

How regional banks can win with a people-first philosophy

# THE FUTURE OF / BANKING IS HUMAN

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The human future of banking is yours to shape

# Regional banks are facing an existential crisis

Once preferred for their physical presence and personal relationships, regional banks are now facing a retail banking industry—one that they helped create—that’s quickly moving into a virtually-mediated world. Banking organizations, from well-capitalized national competitors to tech-savvy digital upstarts, have embraced technology-enabled convenience with impressive speed and breadth. The COVID-19 pandemic has only accelerated this adoption.

Regional banks face an uphill battle when it comes to offering this type of convenience. Not only are they competing against sheer scale and resources, they’re also running the risk of diluting their differentiation by displacing more human, value-added services for transactional, one-size-fits-all solutions.

We see human connection, the long-standing strength of regional banks, as the key to a transformation for this new era, and not as something to deprioritize. Competitors across the industry are struggling to build deeper connections with consumers, while regional banks lead in relational attributes like trust, security, respect, and customer service. This means regional banks have a unique advantage to meet a pressing consumer need: Financial Harmony.

Setting consumers up for Financial Harmony, according to our proprietary research, is key to driving loyalty and satisfaction for current and future generations of retail banking consumers. To deliver, banks need to help consumers live in the present and prepare for the future at the same time. Because regional banks possess a unique blend of relational expertise and perceived digital parity, they are positioned above the competition to drive this life-long impact for their customers.

Today’s leaders in retail banking are well aware of this opportunity—but they often don’t know where to begin. Transformation today is no easy task, given resource strain, competing priorities, and uncertain economic conditions. We’ve designed a human-centric vision for regional banks, where their role in consumers’ lives can evolve from short-term financial management to providing long-term Financial Harmony. Why? Because we’re passionate about building a more human future—and we believe that regional banks can lead the way to a more human future in banking.

Our approach will help regional banks carve out new relevance, defend against consumer churn, and drive sustained long-term growth. Transformation might feel like a big leap or a risky move, especially in these times, so we’ve outlined a purpose-driven approach to de-risk the process.



## / The Opportunity

# It's time to reinvent the regional bank's advantage: human connection

## Confined to a brick-and-mortar context, human connection in banking has lost relevance

For generations, legacy regional banks sat at the heart of Main Streets across the United States. Known for impeccable professionalism and customer service, these banks were welcomed stops in the daily lives of consumers and the enduring backbone of communities and the economy at large. Regional banks built their reputations on human connection: **connections made through knowing and understanding their customers on a personal level and embedding directly in the community.**

While this brick-and-mortar, person-to-person connection once helped regional banks differentiate in the category, it is not enough in today's digital-first world. Digital convenience is now the expectation for consumers, and though in-person interactions are still important, they are not an adequate substitute for seamless digital access, especially in a COVID-19 world. Regional banks are struggling to navigate this new landscape in a differentiated manner: **only 20% of regional bank customers think they receive unique benefits from their bank, and just a quarter feel that their bank is different from competitors.<sup>1</sup>** Despite steps towards consumer empowerment and digital transformation, there remains an opportunity for regional banks to evolve their operating model to more fully meet customer needs.

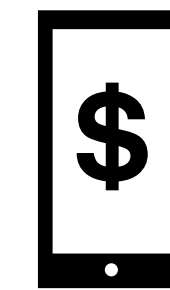
Figure 1

Consumers rank regional banks the lowest in differentiation and unique benefits

Percent who believe their bank is **different** from others

Average Satisfaction (34%)

56%



DIGITAL BANK

30%



NATIONAL BANK

26%



REGIONAL BANK

Percent who believe they get **unique benefits** from their bank

Average Satisfaction (29%)

50%

31%

21%

2020 R/GA Retail Bank Customer Survey. Please indicate how much you agree or disagree with the following statements about your primary bank; 4-point scale; top box.



## Today's biggest pitfall: Leveraging digital as just a means for convenience

Technology has reshaped the consumer-bank relationship, and convenience has become a baseline expectation. Consumers now rely on easy, digital access to banking accounts and tools: mobile apps are preferred by 70% and commonly used by 90% of retail bank consumers accessing their primary bank in the United States.<sup>2</sup> National banks, digital banks, and fintechs have been quick to take advantage of this need, and regional banks are not far behind.<sup>3</sup> COVID-19 has only accelerated the adoption of digital banking around the world, further solidifying tech-powered convenience as a table-stakes capability for all banks moving forward.

As regional banks react to this environment by investing in digital products, they face an uphill battle against national and digital counterparts who possess inherent advantages like global scale or niche product strategies (See Figure 3). At the same time, they risk diluting their value for consumers. Convenience is best achieved through standardization at the expense of individualization, a trade-off that does not best serve the highly personalized needs of retail banking consumers.<sup>4</sup>

**Regional banks must go beyond using digital as a means to play catch-up and deliver convenience. So how can they use digital to differentiate from competitors?**

Figure 2

COVID-19 has accelerated consumer adoption of digital banking tools

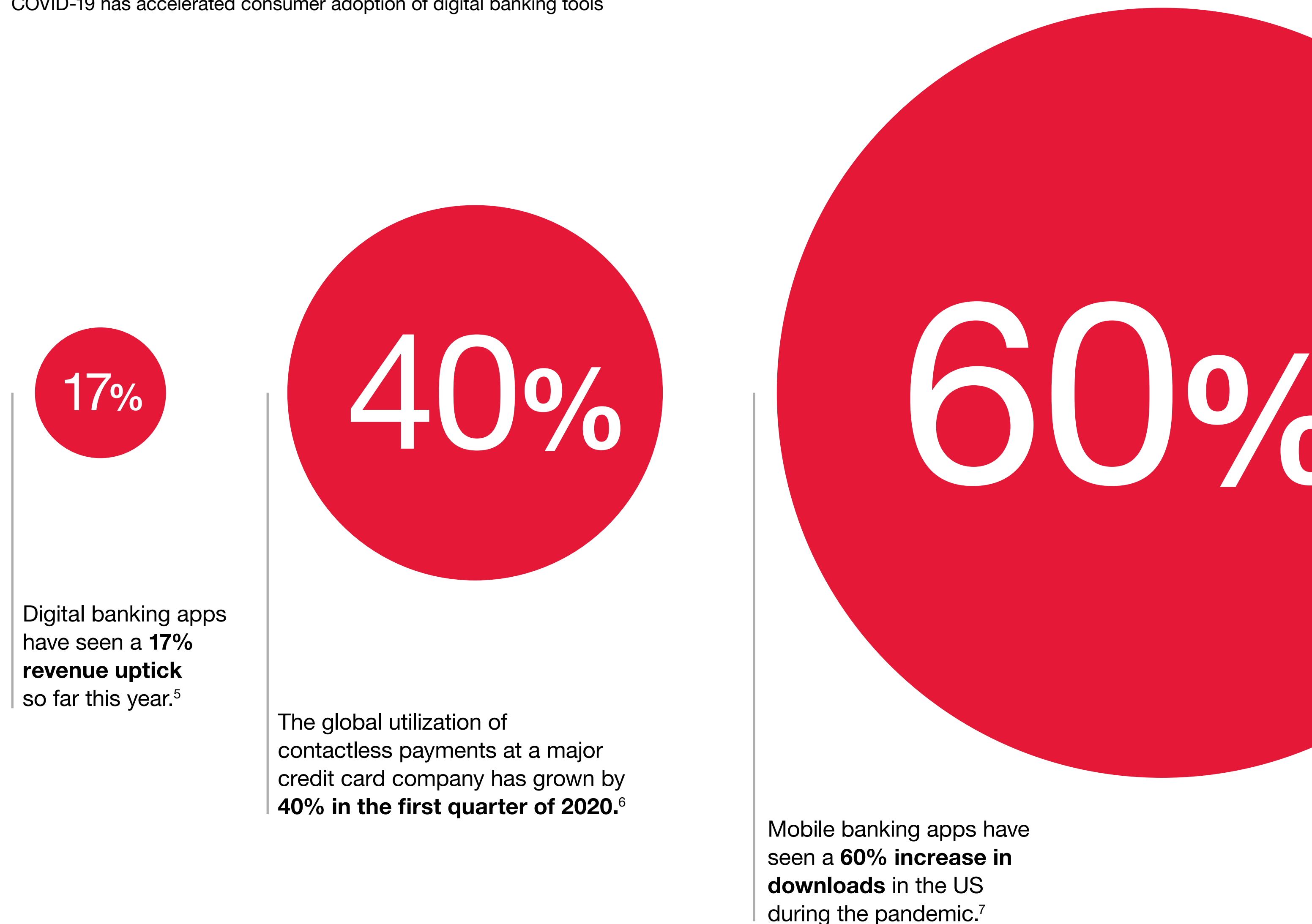


Figure 3

Competitors of all types are deploying unique strategies for convenience, yet consumer satisfaction is still at parity. This calls into question whether convenience alone provides differentiated value.

Competitor strategies for integrating digital convenience into the retail banking experience.



### National Banks

Big, global banks are using economies of scale and large tech development budgets to win on a diverse portfolio of digital products.



### Digital Banks

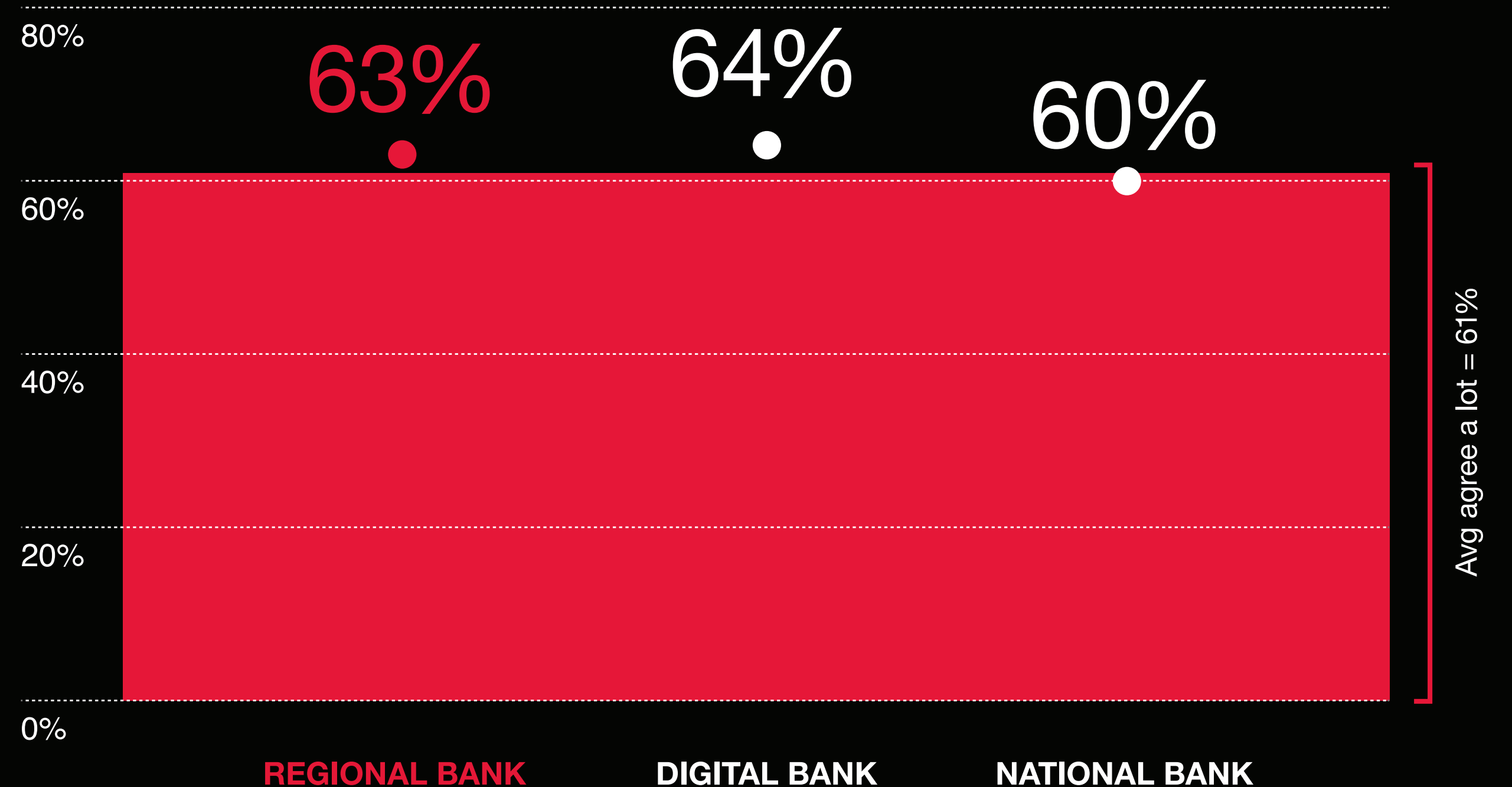
Digital Banks are maintaining the appeal of a full-service bank while differentiating through convenient smart tools that support core functions like savings and trading.



