work around commercial lending and origination around CRM, but big giant platform plays that are beginning this digital revolution in commercial banking. What we want to do is say, what does that mean? What are the implications of that? And then what does it mean for what we need to do next?

RICH MELVILLE: And maybe also give us a little insight into how these were arrived at. Was this a small team effort, a big team effort? Where are the inputs for this come from?

CHRIS SCISLOWICZ: Sure, we ultimately crowdsourced from within Accenture, based on work we're actually performing and in work that we see coming through the pipeline. So it absolutely was a group effort. I mean ultimately there's a smaller group that then was responsible for distilling, but those were comprised of leaders from around the globe who got together and chatted about where do we see these ideas coalescing? What are those under arching or underpinning themes that then drive through to the trends we're going to debut today?

RICH MELVILLE: We talked a little earlier in discussing this and I know you have developed insight on what you call a maturity curve and where the industry sits in terms of adoption and maybe you want to talk about that a little before we start?

JARED RORRER: Yeah, sure, so there's a graphic up on your screens. What's interesting here is again as I think about where banks are going and it's important to kind of frame this digital journey for commercial banks specifically. You know, five years ago, I would say that, you know, the technology and the process really weren't in a position to move this work forward in a meaningful way. So you're talking about a very analog process across most of the commercial bank, across any of the banks across the globe. As we have seen the advent of these programs around, you know, CRM, nCino or LOS or loan origination, I should say, we've seen banks take massive steps to digitize that end-to-end platform or that foundation, but as we look at where they are and where they need to go, they're really at the beginning of the journey and I think that what's interesting is after such a big investment, right, what we're seeing is banks still have a lot to do, right.

So when these programs started, I think a lot of bankers said, 'You know, we're at the end of this journey.' And now, we're at a position to say, wow, what we've done has just put us at the beginning of the journey and really the best is yet to come. So as we look at this curve, what's interesting to me, and again as we think about where banks are both here in North America as well as across the globe, we are still seeing this position where banks are sitting in this level one and level two with an opportunity to really start to see the breakthrough into levels three and four.



We had, to your point, as we did the crowdsource and we had, you know, our global leadership team here in New York a couple of months ago, we put a giant version of this [chart] up on the wall and we plotted the top 50 banks that we do business with. Now again, that was us kind of arbitrarily plotting them, but what was fascinating is, you know, 85% of those banks were in levels one and two. And almost half of those were in level one, right, so there is still just a tremendous amount of work to do in this space.

Now what's important for me to say here, and we'll come back to this as we talk about trend one, what's important is that doesn't mean the investment wasn't the right investment. It was a necessary investment, but there is a ton, there's a ton coming for work as well.

RICH MELVILLE: But yet that's talking about the top 50 banks. We're not talking about the mid-tier. We're talking about the very top of the top.

JARED RORRER: Well, so that's a great question. You know I don't think it applies differently outside the top 50. We just use those as a baseline, but what's been fascinating to me—whether I'm in, you know, in Birmingham or in Irvine or in Johannesburg or in Sydney—the conversation is the same, right. The same issues are facing banks across the globe in the commercial banking space.

RICH MELVILLE : So you use the word foundation. I think that's a nice way to segue way to our first trend, which I believe you're going to discuss with us beyond the digital foundation.

JARED RORRER: So, yeah, so beyond the digital foundation, right, so it's sort of, I was framing a little bit of this just now, but as we move away from or as banks are moving away from some of these core platform decisions they've made and implementations around, you know, the likes of an nCino and a Salesforce or Dynamics, whatever that might be, the promise, right—and again it goes back to where the promise that the banks were making and leaders were making—is when I get done with these two programs I've transformed my commercial bank, right, and I'm there, and I've arrived. And I think that the reality is those programs are making significant improvements, right, no doubt about it. You know, you know, fundamentally better RM engagement tools, right, but is adoption where we want it to be, right? Are the tools doing what we need for an RM? Not entirely, right.

From, you know, from an origination perspective or, you know, anywhere payments, we're seeing the improvements coming in but the question is are you getting beyond increased cycle times, faster times to yes, are you really driving into the analytics and the opportunity that's really with us in the future? And that's where we really see this going is, how do you start to push forward, right, and, you know, I think about a couple of things that sort of jump out, right. So over the past, you know, over the past ten years we've seen \$27 billion of investment in fintechs in just the commercial banking space, okay. That includes card, right. That includes treasury management, SME lending, all those kind of things, but that is a ton of investment, right?

And when I think about where most of our banks are today, right, we're just starting to see where that value is going to come forward. So the question becomes...you build something. It's really powerful. It's moved you away from a fundamental analog process. It's digitized, what you have. It's begun to unlock data. So what are you going to do about it and how are you going to differentiate?



RICH MELVILLE: The number 27 billion is a gigantic number and it's emblematic of all the work that's gone into this. And I'm sure there must be some people in the audience thinking to themselves not just that we said we were going to do this and it was going to fix our commercial banking business, but we were told it was going to fix our commercial banking business. And don't they have a right at this point to feel some kind of investment or adoption fatigue, you know? Is that an okay way to look at? Am I going too far with that?

CHRIS SCISLOWICZ: No, I think I mean it's absolutely fair, right? Banks have put tremendous amount of dollars into their transformation efforts. And they've come out the other side with improvements, substantial improvements.

If you think about this in terms of building a house, right, there's a lot more investment in buying the land, building the foundation and setting the frame than there is in putting up the drywall. And that's really the stage that we're at, right, is we have a home now. We have a roof over our heads. And now it's time to figure out how we're going to go enhance it with all the bells and whistles. Let's go ahead and put in the wireless networks and all the fancy, you know, smart appliances, so to speak, right. So the incremental investment is substantially less than that foundation.

