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How middle market banks can play to win

Fast forward to the future

By building on their strengths—community ties, meaningful relationships and purpose-driven banking—middle market banks can surpass customers' expectations, improve the business, and thrive in the new reality of banking.

All it takes is the right playbook.

New reality. New challenges. New opportunities.

Middle market banks face a new reality. Gone are the days when the toughest competitive threat was the small bank down the street. Today, national players and fintechs are encroaching, pulling customers away with differentiated services, innovative products and the digital banking services they expect and crave.

Although this environment is challenging, middle market banks have not stood still. They have adapted to protect and grow market share, investing in everything from improving the digital customer journey to modernizing systems. Yet keeping up with big banks and digital dynamos while meeting customers' changing needs is an endless game of chase. The big banks keep getting bigger. The innovators keep innovating. The market continues to consolidate. Middle market banks are left juggling the competing investment pressures of making improvements and cutting costs.

The pandemic made this difficult position even harder. It created never-before-seen challenges, exposing weaknesses in legacy technologies and business resiliency. It also accelerated changes that were already in play—things like omnichannel, automation and remote work. It's as if the world hit the fast-forward button and jumped five years in five months. The pace of this change is overwhelming.

The future may have arrived faster than anyone expected—and in a form that no one imagined. But middle market banks cannot wait to act. Now is the time to prepare for the new reality of banking.

This is a defining moment

As overwhelming as this period is, it is a defining moment. Middle market banks answered the call from their neighbors—waiving fees, deferring payments and offering other financial relief programs. They went all-in on helping small businesses secure PPP loans and getting consumers relief from overwhelming mortgage and credit debt. In a dark time, their best qualities came shining through.

Looking ahead, there is much to do. But there is much to build on. The goodwill that banks earned from customers over the last several months has given them “permission” to do things differently. In addition, these banks have learned that challenging common wisdom to get results is not only possible—it’s necessary to truly serve customers and strengthen the business. Especially amid so much uncertainty.

Level the playing field with four winning plays

As middle market banks respond to this defining moment, there are many questions to ask and answer. However, there is a clear need for urgent action.

That's why Accenture created this playbook specifically for this unique market. It includes four winning plays that are essential for accelerating outcomes, competing with the majors and setting the business up to thrive in the new reality of banking.

01 Engage your unique customer

02 Unlock your systems' value

03 Empower your workforce

04 Bend the cost curve

01

Engage your unique customer

Middle market banks' ability to engage customers on a one-to-one level is part of their DNA. It's a key reason why people seek them out with intention. Customers like the local feel—the connection to a place where they are known and get support in the moments that matter.

As much as people value this connection, they also value the convenience of digital banking, an area where their larger competitors excel. That's why this market must up its digital game. By doing so, it can offer a best-of-both-worlds experience that the competition can't touch. This is not about plugging in shiny new digital solutions. It's much more nuanced. Think of it as combining the human connection of traditional neighborhood banking with the seamless convenience of digital banking to engage the unique customer.

To do this, middle market banks must understand customer sentiment—their needs, preferences and behaviors—and design integrated experiences across all digital channels around it. To extend relationships with existing customers and attract new ones, banks must move away from mass marketing and instead market to individuals based on what is unique to them and their lives. This involves shifting marketing investments from traditional channels to digital channels on a local and regional level. None of this is possible without meaningful customer data insights and the technology infrastructure to cost-effectively scale one-to-one digital services.

Go with the right team

We understand digital transformation. Ad Age has named our digital agency—Accenture Interactive—the world's largest digital agency for the fifth year running.¹ Our experience-led approach can help middle market banks connect with their customers in more human and impactful ways. It's about integrity. It's about every interaction. And it's about using technology as a means to the end of engaging the unique customer—not as an end in itself.

Where it's happening

Redesigning the customer experience.

A bank was struggling to meet customers' growing digital expectations. Its digital offerings were inconsistent and lacked real-time updates, which created a fragmented experience. We helped the bank launch digital self-service capabilities that not only served customers in breakthrough ways and helped the bank stay competitive; these capabilities also created \$2 million in cost savings.

Bringing mobile to life.