### Fintechs

Fintechs are distinguishing themselves as niche products and simplified bank alternatives that are more accessible to younger customers.

Percent who are satisfied with the **digital tools** their bank offers (website, app)



2020 R/GA Retail Bank Customer Survey. Please indicate how much you agree or disagree with the following statements about your primary bank; 4-point scale; top box.

# Regional banks must reimagine their connection with consumers for a COVID-19 world

With COVID-19 further complicating the role of brick-and-mortar and accelerating the adoption of remote banking, regional banks have no choice but to pursue digital products and services.

To build a defensible strategy, they must avoid getting lost in the race to digital as just an enabler of convenience. Instead, regional banks should capitalize on where they have the most permission to play: **humanizing the digital experience.**

This is no easy task, but regional banks can begin by addressing a core customer need: Financial Harmony.



# Financial Harmony is the security to live in the present while preparing for the future

Financial Harmony is a new value proposition that captures an urgent need of today's retail banking customer. When you experience Financial Harmony, you have the financial security to support your short-term needs and pursue your long-term goals at the same time. It means you can live a full life according to your own values and needs. Net worth and bank balances have long been the markers of financial success, but Financial Harmony is emerging as a modern, individually-defined measure. It's also a better indicator of quality of life because it's unique to the personal values, needs, context, and circumstances of any given person.

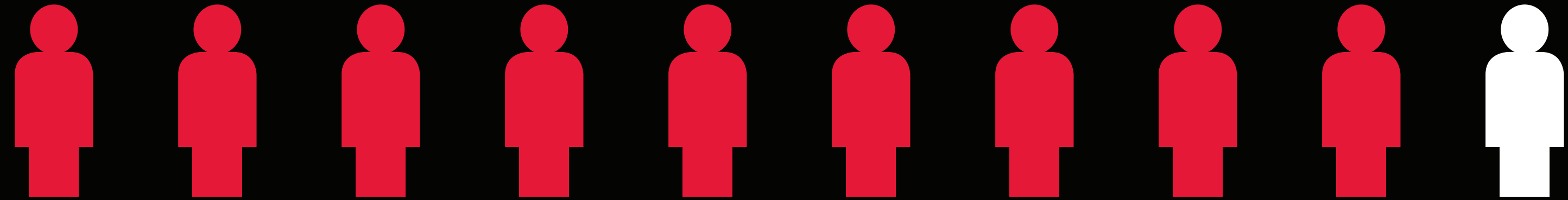
Maintaining Financial Harmony is complex and time-consuming, requiring sustained effort and careful consideration. Two consumer groups that epitomize this growing need are younger adults aged 18 - 34 and parents with children under 18. According to our research, both groups are struggling to achieve Financial Harmony, and lack adequate support from financial institutions.

Figure 4

Financial Harmony is inextricably entwined with overall well-being. Financial stress can have a devastating effect on quality of life, holding people back from achieving their long-term goals and living the life they would like to live.

COVID-19 has dramatically increased the anxiety people feel about their finances, threatening their overall well-being even further.

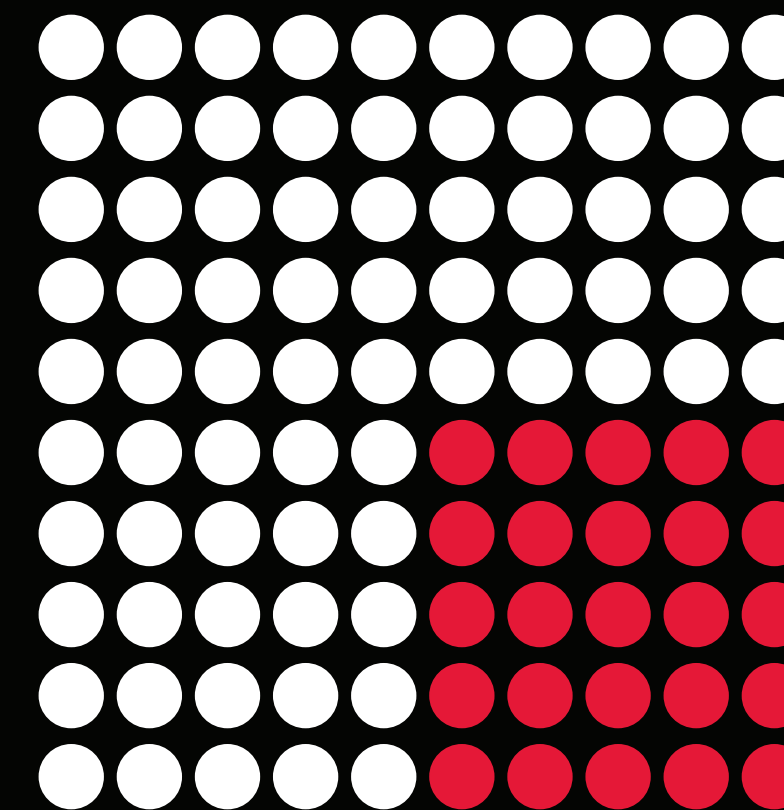
COVID-19 has caused nearly **9 in 10 Americans** to feel anxious about money<sup>8</sup>



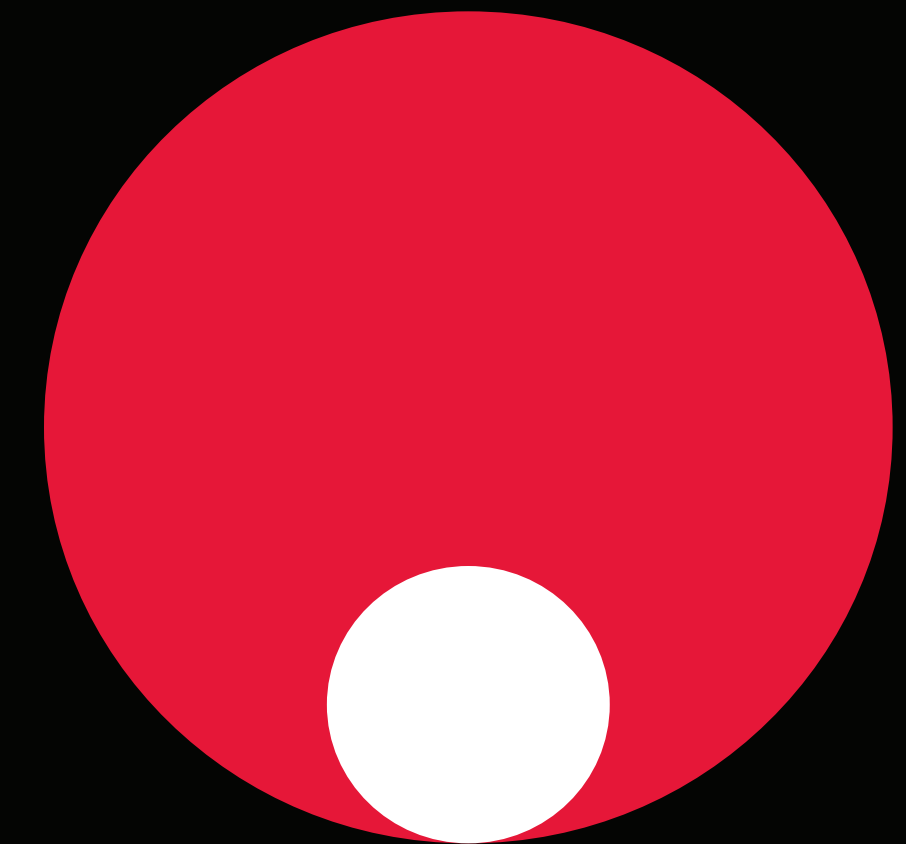
**58%** say finances control their lives<sup>9</sup>



**25%** of adults reported that they skipped medical care because of the costs in 2019<sup>10</sup>



People with debt are **3X** more likely to have a mental health issue<sup>11</sup>



### Young adults are financially unstable yet seeking guidance to achieve Financial Harmony

Gen Z and Millennial consumers are facing bigger financial obstacles than previous generations. Economic downturn, job loss, and growing student debt balances threaten their ability to thrive in the short-term while preparing for the long term.<sup>12</sup> This stress has been exacerbated by the COVID-19 pandemic: 33% of those aged 18-29 report being in “high distress” due to the pandemic<sup>13</sup>, the highest of all cohorts surveyed, while 40% of that same group say the outbreak is a major threat to their personal finances.<sup>14</sup> In this way, COVID-19 presents a major barrier to their Financial Harmony.

Achieving Financial Harmony is difficult for younger consumers because they have a unique outlook on personal financial health. Their goals are based less on net worth and more on achieving a sense of higher purpose and balance. This means financial management is increasingly complex: they must juggle both short-term (e.g. paying for their own education, being financially independent) and long-term (e.g. retirement, home ownership) goals in a way that aligns with their core values and need to feel they are living a full life. But retail banking firms are not meeting these needs today—the majority of young adults feel they lack the right tools to fuel the smart decision-making that builds Financial Harmony.

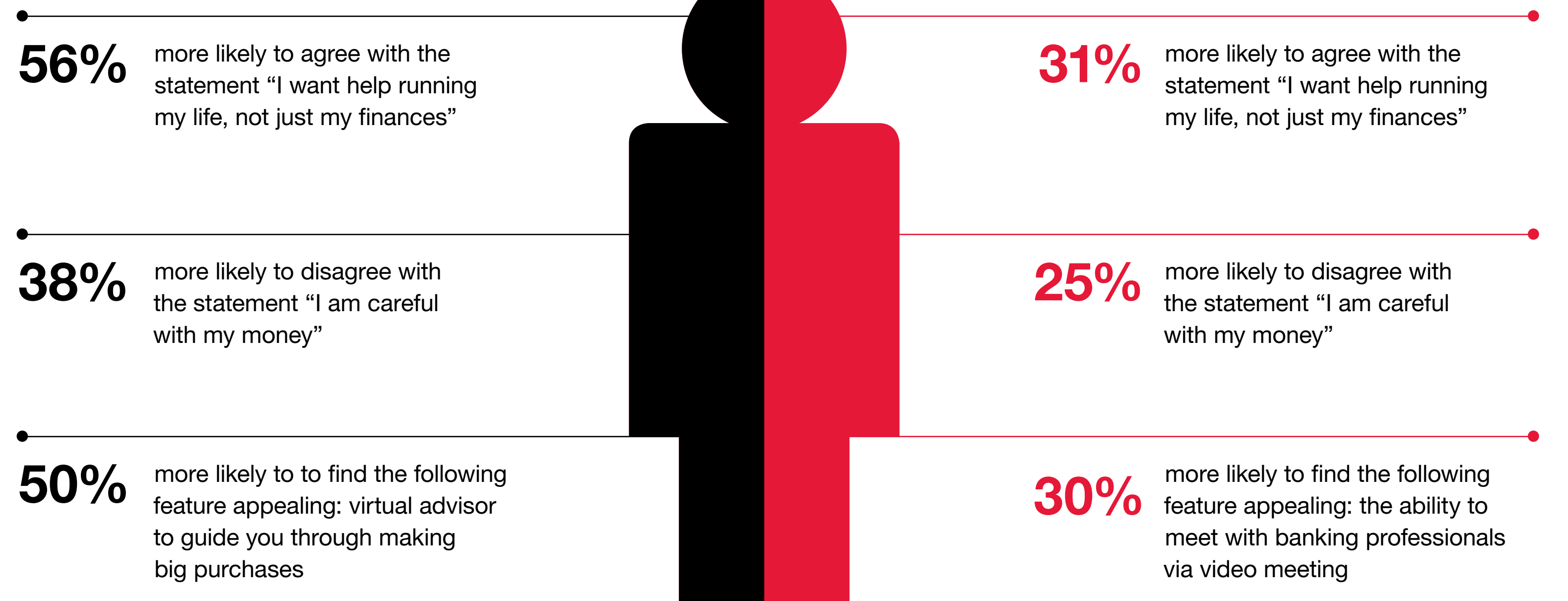
Figure 5

## Target Opportunity Young Adults

Gen Z and Millennial banking customers need help with their finances and want tech-enabled solutions that will guide them in short- and long-term decision-making.