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JARED RORRER: The thing I'd say to the idea of fatigue, right, there are a couple of points. It's an important point, right? There's a lot going on and these have been built as big transformation programs that have come with big change and adoption programs and those have been really good, right, but one thing that is really important is there is a new way of doing business, right?

As we think about digital banking and we think about technology and how it affects our lives every day, if you're standing still, you're not doing anything, right, so banks have to switch the paradigm and are beginning to, to say, 'I am in a continuous innovation environment and if I'm not continuously innovating, I'm falling behind.' Right? And if I'm not doing the things we've already talked about that are foundational, I am already behind. And then how do I begin to catch up and how do I do those things. But the idea of fatigue is important, right. Folks need to think about it differently.

One of the things I talk to commercial banks all day long is these programs, right—the ones that are driving, you know, your CRM and your nCino programs—as you're doing those things, right, those are the programs with that leadership that becomes the nerve cell of all the decisions you make in the bank. So this isn't a project team. This is your future leadership team. This is , you know, the spine, the nerve center of the commercial bank where you drive the right decision making, you drive the right empowerment, you own process, control, technology and not in the true technologist kind of way, but you own all those things and the inputs into that where you're building the future leaders and frankly you have the coolest job in the commercial bank, right.

So as you think about that, that becomes that paradigm to think about how you change the entire mindset and then you certainly have to go out on frontline and think about change and focus and how you make sure you're doing that deliberately, but there is a fundamental mind shift and it's seismic in how we think about change and technology and digital transformation.

RICH MELVILLE: I guess on some level this goes to the nature of how competition itself is changing for the industry. In various lines of business you may be up against a challenger bank instead of a traditional bank and those banks, by their nature, often are much more digital first. Is that --



JARED RORRER: Yeah, absolutely, I mean you're going to hear us talk a little bit about legacy baggage in a bit, but digital challenger banks they don't have it, right, and that's an important component. I was down in Melbourne at the beginning of December and I was walking in to meet with a digital challenger bank. And as I was waiting for the meeting there were screens behind me that were just kind of on repeat, and it was like, 'Do you hate your big bank? Do you hate how slow their processes are? You know, can you come, you know, can you envision a path that's different, that's fast and trusted and has the right decisions in mind for you and for the credit and for the bank?'

And it was just like, I mean, you know, again, as a former banker, right, when I looked at that I was like I was cringing because I was like, wow, this is a scary and fundamental shift. But as you look at those business models, I mean, you know, if left alone, they're going to eat the bank's lunch. Now I think that the scale becomes a really important component of the large banks have, but it is fundamentally changing the game. These digital challenger banks have a way of going in, looking at things, identifying an acute problem and rapidly iterating to it. It doesn't make them perfect, but it makes them interesting. It makes a challenge and it makes our larger banks have to lean in, right, and have kind of this posture that says I've got to pay attention. I've got to use the scale I have, knock it way down by the baggage and move forward at a way that keeps me ahead of these guys.

RICH MELVILLE: That's a way to transition actually to our second trend, which goes a little bit to culture and the mindset you need in this more digital approach to commercial banking and so I think you're going to talk about the empowered banker is the word you used.

JARED RORRER: Yeah, so it's funny. Nothing gets my clients more excited than talking about the empowered banker.

RICH MELVILLE: I almost believe you.

JARED RORRER: It's true. When we sit and talk about it and I think there's a lot going on here, right, so you think about kind of there's a massive workforce transformation underway. We'll just start there, right, so and this isn't going to be a popular thing to say, but historically our RMs, right, and this is fairly honest, right, but our RMs spend a lot of time on their existing book, right, cultivating that, you know, farming it, if you will, and making sure that all that continues to reap the benefits it needs to do.

There's a bit of, you know, let's meet at the country club, just check in, all that kind of stuff, and the paradigm shift is to say, 'If I have a farming mentality, how do I become hunters? How do I think about like driving a culture that's out building new business because everyone's going to.' Right? And I think that that's one component of what we're seeing, but I look at that and I say, okay, this is sort of what we're starting. We have a whole new entrance of a new age of a workforce in the RMs base who frankly don't want to do business that way and recognize there's a whole different way.

So when I look at the intersection of the RM and I look at that with technology, we see that, you know, and there's this great visual we have that it shows this brain in the center of all this technology, right. And when I think about that, that becomes the key, right? The idea is to take an RM and empower them with the right information and the right data, right? If you can provide that with them and change that culture to say I'm a super user because I have information at my fingertips, that begins to make the shift, right?



Now the other thing I'd say and I think this is important, right, so we've all gone through these CRM programs. We have had some results, but we haven't had the adoption we wanted, right, and I think that's fairly honest across the board, right? And when I look at that, the biggest driver I see is that we are still building management tools, okay, with CRM and we're not building this idea of what is in it for the RM?

I joke sometimes, right. We have our own tools and I joke a little bit about that because when I go out and use our sales tools, it's at the absolute last moment, right, because that allows me to get all the praise about winning a new piece of work without all the accountability that comes with putting it in too early, right? And when I say that to an RM, that's why they light up, right, because it's true. Now the thing is you've got to have the management capabilities, right, and all that accountability, but how do you make it useful for the RM, right? And I think about like driving client insights, putting the right data out there. We've got a great set of partners that we work with in the space and try to figure out how you use bank data, client data at the bank, different fintechs, our own data, to say how do I put the right insights in front of a client team to say there's a problem with the client, there's potential opportunity with the client and ultimately there's a reason I should be using this before I go on my first call. I might even be able to price it effectively, right?