Our skilled team helped a regional bank put customers first and grow the brand by bringing a "mobile first" experience to life. It made it possible for customers to open a mobile account in just 90 seconds, while also increasing the bank's security and reducing fraud loss.



02 Unlock your systems' value

Many middle market banks' systems are siloed, and their core processing systems typically don't support differentiated customer experiences. Yet by focusing on what they can control around the core, banks can escape this sea of sameness, even if they don't replace the mainframe right now.

Relationship managers at middle market banks have long bridged systems gaps to "see" the whole customer and differentiate experiences. But in the digital banking era, systems power the digital experience. To truly engage the unique customer, middle market banks need digital decoupling. In essence, this is using new technologies and methods to build new systems on top of legacy systems. Fintechs have democratized access to these technologies, which means digital decoupling doesn't have to be cost prohibitive. It is key for creating customer-centric systems architectures and using open banking capabilities to innovate and partner with the ecosystem. Enabling the digital agenda from the core out and starting the journey to cloud

takes a smart modernization program that addresses not just the technology, but also the people and processes around it.

Unlocking systems' value is about evolving to truly data-driven banking. There are many opportunities for middle market banks to create efficiencies and improve services with artificial intelligence, automation and analytics. They can make faster, data-driven decisions across the business. Instead of relying only on the sales savvy of relationship managers, they can serve and delight customers with the products and services they want, discovering new cross-selling opportunities that increase revenue and build customer loyalty.

Go with the right team

When we work with banks to unlock their systems' value, we rely on our skills and experience—and on strategic alliances with market leaders and innovators. We have alliances with the cloud providers and ecosystem partnerships with fintechs. It's all about connecting middle market banks to the best specialized skills and the latest IT solutions, so they get proven solutions that deliver the expected results faster.