### Gen Z

### Millennials



2020 R/GA Retail Bank Customer Survey. Please indicate how much you agree or disagree with the following statements about your primary bank; Please rate how appealing each of the following features is to you if it were to come from your primary bank; 3-point scale; top 2 box; index by age range

### Parents want to teach their kids about Financial Harmony but don't have the right resources

We see many of these same anxieties mirrored in parents with younger children, who are not only worried about their own financial futures, but also those of their kids. The COVID-19 pandemic has amplified this worry and has left parents scrambling to provide in the short-term, putting long-term goals for their children at risk: 40% of parents tapped into their child's college fund to help cover expenses due to financial strain<sup>15</sup>, and 68% of parents of college-bound students now say they are more worried about paying for their child's education than they were prior to the pandemic.<sup>16</sup>

While the pandemic has increased their feelings of financial insecurity, parents still want to teach their children smart habits that will help them achieve their goals amidst uncertain economic conditions. But they are ill-equipped to do so. Because many parents are not financially literate, such teaching either does not occur or is outsourced to banks and other financial institutions that leave much to be desired.

Figure 6

## Target Opportunity Parents

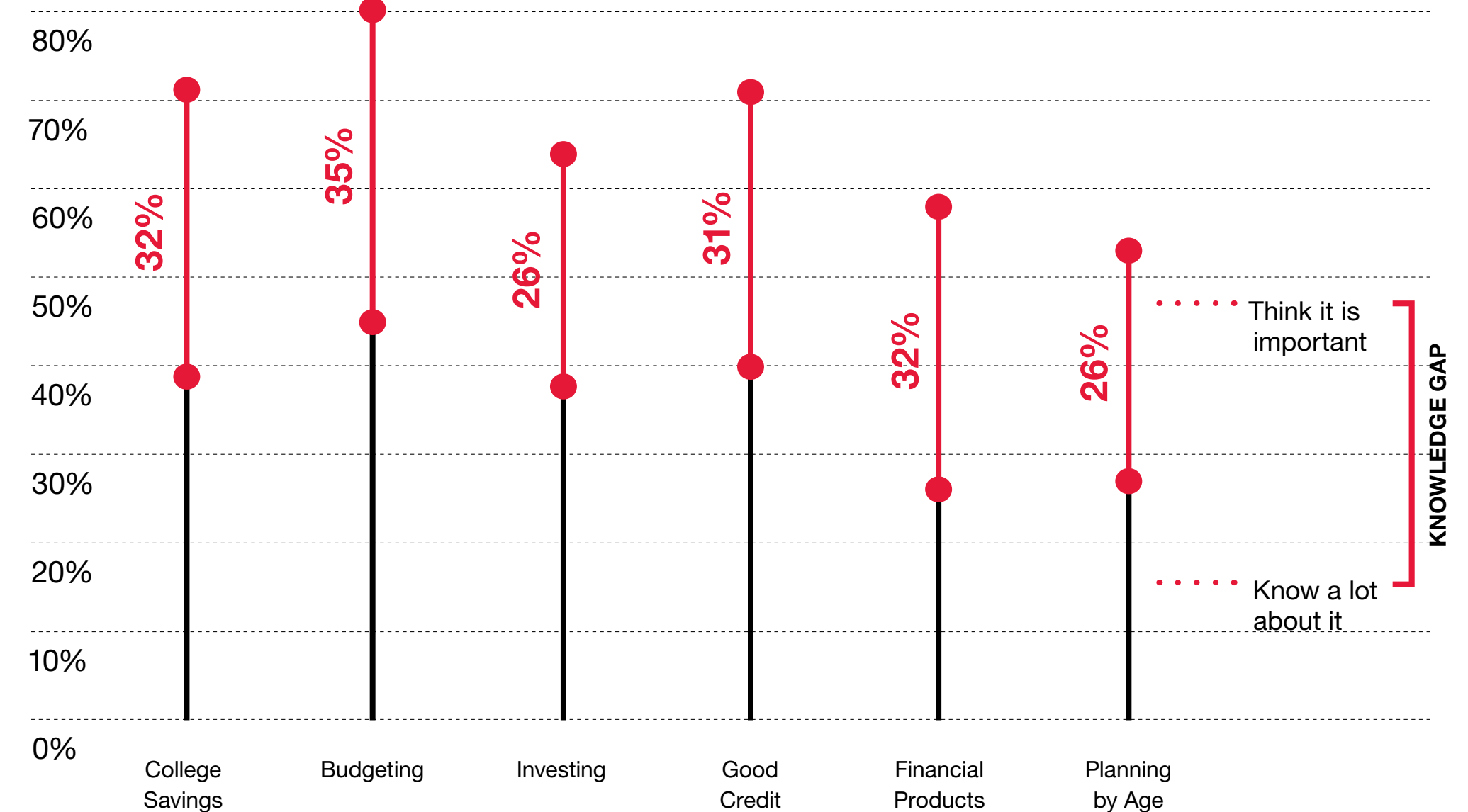
87%

of parents of children under 18 are worried about their children's financial future

2020 R/GA Retail Bank Customer Survey. Please indicate how much you agree or disagree with the following statements about your primary bank; Only include parents; 3-point scale; top 2 box

Parents lack the know-how to guide their children in short- and long-term term financial decision-making to guarantee their futures.

**The Knowledge Gap:** Percentage of parents who say financial literacy about certain subjects is important for their children vs. percentage of parents that know a lot about those subjects



2020 R/GA Retail Bank Customer Survey. How knowledgeable would you say you are about each of the topics below?; How important is each topic to you?; Only include parents with children under the age of 18; 3-point scale; top 2 box



Financial Harmony  
requires banks to not  
just be “everywhere,”  
but also to understand  
the consumer as a  
complete person—and  
use that knowledge to  
better serve them

### Building toward Financial Harmony begins with empathy

The unmet needs of young adults and parents represent an urgent opportunity for regional banks to play a more meaningful role in consumers’ lives by enabling their Financial Harmony, thereby creating multi-generational impact and ending a cycle of uncertainty in financial decision-making and sub-optimal financial outcomes. Because regional banks keep capital in the local markets they serve, they have the ability to directly influence the future of Financial Harmony within their locality.

In today’s landscape, a bank may interact with customers in-person, remotely, or via digital tools. Enabling **Financial Harmony requires banks to not just be “everywhere,” but also to understand the customer as a complete person—and use that knowledge to better serve them.** That means seeing customers as more than a number, and using data to offer much-needed guidance, tools, and utility. While national banks are investing in data collection and technology, this knowledge is primarily utilized to target promotional opportunities focused on the interests of the bank instead of the needs of the consumer. In contrast, regional banks intuitively understand the need to connect

with their customers—personally and on their terms—and should translate those connections into digital experiences that have a meaningful impact on their Financial Harmony. Consumers at regional banks recognize this commitment when comparing regional banks to competitors on key relational traits that are enabled by human connection, such as trust, support, respect, and shared values (see Figure 7).

Our research shows that regional banks can go beyond offering what is commoditized (simple convenience) to compete on two higher-order vectors: simplifying consumers’ transactions and helping consumers make smarter decisions. The result? **A new banking proposition that offers Financial Harmony grounded in human connection.**



Figure 7

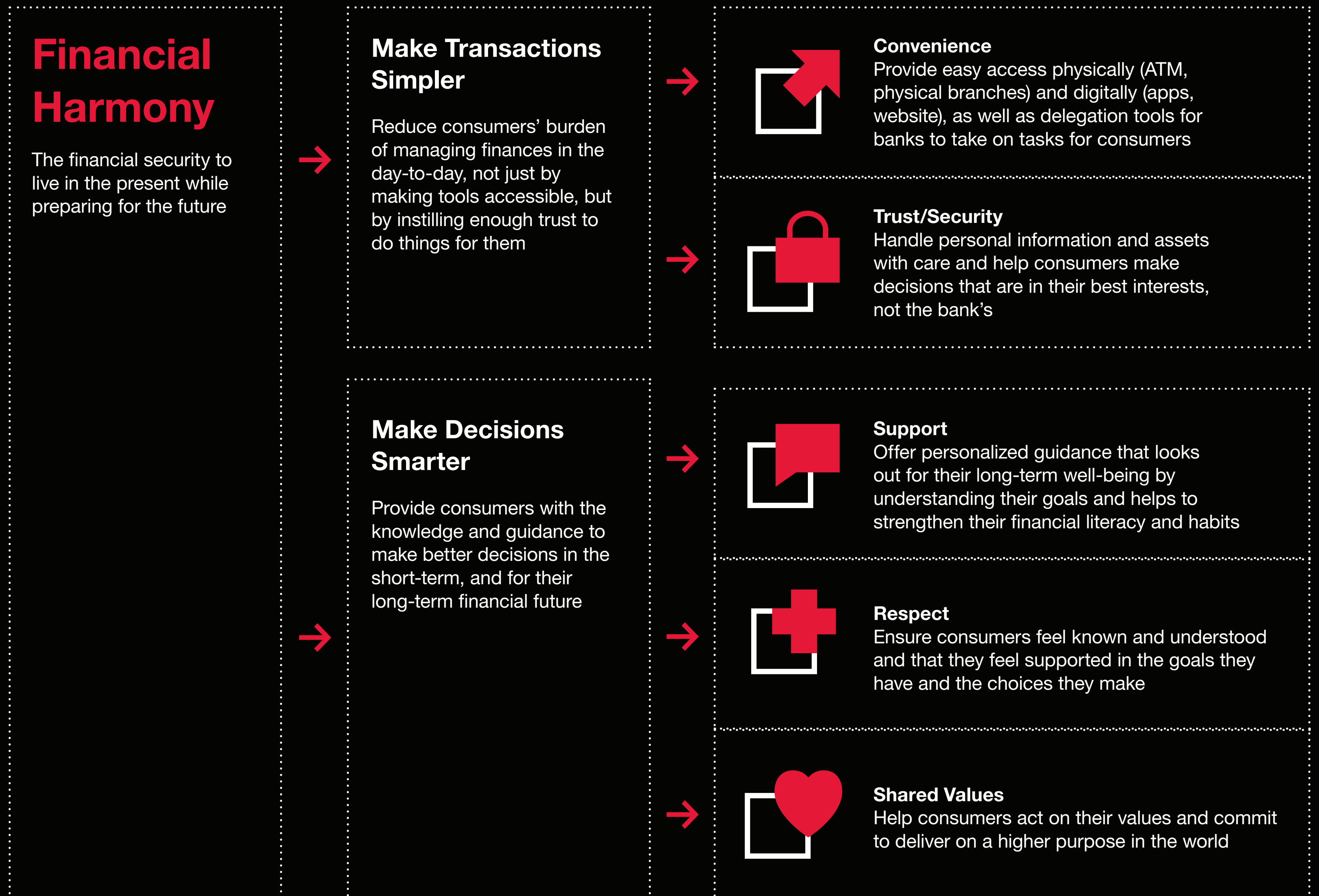
The Financial Harmony Opportunity

Financial Harmony is a new value proposition that captures the needs of today's retail banking customers. Banks must go beyond digital convenience and succeed along two distinct customer-oriented imperatives: make transactions simpler and make decisions smarter. To help banks deliver Financial Harmony and measure their progress, each imperative connects to key attributes of the customer experience: convenience, trust/security, support, respect, and shared values.

**New Proposition:** The value that regional banks can offer to elevate their role in customers' lives

**Imperatives:** The two sources of value that regional banks must focus on to deliver on the new proposition

**Attributes:** The measurable characteristics that make up each imperative



**The Regional Bank Advantage:  
Regional banks are uniquely positioned  
to win with Financial Harmony**

Consumers across the United States believe regional banks perform better on Financial Harmony attributes than their national counterparts. This advantage is also seen when looking to recent switchers and their reasons for changing banks. All of this points to a powerful advantage for regional banks to win against competition with Financial Harmony.