So I can do all those things in advance. That becomes a gravitational pull for why I want to go use that tool as opposed to today where it's only a management tool, right? That becomes the key is how do you pivot to say if this is useful, they're going to come use it? It goes back to Field of Dreams. If you build it, they will come, but what we've built is just a management tool that kind of gets our RMs beat over the head with a club, right?

RICH MELVILLE: So it's only a trend two, but we're talking about people and that's kind of a signal, isn't it, that you're not talking about technology displacing or working around people. This is still a people business from the point of view at least of this research.

CHRIS SCISLOWICZ: No, absolutely, in this trend, in particular, is about augmenting people with data. And data is a pervasive theme that's going to come up again as we talk through some of these other trends, but it's how do we take advantage of the massive amounts of data that are available, cultivate that data and present it in a format that is actually useful, but it's not overwhelming that RMs are out there searching for data or trying to filter through and using Google Alerts, right? How do I use something much more robust, much more proactive that enables me to go out and have meaningful conversation with my clients because the thing that we found is, and we've seen this everywhere we've been, commercial banking is still a relationship business. The relationship isn't going away. It's just, to Jared's point, the days of doing business on the golf course are different.

Right now it's about what are the insights you're going to bring me? How are you going to differentiate yourself as a banker from your competitors by leveraging the insights, by coming to me, by bringing me proactive ideas, by structuring deals that are more relevant to me

JARED RORRER: Yeah, so a couple of thoughts on that. One is, you know, we've done some research in Europe recently and surveyed a bunch of clients and they're like you can charge me less for digital-only platform and I still want my RM, right, so the idea of putting the RM at the center is just key. Kind of going back to this broad point, I want to just kind of hit a case study, right?



So we worked with a commercial bank in APAC where we really brought all this together, this, you know, this RM human-centered approach that says if I have the right analytics and insights using external data, bank data, right, and I put that in the right platform, this is key, if it's usable data and I'm incenting and driving those behaviors, that's where you see change. This bank saw a 46% increase in applications. That's amazing, right, 40% increase in cross-sell. Those are the kind of opportunities that exist here when you get it right, right, and I think that the key is getting started, identifying some signals, getting something out there, even if it's small, that starts to build that gravitational pull.

RICH MELVILLE: You know keying off the word "behavior," obviously I think it's obvious that people need to be helped along this path as well whether it's training or whether it's development or however you develop staff and that requires a commitment, almost as much of a commitment, at least, from financial institutions to get their team in that place. Do you sense that there's that level of commitment in the industry right now to make that part work?

CHRIS SCISLOWICZ: 'Ish', right? So we see it in places, right? So I think certain institutions we've seen very substantial commitments to investment in training, retooling, honestly, new leadership techniques, new behavioral techniques. And we've seen other folks who have been slower to adopt or slower to recognize the importance and the changing role of the banker and, frankly, all of the personnel along the life cycle as it pertains to, it doesn't matter if it's treasury or lending or whatever it is, right, that anyone is interacting with a client has to up their game, right?

We talk a little bit about emotional intelligence and how important that is to relationship banking. If you're going to talk about relationship banking, again, regardless of product, the person having that conversation, the person on your side of the table better have the emotional intelligence to interact and, you know, we don't want to get too far down the retail banking path, but to compare that as an example, the paradox I've always found with the branch, for example, is that the key interaction point is not the senior, most-informed person in the branch. You've got to get through two or three other people to get to that person, right?

So we're starting to see that evolve a little bit with some of the modern day branches, but if we think about applying that to a commercial sense, it's have we made that same investment in the RM, in the underwriter, in the back office person, in the onboarding agent, right? Have we talked through all the different folks that are going to be interacting with the client and really train them to interact in today's world and to augment self-service capabilities with actual personal interactions?

RICH MELVILLE: Chris, you're going to get trend 3.

CHRIS SCISLOWICZ: Yeah, we're going to change gears a little bit here.

RICH MELVILLE: Yeah, intelligent automation for commercial banking.

CHRIS SCISLOWICZ: Yeah, so this is an interesting one, right? Automation is nothing new, right? We've been talking about it for at least five years, arguably the better part of a decade, but I think the reality is when we talk about RPA, robotic process automation, it was sort of presented like it was going to be this miracle bullet for all problems. And, yeah, there have been isolated use cases where you can see that, but, by and large, I think it's under-delivered on its promises.



But what we've see now is the evolution of that automation towards intelligence, and we picked that word specifically for two reasons. One, because we do see it being paired more with machine learning with AI to make more intelligent decisions and more intelligent routing throughout that classic cost takeout speed and efficiency automation play. But we also use that 'intelligent' word specifically to talk about the intelligent use of automation, and more specifically the intelligent use of all the ways of automation and some of that might include offshoring, that might include outsourcing, that might include partners. It can include fintechs. It's not just about RPA.

RICH MELVILLE: As you were talking, I was thinking about an analogy that people used to talk about in bank M&A, revenues or revenue opportunities are soft, costs are hard. And in thinking about tech, you know, you have this ability to reduce costs or this ability to optimize and speed up your process. Is the bias still toward costs in the conversation a little often and...

CHRIS SCISLOWICZ: Sadly, I think it is, and I think that's what we're trying to change—is to move the bias away from cost and towards quality and towards service, right. Think about it from a customer journey perspective. How is this automation going to improve and expedite my customer journey? How is that going to improve my quality? How is that going to ensure that I have repeatability? Cost will come, right. If you get those other things right, the cost takeout will come, so it's time to flip the script, so to speak, on what our primary focus is with automation.