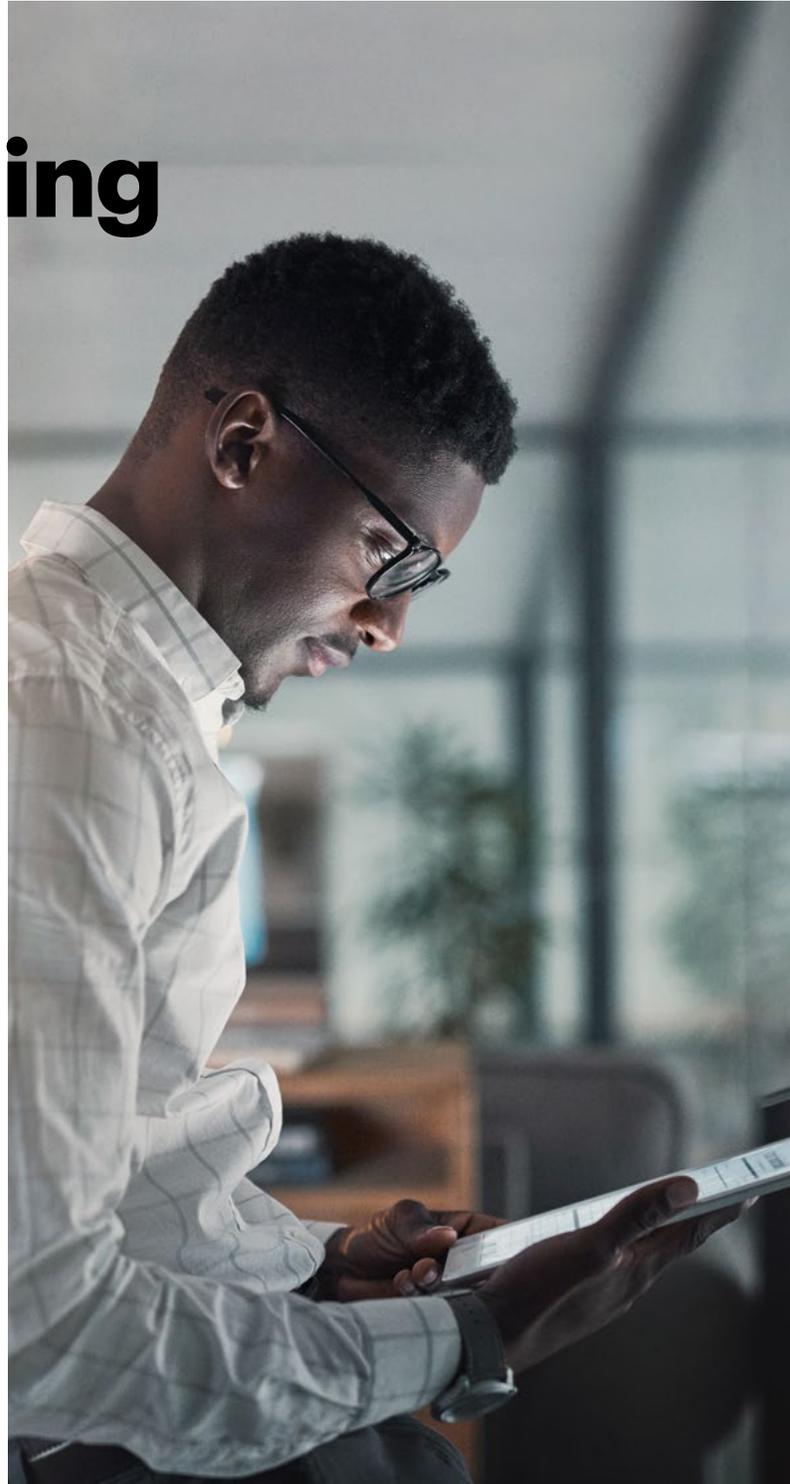
Where it's happening

Expanding digital banking.

With more than half of deposits coming through digital channels, a national bank wanted to extend its digital banking products, including a high yield savings account. Our team helped develop the open banking strategy, envision the new experience, define the technical architecture, design open banking APIs and coordinate with fintechs and third-party stakeholders. Since the launch of the product, the bank has seen a 126% increase in market penetration. The product helped the bank originate more than 15,000 new accounts—84% to new customers.

Improving customer experience at speed.

Due to the COVID-19 outbreak, a super regional bank was experiencing high call volumes in its contact center, with wait times exceeding eight hours and no options for call backs. We used a customer-focused approach to digitally deflect call volumes and rapidly improved the customer experience. In just 48 hours, we designed and built a platform-based solution and migrated over 50 agents to it. The digital resolution and callback opt-in in the first day alone proved the value of the solution and the case to roll it out to the remote contact center workforce.



03 Empower your workforce

Middle market banks have a secret weapon: their people. The workforce has always been at the heart of these banks' unique spirit. That's why it is so important to get the people component of every play right. Because success starts and ends with people.

With the banking environment changing so fast, middle market banks must empower the workforce to thrive in it. Whether customer facing or in the back office, this means ensuring that employees have the data and technology tools they need to perform their jobs well with confidence and consistency. But providing the tools is only the start. Reskilling is critical as ways of working evolve. Banks must ensure that people have the skills and confidence to use these tools to serve customers better and streamline the business. This is especially important considering how the pandemic has accelerated new norms around ways of working. In many ways, there is no going back. To stay ahead of the future of work, middle market banks must foster a culture of sharing supported by reliable and intuitive technology tools that enable effective remote collaboration.

Middle market banks that invest in and empower their workforces are well positioned in the war for talent, which rages on across banking. These banks will need specialized talent to engage their unique customer and unlock systems' value—talent they may not have today. To attract employees with coveted skills, banks must become employers of choice that meet candidates' expectations for workplace technologies, strong, inclusive cultures, and opportunities for on-the-job learning and career advancement.

Go with the right team

When we work with banks on workforce-related initiatives—as on any program—we emphasize the human element. We understand the power of people. Not only do we invest in our people, we invest in local communities too. For example, our apprenticeship program is active in 20 US cities and rapidly expanding. It's helping close the skills gap by reskilling workers whose jobs have been disrupted by technology.

Where it's happening

Increasing sales effectiveness.

A top-25 North American bank worked with us when it wanted to update its retail banking sales coverage and roles. We helped the bank achieve these goals and develop behavior-based performance management and new incentive compensation. The bank experienced a 10% jump in attaining sales quotas and a 10% drop in high-performer attrition.

Building a case for automation.