2020 R/GA Retail Bank Customer Survey. Please indicate how much you agree or disagree with the following statements about your primary bank; 4-point scale; top box

Figure 8

Customers of regional banks believe their bank better delivers on key attributes of Financial Harmony

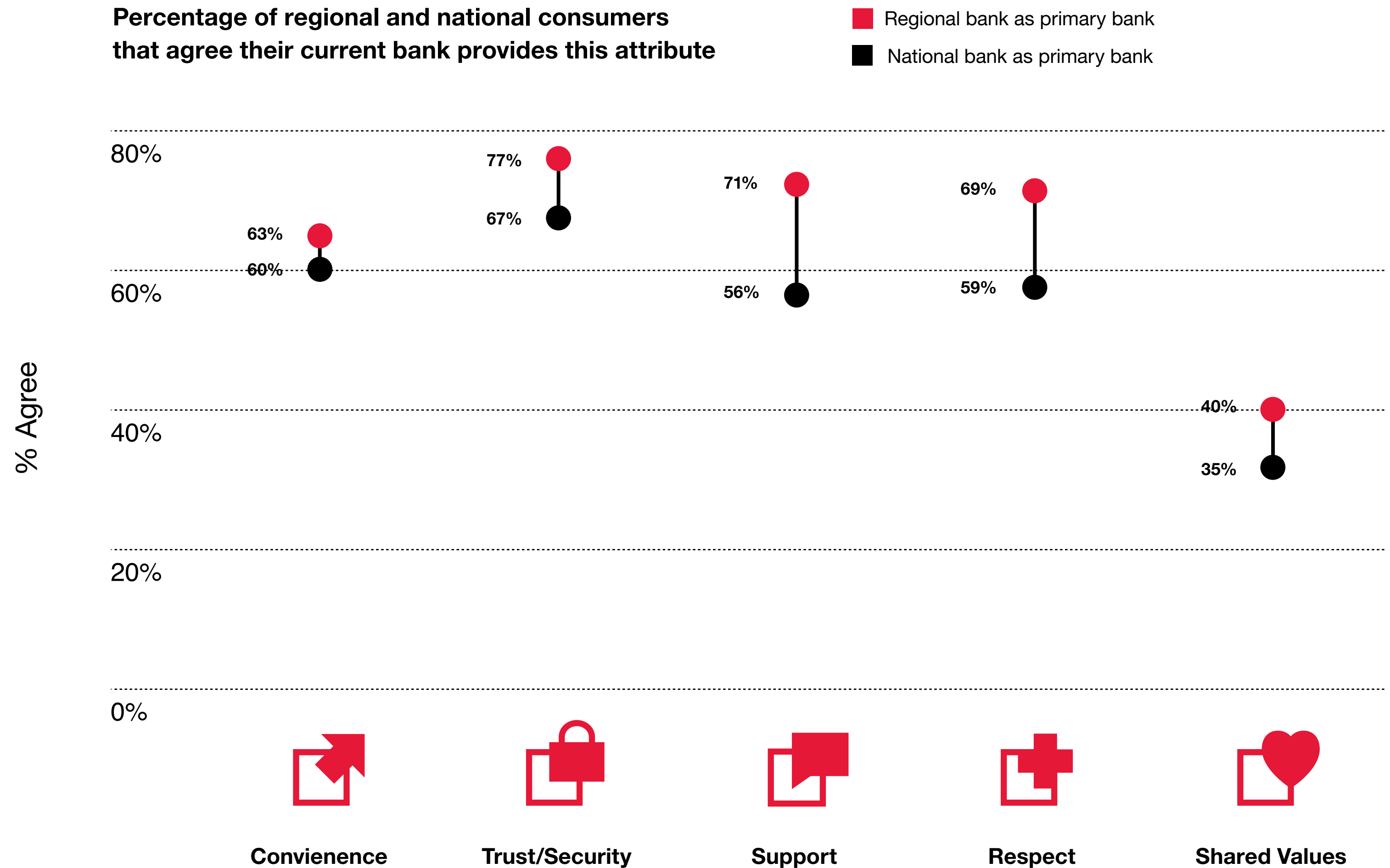
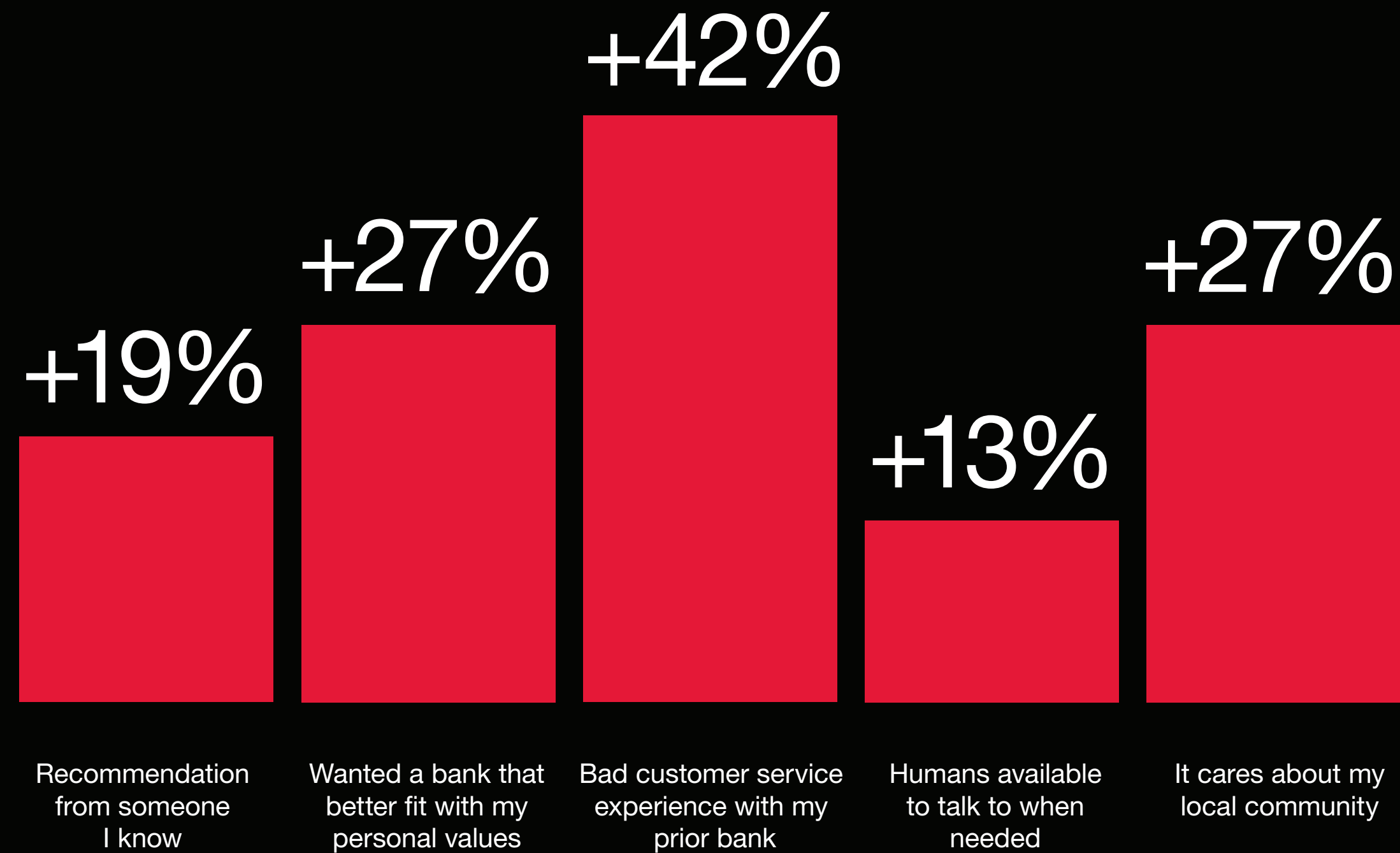


Figure 9

Recent switchers to regional banks are more likely to switch for Financial Harmony reasons than those who switch to national banks

Difference in reasons for switching

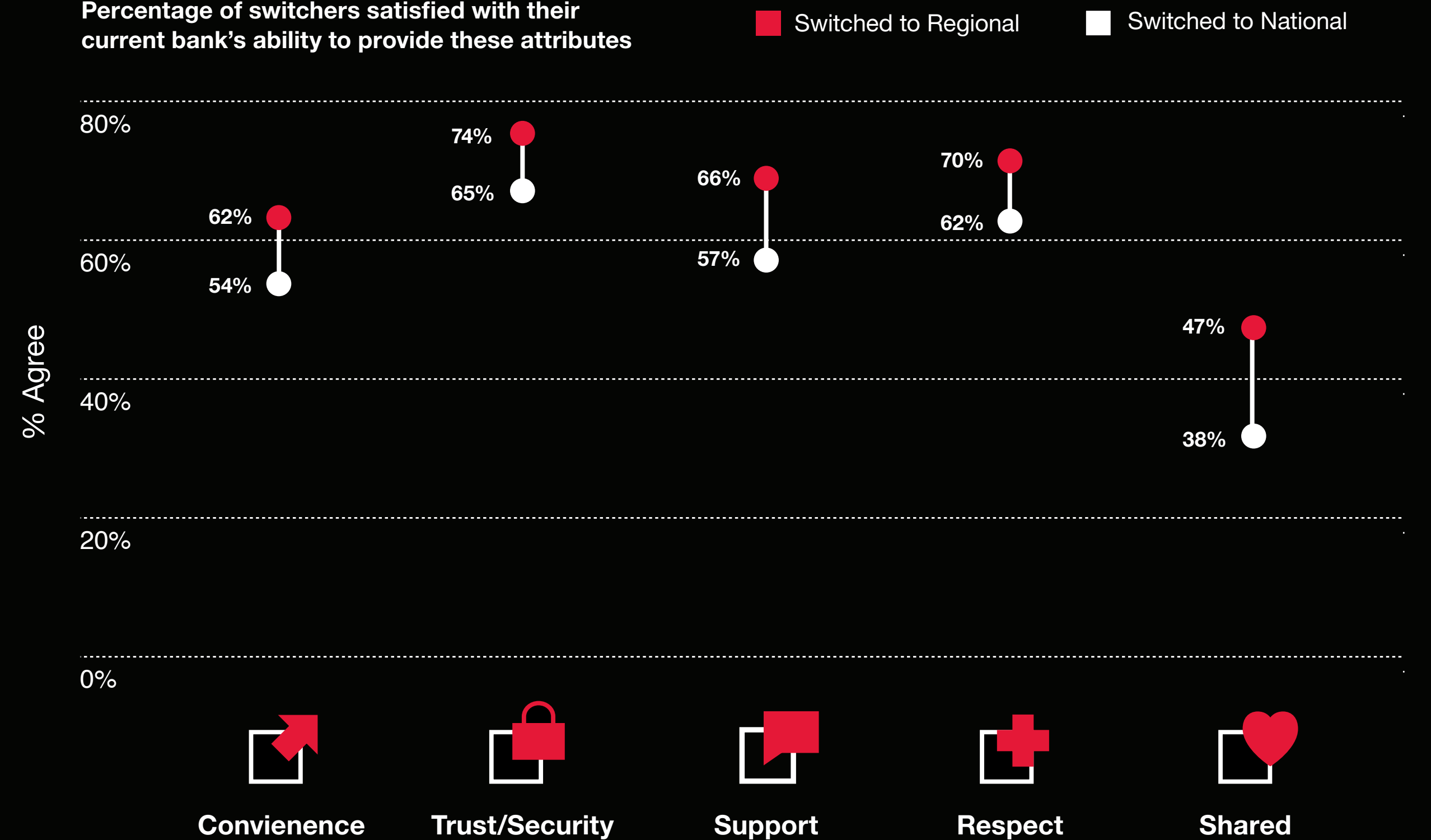


2020 R/GA Retail Bank Customer Survey. Thinking about when you first decided that you wanted to switch your primary bank, what were the reasons? Only show if joined primary bank less than 2 years ago; multi select; index by bank type

Figure 10

Switchers to regional banks are more satisfied with markers of Financial Harmony than those who switched to national banks

Percentage of switchers satisfied with their current bank's ability to provide these attributes



2020 R/GA Retail Bank Customer Survey. Please indicate how much you agree or disagree with the following statements about your primary bank; 4-point scale; top box; filter: recent switchers (joined primary bank less than 2 years ago)

OR

/ The Future

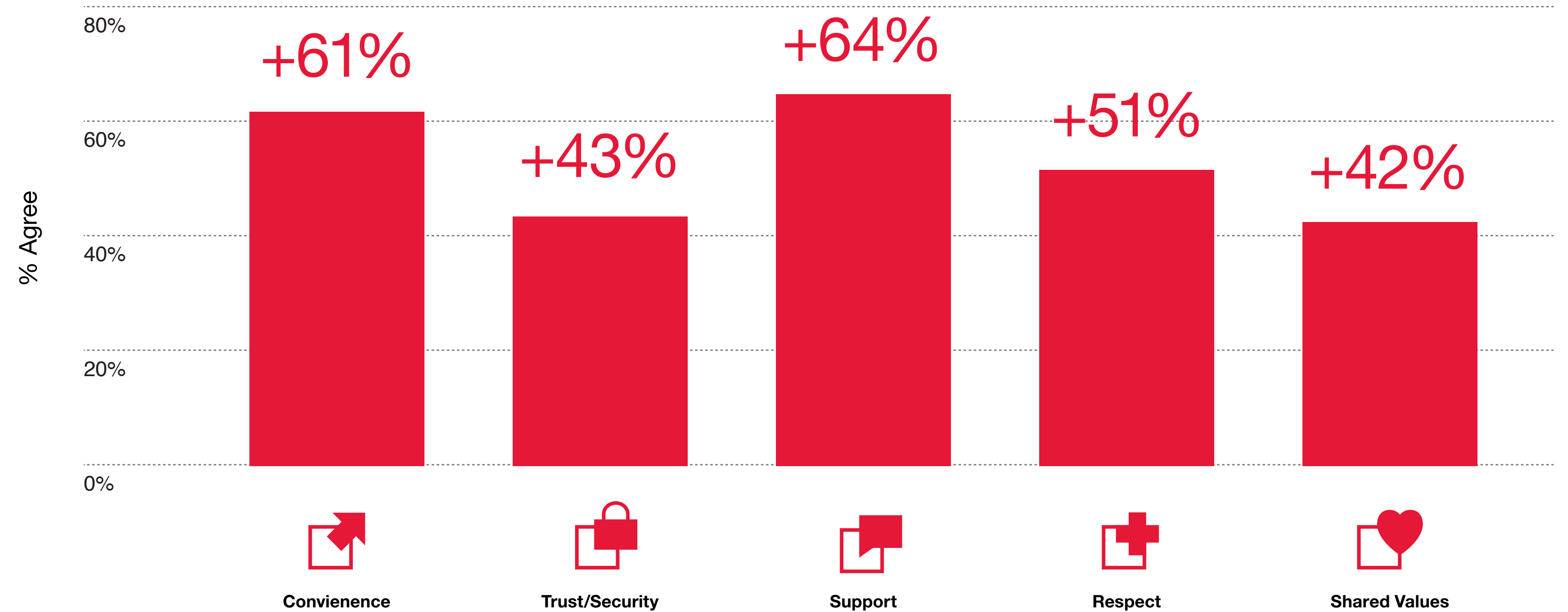
### The Business Impact of Financial Harmony: Delivering Financial Harmony corresponds with greater customer loyalty

Our research shows that there is a correlation between customers' satisfaction with the bank on attributes of Financial Harmony, and their likelihood of staying with their primary bank. Delivering this value to customers can lead to demonstrable impact on overall customer loyalty.