JARED RORRER: I was just going to kind of dial in to the point on quality, right. I think that it gets overlooked in all this, but everything we're talking today is about, you know, this idea of a digital transformation in a commercial bank and anything that we're talking about requires a robust foundation, right, and it requires your process to be, you know, as standardized and simplified as possible, right. It requires you to eliminate the bespoke processing, all those kind of things. That makes you more compliant, right? It makes you more effective, but more than anything else, you can't rely on the technology to be effective if you haven't mastered the process, right? So the process stays important. In fact it becomes more important in some respects because you just, you can't automate something that is full of variation, right?

So as you think about your digital journey, I mean really dialing into where that simplification can be and how that applies to technology is key. This is not the technologist's game. It's going to be a piece of the game, but this hybrid technologist business leader, that's the way this goes, right? The business is going to have to drive this, understand how you make this idea of intelligent automation be the cornerstone of building everything else because if this foundation is not tight, you've got issues, right? And I think about intelligent automation and I think about outsourcing RPA, all those things basically are enablers and empowerment of how you do that more effectively and allows everything else you're doing to come into line.

RICH MELVILLE: I think in the report you specifically called out implications for outsourcing and offshoring and maybe want to talk about that for a moment.



CHRIS SCISLOWICZ: Sure, well, it's interesting. I think the long-held belief was that, okay, automation is going to replace offshoring. Ironically, it's the offshores that are doing more of the automation. The folks who are looking at this saying, hey, if I don't do this to myself and then someone will do it to me. So, ironically, I think it's actually the progress has come more out of the outsourcing and the offshoring than it's been done to them.

RICH MELVILLE: Are there areas, lines of business that stand out right now as the sweet spot for some of what we're talking about right now?

CHRIS SCISLOWICZ: Sure, I mean the obvious choice is where there's volume, right, so you think about small business. You think about business banking. There's obvious application to where there's high volume of repeatable task, but the often-overlooked areas are the bespoke processes that Jared talked about, spoke about. So maybe someone in real estate fulfillment is constantly going to a website to enter information because that website doesn't have an API. Even if they did, you're never going to get the business case dollars to integrate that system, right? You're not going to get the half million, million dollars to go build that integration. Well, why not spend a few thousand dollars to automate that task and put that high cost employee on a task that's more productive. So the cost save is not just about, hey, can I reduce headcount. It's about can I take my employees and put them on more valuable tasks that are more beneficial back to that customer journey point?

RICH MELVILLE: I think you're going to be leading on top at 4 as well, and this one goes to AI in a post digital world.

CHRIS SCISLOWICZ: Yeah, post digital, yeah, that's the scary part of this right now. I mean it's time we, let's start with the facts. Artificial intelligence is behind the times in commercial banking. It's only just really starting to take effect even in retail banking, which is clearly ahead of commercial banking in this space, so artificial intelligence in commercial banking is not where it needs to be. However, it is rapidly coming up the curve. And I think it's high time banks sort of acknowledged that, and we see that across a couple of different areas, right?

The one that's been talked about for some period of time is automated spreading, right, so we see a number of players out there in the industry that are trying to automate that process, highly manual, in theory highly repeatable. We've seen folks make progress with personal financial statements coming up the curve on the corporate financial statements. Still some challenges parsing footnotes and from the auditors, but we're seeing that come up the curve, but it's not just about the automation and the cost takeout. It's about how do I enable decisions. It's about how do I bring real intelligence to the important parts of the process?

JARED RORRER: Yeah, I mean, so, let me take a couple of thoughts on this too, right? So, one, is it's interesting when you just think about like AI is how are you using data, right? Think about it as simple as that in respect and it's not as simple as that, right, to Chris' point, but, you know, I pull this stat out of, it's in our report, but there's five zettabytes of data out there today. And, you know, I had to go look --

RICH MELVILLE: It must be a big number. It starts with Z.



JARED RORRER: Yeah, and it's got two Ts. It's fascinating. So I was like how big is that, and I had to move it into something I understood, so five zettabytes of data on the planet. That is 900 newspapers per person on the planet a day.

RICH MELVILLE: Would that, that were the truth because my business would be doing so much better.

JARED RORRER: Nine hundred zettabytes of newspapers. The thing here that becomes really important, right, is that is just, you know, it's hard to comprehend how much data that is, right? And I kind of laugh cause you take that and say, well, okay, well, banks have a lot of data. You know they're rich, right, and I laugh. I'm looking at you guys out there in the audience, but all the bankers tell me how rich they are because they have all this data. And it's interesting because they can't access it and it's not really useful. It's like being rich and having, you know, a billion Zimbabwe dollars. And it's just there's a big difference.

And when we look at how banks are, how they're working through that you've got to get this concept of a data swamp really needs to be cleaned up. And you've got to think about how your data strategy becomes the cornerstone of how you move forward. And you've got to think about where, you know, where you have strengths and how AI and partners are going to help you on the outside because this is not, the game's not going to be you're building it all internally, right? You've got to figure out where you can actually drive that competitive advantage and move it forward.

You know Chris talked about decisioning. You know we worked with a bank here in North America and we've seen, you know, them actually begin to use AI in their decision-making process in the under \$25 million space. They're making decisions on 75% of those in less than a day, right. So I'm pretty sure some folks just shifted in their chair, right, cause that's a pretty significant change. That means the entire industry is going to continue to shift towards faster and sooner, right? And as they do that, how are you leveraging AI to build that capability because you just can't do that with bodies. A body shop's not going to get you there, right.

The other thing about AI in all of this is when I think about where banks have been focused over the last four or five years it's been about cleaning up the internal house and we're going to talk about that more in just a minute. But it's fascinating to me how internally focused everyone has been and not really focused on the customer. It's time to really get real about what this means for the customer, right, thinking about how you're actually having, you know, useful interchanges digitally or through your RM, right, with a client, right. We've done all this internal stuff about cleaning up our household. What are we doing to make their lives easier and really do that? Bankers talk all day long leaning from the client and reality is we're leaning on how we're going to get better cycle times and stuff because we're doing stuff that helps the client, but we're not directly focused on the client, right? So I think AI really helps you get there.