We were asked to help a middle market bank fix its slow, manual processes that were frustrating customers and employees, impacting trust among business units, and cutting into revenue. We developed a business case to show the potential benefits of automation, identified processes to automate, and defined the technical architecture to support the shift. The project cut processing time by 80% and increased productivity by 40%. The bank was able to redirect time previously spent on manual processes and to roll out new products—which resulted in \$1 to \$2 million in new revenue.



04 Bend the cost curve

Cost and productivity interventions are front and center as major drivers of future success for middle market banks after COVID-19. But banks are discovering that traditional approaches don't deliver the outcomes they need.

The middle market is no stranger to cost cutting. The problem is that slash-and-burn approaches don't bring substantial, permanent cost reduction. To truly bend the cost curve—and keep it that way—these banks need strategic cost transformation. This is a meticulous spend-money-to-make-money approach that delivers sustainable cost savings over time. With this approach, middle market banks take a “clean slate” view of what costs to cut, where to redirect cost savings, where to outsource commodity services and which investments will more than pay for themselves in the benefits they bring. They also create a virtuous loop of cost savings and reinvestment.

Cost reduction is often associated with what banks can't afford to do. Today's technologies shatter this paradigm, making cost reduction about what banks can afford to do. In other words, technology is key to bending the cost curve. Consider the example of deploying cloud-based technologies like Amazon Connect, Salesforce Einstein or Google's Dialogflow in call centers. They can transform call center experiences for both customers and employees while helping banks lower costs. Instead of hiring more people and incurring more costs to boost productivity in high-volume periods, banks can dial capacity up and down as needed with flexible technology solutions that help people work smarter and more efficiently on behalf of customers. This is the essence of spending money to save money, and bending the cost curve for good.

Go with the right team

When banks identify cost savings, they often want to redirect funds to support business priorities in new ways. They're looking for innovative solutions that are proven while controlling costs. Our corporate commitment to innovation—which includes research, ventures, labs, innovation centers and more—can help the middle market know where and how to place its “innovation bets” to lower risk and accelerate outcomes. Decision-makers can visit local innovation studios and get “hands-on” with new technologies and ways of working, even experimenting with rapid prototyping that addresses their unique needs.

Where it's happening

Transforming third-party costs.

A change in leadership at a digital financial services company prompted a renewed focus on enterprise-wide cost efficiency around third-party spend. We helped the company achieve its most aggressive third-party cost transformation to date, which covered all product lines and functions. Our strategic cost reduction approach focused on visibility, category ownership and value targeting to identify both near-term and sustainable savings. Estimated category savings included a 10% decrease in software spend, up to 26% savings in auto finance operations and up to 10% savings in the services support category.

Moving from legacy to cloud.

A financial services company wanted to move from its old, cumbersome E-Business Suite system to cloud—and get the most value for both IT and the business. Working with Oracle, we helped the company build out the value case for the transformation. With a SaaS model, the company freed up IT to focus on more value-adding projects, improved reporting through a new chart of accounts, and enhanced the transparency of data to the business—all while lowering maintenance costs.





Bank on us to do it better together

Implementing this playbook will be a long game. Middle market banks that start now can serve their customers well and keep the business strong and resilient in an unprecedented environment. But they don't have to go it alone.

Accenture is a trusted partner along the way.

Middle market banks don't often have the time, resources or appetite to build solutions from scratch. With us, they don't have to. We have taken the best of what works at large banks—tried and tested solutions—and tailored them just for this market. The result is *plug-and-play solutions at the right scale and price* that cover the full spectrum of needs.

When we work with the middle market, we bring our A game—and our A team. Our people are not only exceptionally talented, they live and work in the communities where your bank operates. *For us, this work is more than a point of professional pride. It's personal.* That's why we do what it takes to do the job well. We understand your business. We are flexible and practical. We are doers and connectors, linking you to our ecosystem of top technology providers and fintechs, and our innovation network with local hubs. It's all in the service of delivering outcomes—and building relationships that last. So middle market banks can win. Now and into the future.

“Working with Accenture was like working with an individual from our own organization that I’ve known for years. It was seamless. There is clearly a vested interest in the success of the program and outcome. However, the intangibles separated Accenture from any other vendors I’ve worked with. There was vested interest in relationships, culture development, self-initiated benchmarking and support, humility and levity.”

Executive Vice President
Risk Department at a Midwest bank

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