Figure 11

Unlikely switchers are more likely to report they are satisfied with their bank's performance on Financial Harmony

#### Difference between unlikely switchers and likely switchers in agreeing with statements about their bank



2020 R/GA Retail Bank Customer Survey. Please indicate how much you agree or disagree with the following statements about your primary bank; 4-point scale; top box; filter: likelihood of switching bank in next 12 months, top 2 box

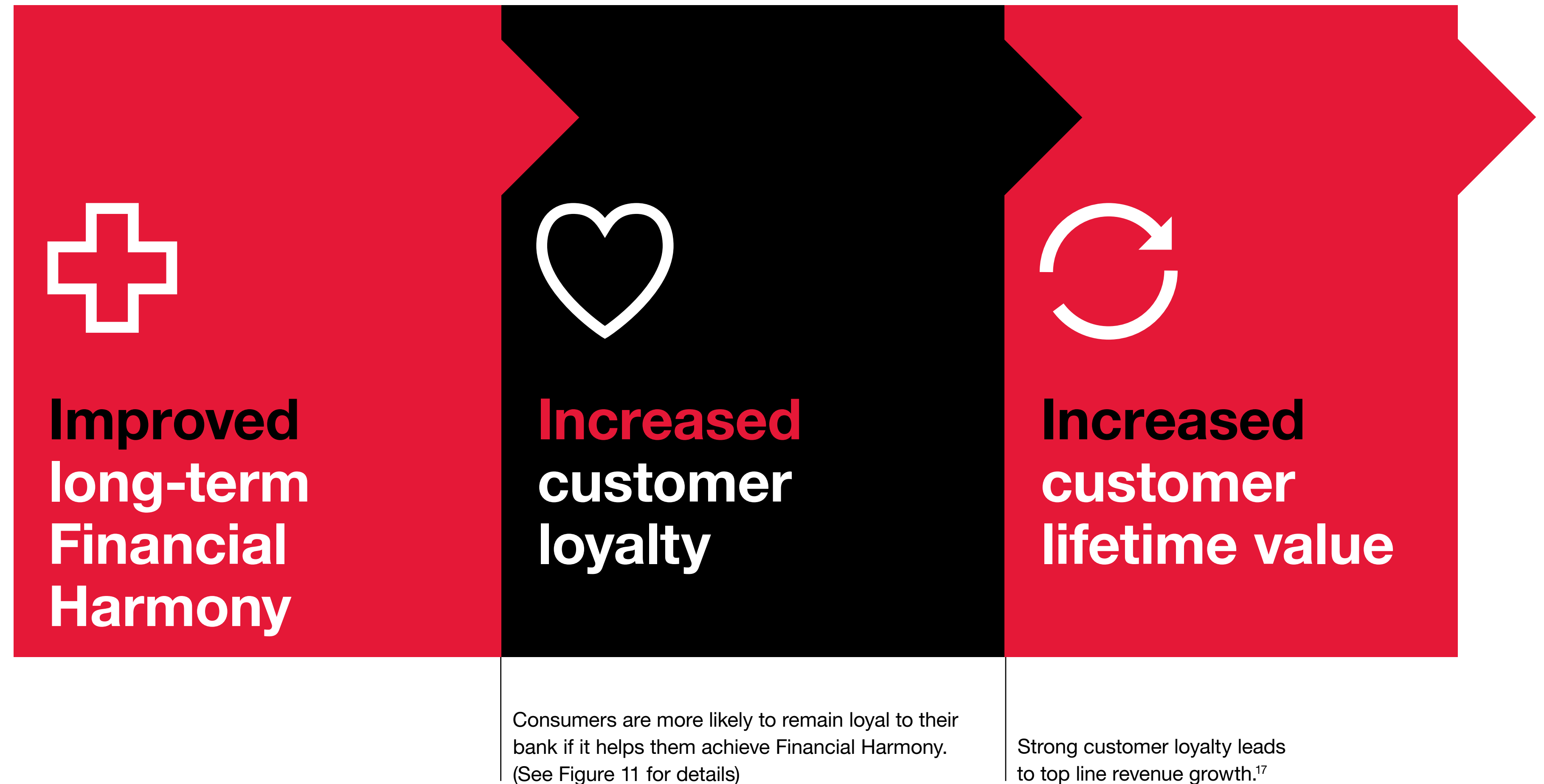


**It's better for the long term—  
and the long-long term, too**

Transforming to enable Financial Harmony will position regional banks for long-term, sustained growth. When customers are better off, and as their Financial Harmony becomes more assured, their loyalty will defend against churn and unlock new growth drivers for the bank.

Figure 12

According to our data, Financial Harmony drives consumer loyalty and consumer lifetime value



# So what does the more human future of banking look like?

Regional banks already possess many of the assets needed to deliver a more human future of banking: consumer-centric values, robust databases, and a more invested role in communities, across a more diverse range of consumer wealth profiles. But they must put concrete plans around human-centricity into action if they are to expand their value, carve out new relevance in the space, and transform for this new era.

**A transformation of this nature is not easy, but there are a few key shifts that regional banks can start to make today.**

Delivering on Financial Harmony allows banks to shift the relationship they have with consumers to one that is more human, more knowledgeable, and, ultimately, more valuable. In order to capitalize on this vision, banks must design for transformative operating changes and translate their existing strengths in in-person connection to unique omnichannel experiences. Investment must shift to new products and services that specifically address the needs of current and future customers, providing them with the guidance and advice they need to build towards Financial Harmony. Business as usual is not enough.

Figure 13  
Regional Banks must elevate their current strengths along the five attributes to enable Financial Harmony

**From**  
Enabling financial management through person-to-person relationships

**To**  
Enabling Financial Harmony through omnichannel experiences

Make transactions simpler

 **Convenience**

Provides access to digital financial tools for essential tasks

Simplifies the financial experience via a suite of digital services so consumers can focus on the bigger picture

 **Trust/Security**

Keeps identity safe and secure

Advocates for the needs of the consumer, prioritizing their overall well-being

Make decisions smarter

 **Support**

Helps with day-to-day needs via customer service tools

Offers both short- and long-term advice and guidance through a mix of human and digital

 **Respect**

Attentive to consumer needs through person-to-person interactions

Uses data to understand and consider consumers' personal definitions of financial health

 **Shared Values**

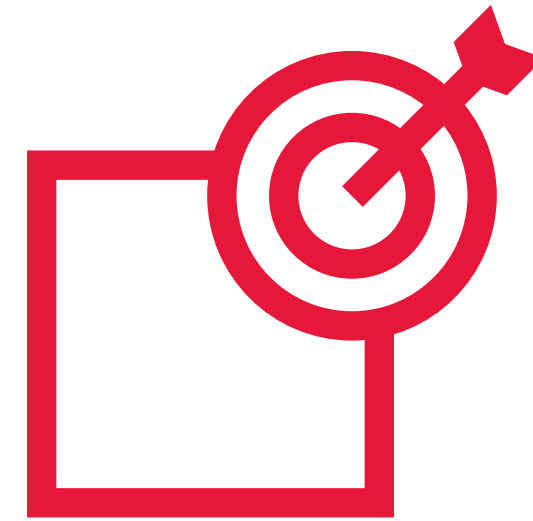
Serves with honesty and integrity, exemplified through personal relationships

Delivers on values through all experiences, no matter how one interacts with the bank

04

## / The Roadmap

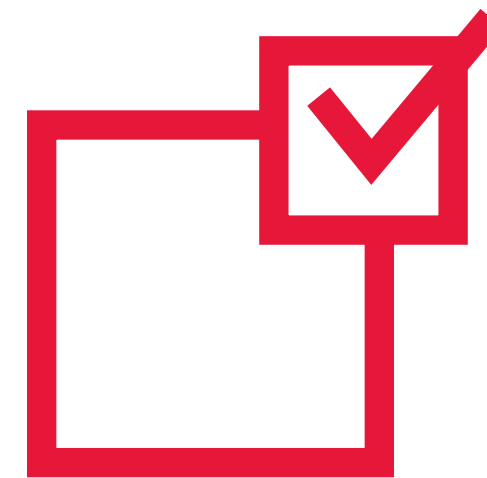
# Here's your transformation game plan



Recommendation #1

## Purpose

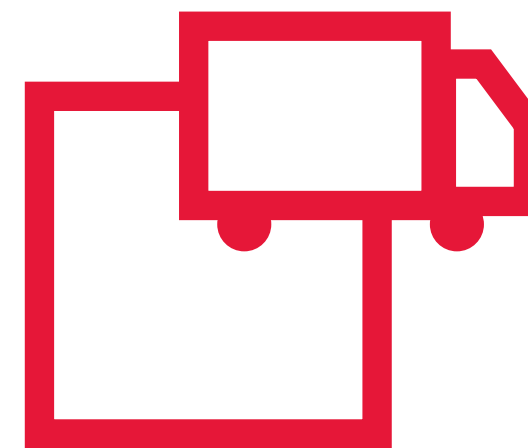
Charting new territory takes courage due to the many dilemmas regional bank leaders are forced to face. For instance, is transformation worth it in these uncertain times, especially with the potential of opening up your business to more risk? How do you find opportunity within the unknown, instead of reacting to the world around you? And even if you have a vision, how do you scale while overcoming the internal hurdles to operationalize?



Recommendation #2

## Pilot

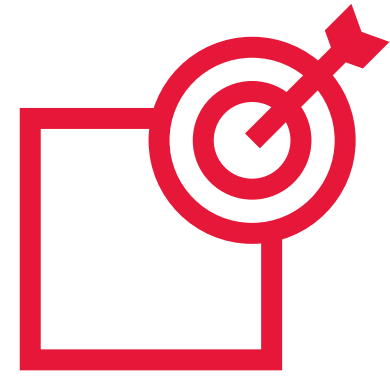
Transformation is fraught with challenges, but R/GA has found success tackling these challenges straight-on, helping businesses orient towards innovation to unlock valuable new opportunities. By equipping your organization with a purpose-driven approach—along with the focus, conviction, and confidence to deliver on a new vision—we believe tackling transformation is possible without significant risk or losses to your organization. To start, we've put together three key recommendations for regional banking organizations to implement in order to transform without disrupting the health of the business—or their customers.



Recommendation #3

## Deliver





Recommendation #1

# Purpose

Position all company efforts  
in service of one core goal:  
how your bank uniquely  
helps consumers achieve  
Financial Harmony

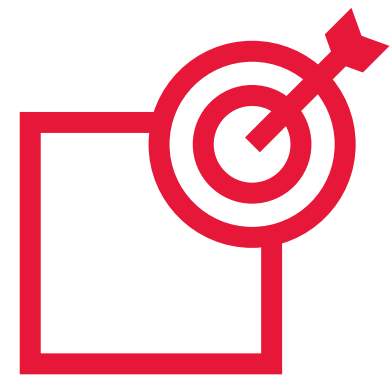
**The roadblock:** With the sheer number of alternatives that can divert an organization's focus, attention, resources, and energy, aligning the organization around a long-term ambition and plan for customer Financial Harmony can be overwhelming for leaders.