Now all that being said, when I look at AI, I say, you know, this is still a foundational year. This is still baby steps, right? The work that we just talked about around intelligent automation is important. The work we're talking about digital transformation is important. All those things are driving towards this and the banks that are coming up that maturity curve the fastest are the ones that are starting to play around in this space and figure out what they're going to do. Nobody has it solved, but there are really great uses out there and we're starting to see them come to life.



RICH MELVILLE: A couple of things you said, I often ask people when they say AI and there are hints at both of these in your response. It's massive data crunching all the way to decision-making and, here, decision-making by the AI as opposed to decision-making supported by the AI. Where in the spectrum are we? Are we all over the place? Is there a spot? Is there not one spot?

CHRIS SCISLOWICZ: I'd say it's all of the above. Now the respective maturity in adoption is certainly different across that curve, right? I mean I think there's a much higher comfort level putting AI into the repeatable machine task, if you will, the safe, unexposed areas of the platform or of the process, but we're really talking about AI across the board. I mean we are in a situation where we're talking about AIs making decisions, and that's going to make, to Jared's point, a lot of people uncomfortable, but AI making decisions doesn't displace human decisions. Humans are still writing the policy. Humans are still going to be monitoring, and there are still going to be exceptions, so it doesn't completely, we're not talking Minority Report here. We're not displacing humanity, but we are at a point where we have to accept that that is coming and you either embrace it or you run the risk of being obsolete.

JARED RORRER: When you talk about that it makes me think about like Chris talked about retail a bit earlier, right? When I look at really dumbing down what I think AI is in commercial banking, look at what you do in your business or in your business or with your smart phone today and how that applies in the retail space. It's all coming.

I've done a presentation a few times with a colleague of mine who runs the digital retail practice for us and we do that for an audience of commercial banks. He goes first and he blows their minds with what he's talking about because they're like, 'I just can't believe you can do that on an auto loan,' right, and it's like the stuff that's happening. It's a bit mind melting, right? And then it's, you know, everybody is real excited and I come up and start talking about the realities of, hey, congratulations on digitization and some baseline effect, but you haven't even touched the surface on some of the things you're talking about. So how do you begin to move that forward and really drive towards AI, but I think that this idea of what's happening in retail and what's happening in other businesses outside of banking, it's coming to commercial. Of course, it's coming here slower. We do have more complex processes. We do have more complex clients, right, but the AI is improving, right? Our capabilities are improving. You're no longer an analog bank, right, so now how are you going to leverage the ability to being truly digital and take it to the next level?

RICH MELVILLE: I'm going to dial back to a topic we talked about a little earlier, used the phrase 'legacy baggage' before. Trend 5 is essentially about discarding the legacy baggage.

CHRIS SCISLOWICZ: Yeah, so, look, we've come to the grim reality, right, which is we said we're going to talk about data. We said we're going to talk about legacy platforms and no conversation's complete without acknowledging them. While there's been tremendous investment in transformational initiatives, while those have yielded tremendous value, you start to look outside of that investment and look around and you see a lot of systems that have still been there for 20 and 30 years. And it starts with data. Commercial data whether it be lending or payments or whatever, it is still not where we need it to be. It's improving and as these investments start to originate new products, new loans, new onboarding processes, et cetera, that data will continue to get better, but that old stuff that's not going to run off the books for ten years is still sitting out there and still has to be dealt with.



So the reality is that we're seeing, we believe strongly that decoupling is coming to commercial banking in much the same way it came to retail banking, right? Five years ago this was the same problem in retail banking and over the past few years we've really seen folks realize that you don't have to replace your entire core banking platform in one fell swoop. You can start to decouple individual pieces of that, parcel off that data swamp we talked about and clean and cleanse and sanitize and heal a parcel of land, and then move on to the next parcel of land. And that's what we think needs to happen with commercial banking as well, whether that's collateral data, whether that's covenant data, whatever it may be that's out there that's incomplete, that's in a text blob, that doesn't meet today's standards and it frankly makes both the banks and the regulators squirm, right, needs to be addressed and we actually believe the technology exists to do that. We've touched around this topic. We'll hit it head-on.

Historically, technology has been the limiting factor. We have reached a point where your policy and your process are now your limiting factor of your business, not technology and that's a pretty fundamental shift and an important point, which is the technology is there to enable you to do whatever you want to do and it's not just the cost in money that we've always heard about. It's really there. Someone is there and if not someone's not there, someone will fill that void very quickly. So it's how quickly can you adapt your process and your policy to fill that void.

RICH MELVILLE: You mentioned regulators just this quickly and I have to, regulators, I think, at least the perception is they have a bias toward the status quo when it comes to what they want to see and the response that they want to see. I think there's also a bias out there toward single providers and not the change the part, but everything should just be part of the whole and so some status quo inertia coming at least from the regulatory side. Is that a fair characterization?

CHRIS SCISLOWICZ: I mean I think it's fair, right? I mean I will say we made it 35 minutes into a banking presentation before we got to regulators, so that might be a record, but...

JARED RORRER: Thirty-eight.

CHRIS SCISLOWICZ: Thirty-eight? Thirty-eight, awesome, but since we're here, look, it's a bit of a lose-lose situation. That's an ugly way to look at it, but that's, I think, the reality, which is banks are coming off of MRAs and consent orders. They've spent tremendous amounts of money, put in, in most cases, manual control processes to, you know, close those gaps and make the regulators happy. That's all well and good, but are you going to continue that process ad infinitum, right? And I think that's the, so the other option is to attack it from an oblique angle and say how do I bypass that process altogether? So it's going to make some people uncomfortable, right? You're still like we finally got out of that MRA after nine months. The last thing I want to do is ever talk about that again, right, never talk about flood again, but the reality is it's got to be addressed or you're just going to be back to that legacy baggage point. You're going to be carrying that on ad infinitum.



JARED RORRER: Yeah, I just don't see a choice, right? As a former banker, when I look at regulatory, again I've had my own share of MRAs, which, you know, we probably wear as badges, but what I...

RICH MELVILLE: Do you want to name some names?

JARED RORRER: No, that's fine, but at the heart of almost every one of them across banking is an operational failure, a data issue, a process issue, right, and then to your point, Chris, what's happening is banks are going and making tactical fixes, right? And then guess what? Those tactical fixes break, right, and then guess what? You've got a new MRA, right, so or you find a new one because it's still inconsistent, whatever. If you don't just break from that, fundamentally break from that, you're going to continue to have the same issue, right? So I think that there is an important and difficult conversation that has to be had with regulators, right, as to why this is more effective, right? Banks have to be very cautious and careful and compliant in how they migrate, but there is no choice but to migrate. It is the best and safest option for these banks to take.

RICH MELVILLE: At this point, it's starting to feel like we've migrated from a conversation about just technology to essentially a future state for the industry and where the winners and losers get decided it's almost at this point fundamental. I don't know if that's a...

RICH MELVILLE: Roll 6.

CHRIS SCISLOWICZ: Right, let's bring it up. Got to debut it here. Digital ecosystem, right, this idea of the connected ecosystem, and so if you think about the process from presales through sales through onboarding, through whatever the product fulfillment is, right, ultimately into servicing that account there's no reason why we shouldn't have all of that connected. There's not going to be one platform, right. It's not going to be one platform that connects and drives all of this information. That's not what we're proposing. What we're saying is we need to start thinking about this as an ecosystem. We need to get out of our myopic silos, take the wide angle lens and look across the patch and say how do I connect all of these systems? How does the loan servicer have the same information that the sales support person has, that the underwriter has, that the onboarding specialist has?

JARED RORRER: And then the end-to-end program?

CHRIS SCISLOWICZ: Exactly, yeah, I mean and actually start thinking about it, not end-to-end from my point from where mine starts and mine stops, which is, unfortunately, how we tend to think about end-to-end in today's world. So and you mentioned it, it's not just about the technology anymore. It's about how's my process end-to-end and how are my people integrated end-to-end. Forget the organizational structure for a second, but how do those handoffs coordinate? How are they natural? How are they aided by? How do they flow naturally by technology and with a cohesive business process?



JARED RORRER: I'm going to take and expand on this idea of the digital ecosystem and integration a step further, right. So the end-to-end view is 100% important and we talked about this a little bit before, but identifying the right ecosystem partners to elevate your game is a huge component of this, right? I just don't see a path where banks are going to be able to compete and keep up if they continue to think that the best path is to build everything by themselves. Now I know that's a controversial statement. I understand that, but the reality is if banks are going to compete, they're going to identify where their secrets sauce is, leverage that, commoditize the rest and ultimately figure out which of these partners knows something better than I do or can do it faster than I do and give me that competitive edge because everybody's coming after me, right? Everybody is moving. This is a place where standing still will make you die, right, and I can see it over and over again.

Some of these programs where we think we're smarter than everybody else, right, and we're going after it, is a real challenge, right? It doesn't mean you shouldn't go build stuff. I hundred percent think that there are things that banks should build, but if there's something out there in the market, I challenge you to use it and figure out where that fits in your ecosystem.

RICH MELVILLE: Some of this goes to the idea of who's in charge, who controls the decision making, whether it's within the company and end-to-end begins and ends at my desk or whether it's from an ecosystem and I have partners who are calling shots that I feel like should be my shots to call. What happens to break that mindset? Is it just the forces of competition or something else? Does the internal structure, decision-making team have to change and evolve?

CHRIS SCISLOWICZ: I mean absolutely, right? There's a difference between physical ownership and control, and I think people need to get past that point. I think too often those two things are blurred and compared. And I think you can still have the control even if you don't have the physical asset, whatever that asset is, sitting in front of you, right. To Jared's point, it's about do you have the right partners? And whether those are internal organization partners or whether those are vendor partners, whoever they may be do you have the right partners and is your relationship structured in the right way and I don't mean contractually. I mean is your relationship structured in a way that is truly beneficial for both parties so that it's not this master-slave relationship.

RICH MELVILLE: Pulling the lens back to sort of a global perspective there are probably variations from country to country, region to region, type of bank to type of bank. Can you identify places where this is happening faster, better than other places?

CHRIS SCISLOWICZ: Yeah, it's funny, you know, I think there's this natural inclination to think that North America lags the rest of the world and in commercial banking it's actually the other way around, which is sort of fascinating because compared to retail banking, compared to mortgage lending, compared to other areas, you know, there's certainly other parts of the world that are far more progressive, but most of the thought leadership in commercial banking at least over the past three to four years has really come out of the U.S. or come out of, at least, North America and we've started exporting that idea elsewhere. Now that's not to say that there aren't leading banks in Asia Pacific or even in Europe, but as a whole, as a collective, I think we're actually seeing that this is a rare instance where North America is leading the pack.



RICH MELVILLE: Looking back at the six trends, should the audience read anything into the sequencing, the order of it? Is this a hierarchy at the sort of most...