It is normal for leaders to feel caught in short-term solutioning cycles, making decisions on an ad hoc basis for one-off issues. This pattern is especially familiar for leaders in rapidly-changing categories, managing a business across local markets, where every day involves making tough decisions on where to focus investments while navigating competitive pressures. Leaders need to create, spread, and hold their peers and reports accountable to a guiding, higher-order alternative to this kind of decision-making—while understanding that the format and content of the alternative are what makes the difference.

**The solution:** Regional bank leaders can ensure their organization is driving long-term impact by committing to and operating against a single purpose.

When an organization is aligned to a greater purpose (above and beyond being profitable), decision-making on strategic investments (both at the executive-level and below) becomes more efficient and easier to assess. A purpose-driven organization often avoids inter-company conflict of interest due to a focus on a greater ambition, and not solely on individual business unit performance. Purpose encourages more creativity, stronger problem-solving, and provides better leverage to incentivize low-risk experimentation: half (53%) of executives at companies with a strong sense of purpose said their organization is successful with innovation and transformation efforts, while less than one-fifth (19%) report success at companies who have not thought about purpose.<sup>18</sup>

Regional banks are uniquely positioned to create net-new value by enabling Financial Harmony. However, this should manifest differently for each regional bank depending on the bank's mission, values, beliefs, strengths, and assets. Each regional bank should interrogate what they do to enable Financial Harmony, how they enable it, and why they are motivated and inspired to do so. These inputs can be used to inform the single-minded purpose that will align their organization.



Recommendation #1

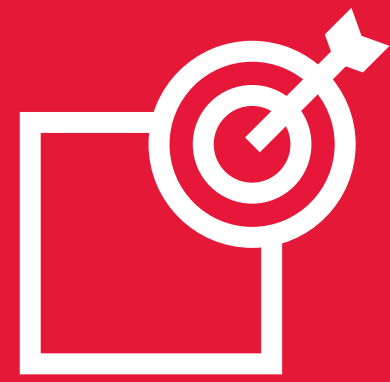
# Purpose

## **Regional Bank leaders crafting their transformation purpose should think through the following questions:**

- / What do we do better than other banks, and how do our unique strengths and strategic assets equip us to enable Financial Harmony across different generations of customers?
- / What is our role in the community, and how would our community look different if Financial Harmony were manifested?
- / How does our company mission align with enabling Financial Harmony—and how do our values and beliefs align with helping customers live in the present while preparing for the future?
- / How will I ensure that the transformation purpose resonates, gets used by my organization, and drives the right changes?

## **Traits of a purpose-driven organization:**

- / Makes choices for and serves customers proactively, rather than reactively
- / Aligns resources to a long-term ambition while managing risk on business as usual initiatives
- / Gains efficiency and prevents wasted cost, time, and effort
- / Prioritizes and incentivizes purpose-forward behaviors and organizational norms



Recommendation #1

# Purpose

How are traditional brick-and-mortar retailers overcoming similar transformational challenges?

## Case Study

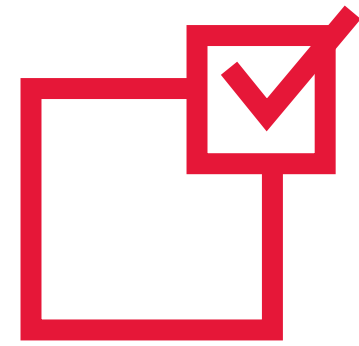
### Using a transformational purpose to align and prioritize growth efforts across an omni-channel business model

R/GA partnered with a large omnichannel retailer to grow its customer base and defend against the significant looming threat to traditional retail: Amazon. Our client's foothold in brick-and-mortar was being threatened by digital-first, direct-to-consumer models that were redefining customer expectations for convenience. Internally, our partner's organization was divided on the best strategic path: double-down on brick-and-mortar or shed the past for a fully-digital future? Internal operating structures—designed for siloed sales channels—further accentuated the division, as conflicts of opinion came to bear when attempting to develop and implement growth strategies and select go-to-market solutions. We needed to help them design for change in a way that would align the organization around a single purpose while clarifying the role of brick-and-mortar in the growth plan.

To help protect the share of their most valuable cohort (time-pressed families) we defined a purpose that gave focus to their omnichannel ecosystem and elevated the role of their stores. In an integrated, cross-disciplinary effort with our clients, we designed the purpose in service of better living through saving time. This purpose leveraged the physical footprint that gave them unique proximity to their customers, ensured that every touch point served the customer by helping them minimize time-wasters and cognitive load, and drove decision-making in favor of improved experiences, not just bottom-line efficiency.

The lesson: Purpose can bring two sides of the organization (brick-and-mortar and digital) together in service of one goal. The purpose enables clearer guides to decision-making on omnichannel strategic investments, helping leadership prioritize areas of the business where convenience is needed the most, while also testing new methods to deliver value.





Recommendation #2

## Pilot

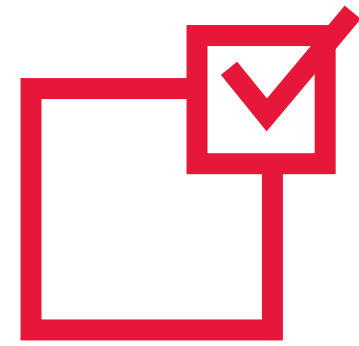
Focus on speed-to-pilot vs. speed-to-market to help manage the risks of experimentation

**The roadblock:** Embarking on transformation brings the uncertain balancing act of risk versus reward.

When an ambitious purpose is defined, it's natural for leaders to be overwhelmed by the distance between where a company is today and where it wants to be in the future. Given the complex competitive dynamics in regional bank footprints, transformation is often presented in “all-or-nothing” scenarios, where leaders must brace for significant investments with unknown consequences for the chance to succeed. As a result, decision-makers are forced into a perilous choice: weighing the cost of transformation, the risk of loss, and the time period to realize potential reward against strong incentives to maintain the status quo. The usual result is inaction.

**The solution:** Managing risk in this uncertainty is achievable if regional bank leadership takes a measured approach by starting small and targeted.

Piloting Financial Harmony initiatives with specific audiences can help banks create real learning on how to overcome the industry-wide mistrust and assumption that banks prioritize their own bottom line over customer interests. By evaluating near- to long-term opportunity areas, leaders can assess how well they are delivering on Financial Harmony. With a diagnosis in hand, banks are equipped to confidently manage the risk of developing and piloting initiatives that address opportunity areas. Pilot projects can be designed to measure effectiveness amongst specific cohorts, such as young adults (Gen Z and Millennials) and parents. Through measurement feedback loops, pilots serve as the input into strategic roadmaps by identifying which initiatives hold the most promise in securing customer loyalty.



Recommendation #2

# Pilot

**Regional bank leaders considering development of a strategic roadmap should think through the following questions:**

**/ Where should we pilot?** Which region or market would serve as an accurate representation of our current base or future base of customers?

**/ What should we pilot?** Are there initiatives that already exist that can be leveraged for a pilot? Do we need outside help to generate new initiatives?

**/ How do we operationalize the pilot?** How do we choose and train the personnel and leadership leading a pilot? Where can we leverage existing partnerships or scale using new partners or acquisitions?

**/ What internal barriers do we need to overcome to pilot?** What needs to be true for the organization to believe in a new vision? How do we adapt incentive structures to encourage experimentation to ensure a pilot's success?

**Traits of an organization operating against a strategic roadmap:**

**/** Translates a purpose-driven vision into manageable investments that expand intelligence and minimize risk

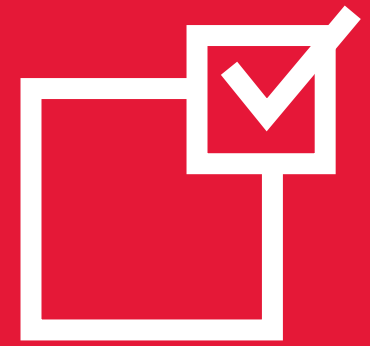
**/** Expands the organization's appetite and comfort with experimentation; test-and-learn is not limited to the purview of a firm's digital innovation lab or any single department

**/** Leverages existing strategic planning practices to identify a long-term transformation roadmap focused on identifying and sequencing next-generation capabilities to pilot

**/** Provides explicit permission to incentivize learning, separate from legacy measures of performance that would typically thwart innovation

**/** Champions the usage of evidence-based or data-driven insights that inform go-to-market solutions





Recommendation #2

# Pilot

How is the highly regulated healthcare industry addressing a transformation to omnichannel care?

## Case Study

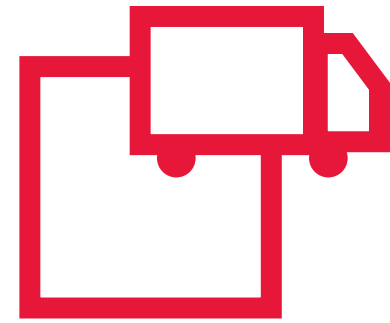
### Building the foundation of a new, scalable business model by getting close to the front lines

#### Advent Health

R/GA partnered with AdventHealth's Fulcrum team to redefine primary care through the development of Care Advocacy, a service which extends provider ability to support patients on a continuous basis, 365 days a year. Professionally-trained Care Advocates are able to offer patients a comprehensive solution for their whole health journey by serving as a connection to patients' providers for advice between appointments; relaying critical information about health progress to providers; and offering relationship-driven support for chronic conditions and routine health issues.

This transformative, service-first model began life as one of a suite of pilot programs designed to discover the best way for AdventHealth to leverage its existing assets—their incredible network of trusted providers—to deliver on the promise of whole-person care. Within weeks, a small, dedicated and qualified team was able to test concepts, validate the service's highest-priority target audiences, and launch a working version of the service. The results showed that there was a clear path from a focused, local pilot inside a single division to a national service that spans diverse audience needs, providers, and health systems.

The lesson: Do not wait for advances in technology and data capability, organizational buy-in, or the presence of a finished product to unlock a moment to learn. Piloting with a specific mission to gather evidence in service of a broader change requires a targeted investment and capable team, and offers concrete validation of a way forward in weeks, not months.



Recommendation #3

## Deliver

### Recommendation #3

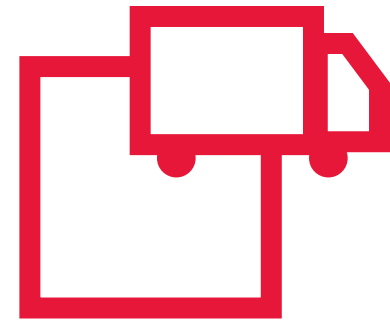
Build capabilities, structures, and operating models around your organization's strategic ambition to sustain this vision for the long term

**The roadblock:** Middle-market organizations pursuing a new strategic direction often experience the growing pains of a lagging operating model.

As the pace of change accelerates, the gap widens between a company's strategic ambition and the processes, capabilities, governance, and management systems needed to sustain it. Configuring the firm's operating model to a new purpose can feel like an uphill battle, as leaders have to navigate—and sometimes dismantle—legacy thinking, ways of working, and reporting lines. By only solving for the external (products, marketing messaging, omnichannel experiences) and not making changes to the internal, regional banks run the risk of failing to deliver on new promises to their customers.

**The solution:** Transformation from the inside-out requires that organizations evaluate and re-code aspects of culture, structure, roles and responsibilities, capabilities, and incentives to enable the vision to deliver on Financial Harmony.

Culture is the foundation, as the organizational mindset, shared beliefs, and behaviors must be designed to support the new purpose. Similarly, organizational structures—how functions and teams are oriented in relation to each other—must be designed to deliver on the new ambition, and teams must be delegated authority to act in service of the purpose. Regional banks already have powerful ingredients that can be leveraged by the organization to deliver Financial Harmony; designing for and around human behavior inside and out will position the organization to successfully deliver on its promise.



Recommendation #3

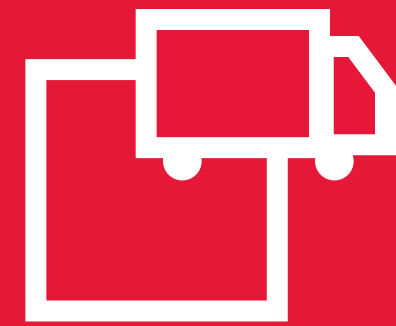
## Deliver

### Leaders should think through the following questions:

- / What are the values and behaviors we need to embody to achieve our ambition?
- / How should we structure ourselves to deliver upon our growth ambition?
- / How do we identify and reinforce who is responsible for what?
- / What resources do we need to get relevant new things done?