JARED RORRER: It's not. No, I mean so I think that there's a couple of things, right, so this list of trends is not supposed to be end all, be all. We know that banks have a lot of work to do. You've got to continue to focus on compliance, right, and that's going to always be there, but like the other big things that we know are out there, right? A lot of banks are dealing with an AFS Level III mandate, so having to replace loan servicing platforms. We know banks have to deal with, you know, the LIBOR decipher transit, I can't say it today, the LIBOR transition. So there's a lot out there, but our point here today was to really say what are the things that are going to change the game, right, because all those things are kind of table stakes and exist, but what are those things that are going to change the game and really build you.

So think about that first. I guess that first trend around digital foundation and building beyond that, all the things that we're talking about today are saying you build a big foundation. You made a massive investment. We believe there is an incremental investment from here that drives the transformation that you're looking for and builds the digital bank that you can become, right, and that's, I think, that's the key in all this and the other five are really the steps that get you there in some respects, but that's the way I think about it. It's just, you know, the idea of moving to a digital, it's here, right. We thought we were going to get there already, but, you know, we're just, the work over the last five years, while it was the most exciting work we've ever done in commercial banking, it just got us to the starting line and now we're really going to move mountains, if you will.

RICH MELVILLE: So there's a view that the next step has a higher multiplier value than the predecessor one.

JARED RORRER: Absolutely, yep.

RICH MELVILLE: Okay, I think it's a good time to remind people that if they want to send us questions, there's a window on your browser that will allow you to do that, and we'll have those appearing on the screen in a moment. And also a reminder that you'll be getting a URL, accenture.com/CommercialBankingTrends2020. You can visit that to find out more. Download the report this is all based on and I believe perhaps even leave questions of your own behind if you want to get in touch with someone on this team.

All right, so let's pull back one more time away from the individual trends and start talking a little bit more about the broad picture. For many people I think there's this concern that they've heard so many of these things before or they hear them all the time and it's hard to separate what to really attach their attention to from what is just the latest buzz that everyone happens to be running around hyping at the given moment. What's a good takeaway for the audience, how to separate those two?

CHRIS SCISLOWICZ: Sure, I mean I think we're in an age now where every bank's got their innovation lab or digital studio or is partnered with somebody. Why not bring that, whether it's a fintech or idea or whatever it is, into that lab, you know, kick the tires on it, right. Gone are the days of paper-based RFPs and presentations, right. Let's prototype. Let's build. Let's ensure that it's real and it's going to work, and if it isn't, you kill it fast, right, agile, fail fast. And if it is, by all means, go after it. So I think the days of worrying whether something is vapor ware, right, and it's just a sexy presentation needs to step aside to hands on, fingers on keys prototyping.



JARED RORRER: I mean I think the other thing is, I mean you should use us, right. I mean I'm meeting with fintechs all the time, at least every couple of weeks I'm being introduced to somebody new. A big part of my job is to connect those dots and figure out who the best and brightest are out there and continue to evaluate how they fit in the ecosystem inside of a bank, right? We have great partnerships across the board with many of these vendors, right. So you think about, you know, nCino, Finastra, AFS, Bitvore, Zafin and PrecisionLender, you know, even some real totally new things like OakNorth, right there. They're out there. They're real. They're very interesting, right and my job is to help you qualify how that fits in your company and in your bank and make sure that it's right on your strategy and accelerates that, right? So we're there to kind of play gatekeeper to some respects, in addition to going in and trying it by yourself.

RICH MELVILLE: I guess some of it comes back to an honest assessment of your own strengths and weaknesses and what problem you need to be solving first or second and migrating from that backward to what the solution might be.

CHRIS SCISLOWICZ: Absolutely, I mean there's still an element of prioritization here, right? You can't tackle necessarily all of this at once. So there is still an element of what is achievable at my bank. What is palatable, right? Not all of these things are going to be immediately accepted by different parts of the organization. You're going to inevitably get the organizational antibodies coming out after you, right, if you try to tackle all of these items. So there is an element of prioritization and realization and rationalization, but at least presenting these ideas getting them out there starts to, the first step, if you will, towards this journey is awareness.

JARED RORRER: And I do think while you can't act on every single thing today, you're absolutely right. You have to have a plan for each of these elements, right? You just must have a plan, right? I think that you think back to the digital maturity curve we started with, right. All the banks are sitting in level one or level two, not all, but almost all, right, but what I think's going to happen in the next two to three years is that's going to fundamentally shift and you're going to see a break, right? We know, our survey's already telling us like the digital experience is going to matter to our buyers more than ever. The brand is going to matter. So if you put those two things together, who's going to have the best commercial digital brand, right?

And if I'm a regional bank today, I'm looking at what's happening with some, you know, even you think about the brand new Truist Bank, right, who's coming together with the idea that you bring technology together, I'm saying how do I get a leg up on this and make sure I can compete and bring those investment dollars to bear in the most effective way, because if you're not thinking about those things that digital brand remains at risk, right, because you just don't want to be the old bank who's not digital.

RICH MELVILLE: Organizational antibodies, by the way, is a phrase I'm going to shamelessly steal. New question just in: What's a realistic roadmap to implementation? Are there best practices from implementing technologies that you can share? This is a very how-to.

CHRIS SCISLOWICZ: Yeah, no, it is, and we alluded to it, right, which is set with an achievable set of goals, right. What is it you're trying to achieve, prototype, fail fast, right. And then and test market it with your organization, right, in parallel be looking at who are the vendors in the space. Back to Jared's point, building is not the answer. Nine times out of ten building is not the answer. So who can I partner with? Who's investing in this space? Who are the leaders in this space? How can I partner with them? How can I build something that is in the best interests of both organizations that helps to leapfrog my current positioning?