### Traits of an organization transforming from the inside out:

- / Orients resources and functions for growth and not cost-cutting
- / Starts with the customer, not the existing org chart, by structuring functions and teams to deliver on the ambition
- / Reinforces company-wide accountability to prioritize customer measures (customer-focus is not restricted to only those that are directly customer-facing) by using clear metrics and incentives
- / Designs organizational change around employee experiences that help individuals and teams work more effectively and seamlessly to deliver on their ambition
- / Blends top-down and bottom-up approaches to ensure organizational transformation is rooted in actionable strategy, adaptable principles, and a transparent feedback loop



Recommendation #3

# Deliver

How have reputable, very mature organizations designed for change of a wholly new business model?

## Case Study

### Decoding and recoding the marketing and sales organizations to put consumers first

A midsize luxury home goods brand's leadership recognized that going direct-to-consumer would be an essential strategic move, but one that would be difficult to pull off, given that the organization was oriented to serve substantial distribution in third-party retail. R/GA worked with the leadership team to decide that simply launching a new website that went beyond a clickable catalog wouldn't be enough—the company would need to change its culture, structure, and capabilities, too.

Three new capabilities—Customer Experience, Customer Relationships, and Data—would form the backbone of the newly-structured Marketing function. Across the organization, shared ways of working that emphasized learning and adaptation would ensure that decentralized, siloed field offices could operate as a network of excellence rather than a center of gravity. And the sales-first culture of marketing was refocused to the brand's true differentiators: taste, heritage, and product excellence.

The lesson: Transformation does not require a departure or desertion of all legacy ways of operating. Taking stock of mindsets, resources, and processes that are already in service of the ambition, paired with newly necessary behaviors and capabilities, will better equip the organization to manage the risk of change.



Visit pg. 45 in the Appendix to learn more about our organizational innovation model

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# 05

## / The Roadmap



# The human future of banking is yours to shape

We believe regional banks have a strong foundation—historical credibility in human relationships and perceived parity in core digital assets—to create advantage by enabling Financial Harmony for consumers. While legacy and new entrant competitors focus on delivering convenience, regional banks can start the transformation to lead the human future of banking.

With most regional banks currently under competitive pressures, urgency could trump the importance of investing in long-term sustainable growth. To reduce risk and maximize reward, regional banking leaders must ensure all company efforts are in service of enabling Financial Harmony that will have lasting impact on the health of consumers and the bottom line. A transformation of this nature includes three imperatives of action: orient around a singular purpose, bias toward experimentation, and design your operating model for growth and not just cost optimization. When an organization is operating as a physical manifestation of a company's forward-looking business strategy, true, long-lasting transformation becomes possible.

Change will be hard, and at times may seem difficult to rationalize, but there is real value to taking on transformation. R/GA has acted as a proven partner, using the recommendations detailed here to help clients find success by taking paths never before considered.



# Authors

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With 10 years of focus in decision sciences, Christy brings deep expertise in utilizing data-driven methods to transform business models and solve strategic and operational challenges across a range of industries and business categories.

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Taylor works with management teams to drive top-line and bottom-line growth by listening closely, building relationships, and using data to make sense out of complex systems and problems. His experience over the last 8 years spans various altitudes across Operations, Analytics, Finance, Sales & Marketing, Product and Corporate Strategy.

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Paul has 45+ years experience in marketing and retail banking. He brings a depth of financial services client-side experience, most recently at Citi, where he was Head of North America Marketing Operations and Strategy, and Head of Retail Bank Marketing. Paul is now advising clients under his own firm, Resonance LLC.

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Clay was the founder of August Public Inc. and Managing Partner at Undercurrent, two leading org-transformation consultancies, and has spent the last decade developing new, adaptive organization designs with and for leaders in the Fortune 500.

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As Marketing + Communications Director, Stefan plays a critical role in bringing products to market, enhancing brand awareness, building customer value, and increasing revenue at R/GA. For a decade, he's led integrated marketing for global brands including Piaget, Dunhill, and Thompson Hotels.

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Business Transformation is R/GA's consulting practice, designed to help the C-suite innovate. We answer clients' most pressing innovation challenges by creating transformation imperatives which fuse human-centered problem solving with business rigor to identify new opportunities and bring them to market—fast. By designing our approach to suit the agile needs of today's organizations and delivering measurable outcomes, Business Transformation is uniquely positioned to provide unique end-to-end solutions for our partners as they overcome disruption and unlock sustainable growth.

# References

- 1 R/GA Proprietary Research
- 2 Business Insider: “The disruptive digital trends transforming banking services in 2020” (Sept. 12, 2019)
- 3 The Financial Brand: “Responding to the New Definition of ‘Convenience’ in Banking”
- 4 Marketplace Pulse: “The Tyranny of Amazon Convenience” (Jun. 18, 2019)
- 5 Crowdfund Insider: “Digital Banking Apps in the US Experience 60% Increase in Downloads, 17% Revenue Growth in Past Month Due to COVID-19: Report” (Apr. 26, 2020)
- 6 CNBC: “Contactless payments jump 40% as shoppers fear germs on cash and credit cards, Mastercard says” (Apr. 29, 2020)
- 7 Crowdfund Insider: “Digital Banking Apps in the US Experience 60% Increase in Downloads, 17% Revenue Growth in Past Month Due to COVID-19: Report” (Apr. 26, 2020)
- 8 CNBC: “Coronavirus crisis is causing financial stress for nearly 9 in 10 Americans” (Apr. 16, 2020)
- 9 NBC News: “Does stress have a negative impact on your financial decisions? You’re not alone” (Feb. 3, 2020)
- 10 Federal Reserve Report on Economic Well-Being, 2019 (Updated Apr. 2020)
- 11 Forbes: “3 Vicious Cycles: Links Among Financial, Physical and Mental Health” (Jun. 27, 2018)
- 12 The share of young adult households with student debt doubled from 1998 to 2016. (Pew Research Center: “Millennial Life: How young adulthood today compares with prior generations” (Feb. 14, 2019)); A 2019 Stanford study found that people who graduate in an economic downturn feel the negative impacts on socioeconomic outcomes in the long run. In middle age, recession graduates earned less while working more. Those without a college degree suffer greater income losses than college graduates. Overall health suffers as well: mid-recession graduates had higher death rates by middle age, mainly stemming from diseases linked to unhealthy lifestyles. (Stanford Institute for Economic Policy Research: “Recession Graduates: The Long-lasting Effects of an Unlucky Draw” (Apr. 2019))
- 13 Pew Research Center: “People financially affected by COVID-19 outbreak are experiencing more psychological distress than others” (Mar. 30, 2020)
- 14 Pew Research Center: “Experiences with the COVID-19 outbreak can vary for Americans of different ages” (Jun. 16, 2020)
- 15 LendingTree: “56% of Parents with Young Children are in Debt Due to Coronavirus Pandemic” (May 18, 2020)
- 16 CNBC: “68% of parents are worried about paying for college amid Covid-19” (Jun. 16, 2020)
- 17 Companies that lead their competitors on loyalty grow revenues 2.5x faster than industry peers and deliver two to five times returns to shareholders over a 10 year time horizon (Harvard Business Review: “The Loyalty Economy” (2020))
- 18 Harvard Business Review: “The Business Case For Purpose” (2015)



# R/R/GA



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# Appendix Contents

## / Additional Graphs & Information

- Switching Drivers
- Frustrations of Recent Switchers
- Interest in Potential Features
- R/GA /CODE Model

## / Technical Appendix

- Methodology
- Sample Details
- Geographic Distribution
- How We Measured Financial Wellness
- Configuring Data for Your Bank
- Figure Footnotes

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## / Additional Graphs & Information

Appendix 1

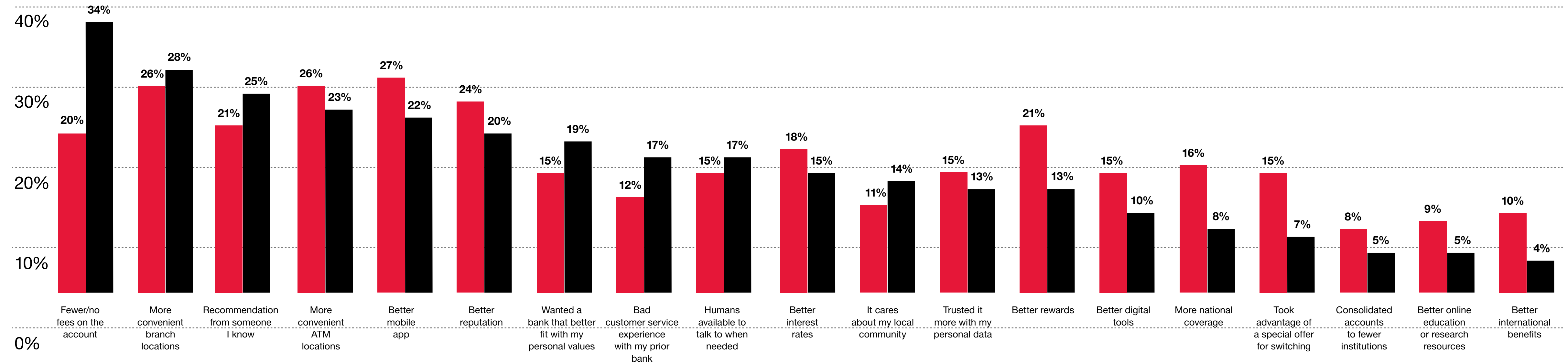
Recent switchers to regional banks are motivated by value drivers related to human connection

■ Switched to Regional ■ Switched to National

Recent Bank Switchers' Reasons for Switching



Regional Index to National



More of a reason for switching to Regional



Less of a reason for switching to Regional

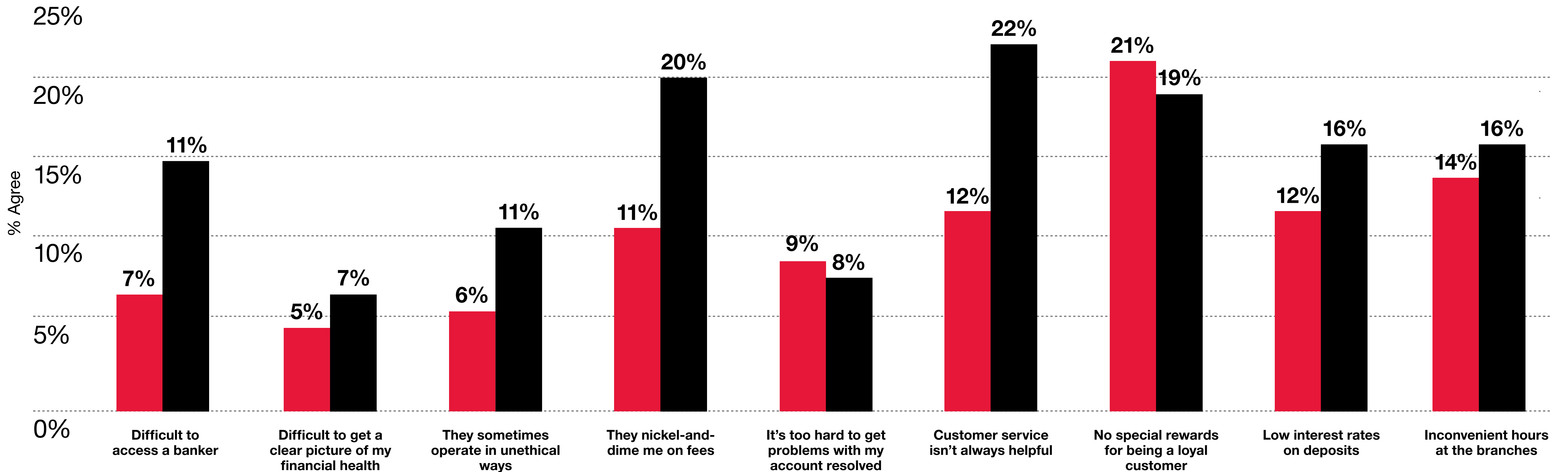
2020 R/GA Retail Bank Customer Survey. Thinking about when you first decided that you wanted to switch your primary bank, what were the reasons? Only show if joined primary bank less than 2 years ago; multi select; index by bank type

Appendix 2

Overall, recent switchers to regional banks are happier with their bank than those who switched to national banks