JARED RORRER: One thing I feel like I just have to say it, right, so banks got to get out of the mindset that they're going to be done, right. There's an endpoint. I know we talked about those a little bit at the beginning, but this ongoing consistent innovation is key. I mean these programs they call themselves transformation, right, and that's going to be the end of it, and they put all these expectations in place and it's going to be finished, that's not the way you have to think about this. How are you continuing to innovate and build on these pillars, right?

Data is and what we think about AI today and what we're going to be able to do in five years, in ten years fundamentally different. So if you don't start today and you haven't cleaned up your data, right, if you haven't thought about digitizing your end-to-end process so you can actually get to that data, right, if you haven't done those steps, what are you going to do next, right? It's a matter of making sure that you think about all that ongoing innovation process, people, technology, bringing it all together and driving that over a period of years that is an ongoing innovation, right? It's just gone are the days of, you know, kind of like throwing your hands up and saying, hurrah, I've gotten to the top of the mountain.

RICH MELVILLE: And to put a fine point on this, this is not a call for the end of the innovation lab movement. This is just a repurposing of maybe the...

CHRIS SCISLOWICZ: No, it's the moving it away from retail and into commercial right now. I hate to say it, but most of those labs were funded on the branch of the future or how do I launch my new mobile banking platform, right, and it's repurposing or expanding the call to action for that investment.

RICH MELVILLE: Take a new question. How does the use of new technology impact customer relationships? Will it have more of an impact on particular categories of customers?

JARED RORRER: Yeah, so let me start. So I think the customer, I mean, it's a great question, right, and I think the customer expectations are migrating, right? I think that the good news is everybody's in the same pack, right, in commercial bank today, right, so everybody kind of expects to, you know, upload their financial statements more than once every once in a while. Everybody expects it to take forever to kind of get money right, onboard a new management product...all those things. We know that those aren't going to be great, right? So I think in today's environment, you know, customers sort of accept that this is just the way banking is done, right, but that is changing and I think that the impact and the expectations, be it digital challenger or, you know, this bank we talked about is, you know, getting decisions made, you know, in a day, when you put those things together, those expectations fundamentally change, right?

Now I think as, as I think about the categories, I think that, you know, again, I think the SME banking is the sweetest, right? You just think about moving from retail up, right. The largest amount of client impact, right, the highest number, right, the simplest tasks, not that they're simple, but the simplest tasks, that's where we're going to see the impact and that's right. The further you go up the curve while you'll see things, I think they'll be, you know, very specific to a point solution for a specific issue. Anything you'd add?



CHRIS SCISLOWICZ: Yeah, just that I mean, look, Amazon, Google, everybody's made our lives so much easier. Everyone is starting to expect that same level of interaction regardless of their role. So regardless of whether you're a small business owner, you're the controller of a major corporation, you want that interaction. You want that ease of use and those personal consumer-led, if you will, expectations are bleeding and apparently have bled into commercial and people are just frustrated when they have to rekey information, right? Why does applying for a loan or onboarding a new account feel like a root canal, right? So how do we get past that point to which it's an easy pleasurable experience when I type in my information, I click okay and I'm done?

RICH MELVILLE: I have to believe on some level getting retail customers to change their behavior migrating, I think, to a phone or whatever it is, is a little easier than getting a corporation to change its behavior and its habits in response to...

JARED RORRER: We could try.

RICH MELVILLE: Fair enough. Okay, this one: Outside of these trends, what else should a commercial banker be thinking about against a backdrop I guess a post-digital backdrop or frame it any way you like.

JARED RORRER: Yeah, I mean, look, I think that a couple of things come to mind, right? So there's a wave of M&A probably coming, right? So how does that affect my strategy, right? It also means that how do I make sure that I continue to be a winner in that environment? I know I've got, you know, we talked about, you know, library.

We talked about, you know, loan servicing replacement, right, and we know those things are out there. Keeping those front of mind is key. One thing that I think that is really important through all of this is the employee. We talked about the customer, but the employee, right?

So you think about change management, adoption, all those kind of things. Let's go back to, you know, I talked about the RMs that are hunters, right? Okay, if you stand in a room of RMs and say, hey, you all are farmers. I want you to be hunters tomorrow, well, I've alienated everybody, right, and I've scared the heck out of them, right? That's not an approach you can take, right? You've got to think about how you are bringing your workforce along, not exhausting them with change, but driving towards this with them, understanding what is important, where the value is, right, and ultimately how you drive with those employees to that next level because this is about them just as much as anybody else. And if your employees aren't on board, the programs are going to fail anyhow, right, and ultimately customers aren't going to be happy, so the employee is probably your customer in many respects through all of this.

RICH MELVILLE: This one is a very simple question. So you're ready to go. How do you get started?

CHRIS SCISLOWICZ: I mean, look, back to trend number 1. If you haven't already started, get on with it, right? You are behind. If you've done the digital foundation, right, whether you're on that path or you've completed that first foundational step, now do something with it. Now it's time to move on. Now it's time to say, 'How do I take that substantial investment I've made and start to really reap the benefits?'



JARED RORRER: I was with a bank just yesterday who asked me the question and said I've gone through a Salesforce implementation. I've gone through nCino implementation. What should I be doing next, right, and is actually beginning to go down that path very strategically to ask that set of questions.

That sounds like a no-brainer, but that's the only bank that's asking that question that thoughtfully and that strategically, right. So I think that there is again, I go back to the winners and losers are being defined right now as we speak, right? This bank is taking a leg up because they're saying we've done these things. We're not done with those, but we have to put the roadmap together right now to know how all this fits together for our future. So I mean I think it's just make sure you're continuously thinking about where you're going, not completing and saying you're done.

RICH MELVILLE: It was a great conversation. That's all the time we have. I want to thank you all for joining us today and thank you to Accenture for making today's program possible. I wish you all a great 2020. Thanks for being with us.