■ Switched to Regional ■ Switched to National

Frustrations with primary bank



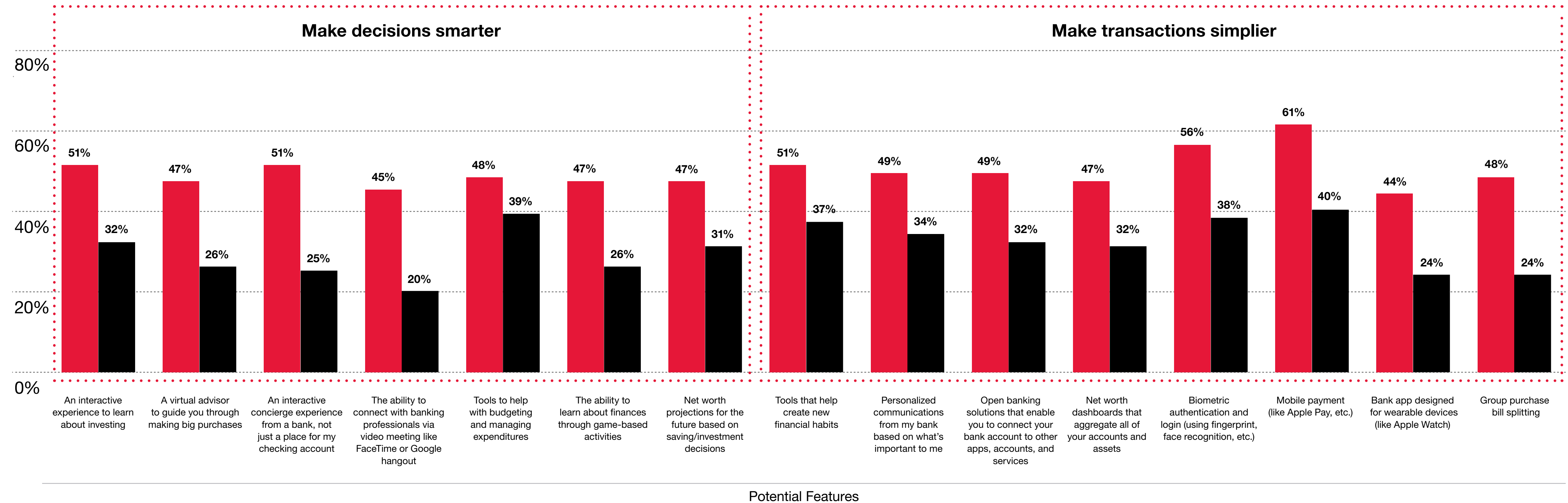
2020 R/GA Retail Bank Customer Survey. Thinking about your current experience with your primary bank, please indicate which aspects you find frustrating; multi select; filter: recent switchers to regional banks, national banks (joined primary bank less than 2 years ago)

Appendix 3

Customers who are likely to switch are more interested in new, tech-enabled features related to Financial Harmony

■ Likely Switchers ■ Total Sample

Interest in potential features



2020 R/GA Retail Bank Customer Survey. Please rate how appealing each of the following features is to you if it were to come from your primary bank; 3-point scale; top 2 box; filter: likelihood of switching bank in next 12 months; 2-point scale; top 2 box



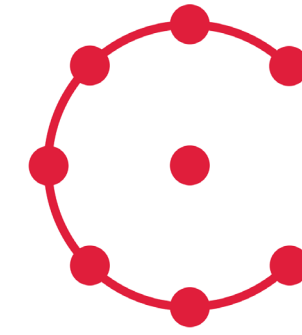
# R/GA Business Transformation Org Innovation

## Coding your org for innovation

With so much economic instability and unpredictability, organizations are facing more pressure than ever to transform and reinvent themselves—responding not only to shifts in business and technology landscapes, but also internal shifts in employee needs and expectations. Given operational investments typically required to enact organizational change, many struggle with knowing where and when to start.

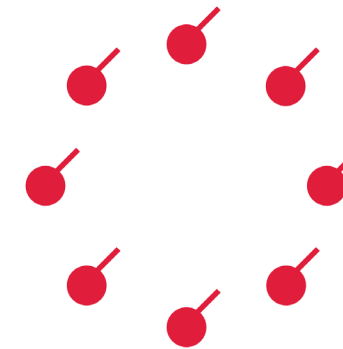
Our philosophy is rooted in ensuring employees have the tangible tools, systems, and resources designed specifically to their needs and job responsibilities, but also designed to embed and reinforce new behaviors that drive adaptability and growth.

Our R/GA /CODE model serves both as a diagnostic tool to target the right organizational problems to resolve, and as a design tool to create and implement solutions. We focus on four key dimensions: **Culture**, **Orientation**, **Distribution**, and **Enablers**.



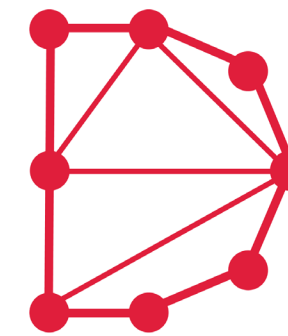
**Culture:** The organizational mindset, shared beliefs, and behaviors that support the company's ambition for growth

What are the values and behaviors we need to embody?



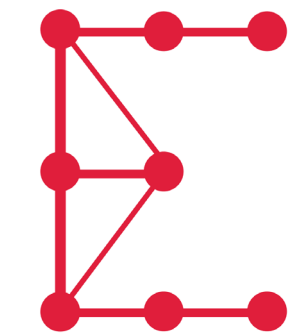
**Orientation:** How functions and teams should be structured in relation to each other to deliver against the ambition

How should we structure ourselves to drive collaboration and growth?



**Distribution:** The allocation and reinforcement of responsibilities and shared accountabilities across the org

How do we identify and reinforce who is responsible for what?



**Enablers:** The tangible resources (skills, staff experiences, tools) employees need to fulfill their roles in the organization

What resources do we need to get relevant new things done?

\*Full case studies available upon request

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# / Technical Appendix

# Survey Methodology Overview

In fielding our survey, we set out to better understand U.S. banking customers today and, specifically, the opportunity for regional banks to serve them. The survey was in field from March 3-21, 2020.

We surveyed 6,000+ customers across demographics, regions, and ~300 primary banks in the United States. Our survey posed multiple choice and short answer questions on switching drivers, financial goals, digital banking habits, and the positive and frustrating aspects of the banking experience.

In this report, we have surfaced insights from the full surveyed population. Our data set allows us to conduct targeted analysis for particular regions and regional banks, including: switching drivers, financial goals and needs, primary bank attitudes among the regional competitive set, and more.

In order to qualify for the survey, respondents had to:

- / Live in the US
- / Be between the ages of 18 and 64
- / Have either a checking or savings account

**6,371**

respondents

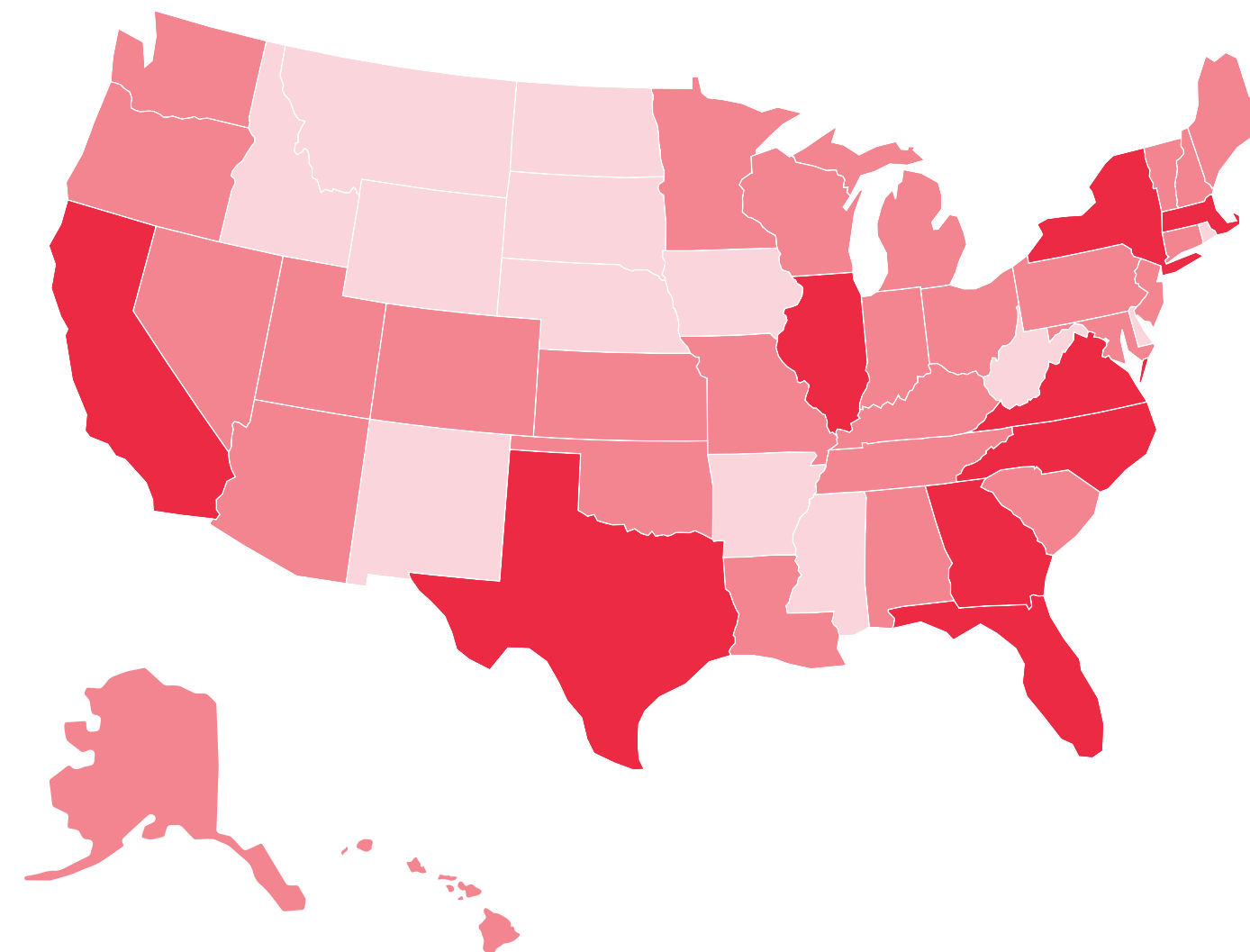
**16-24**

age range

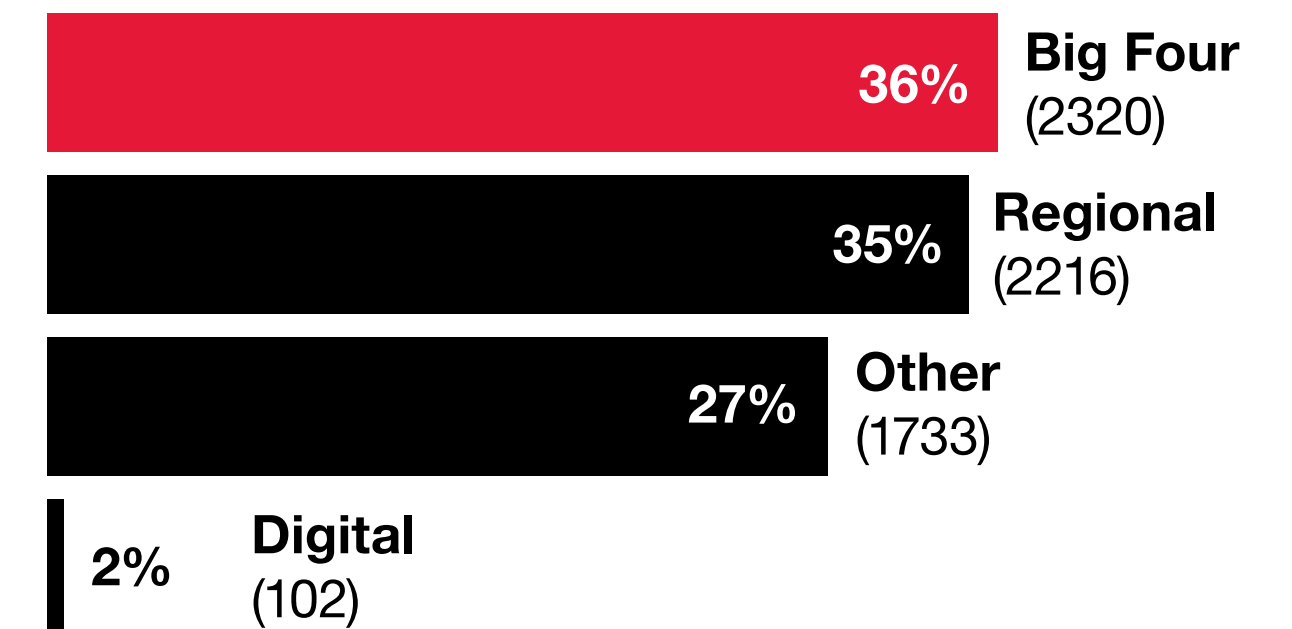
**302**

primary banks

## Map of survey respondents



## Breakdown of respondents by primary bank type



# Our Sample

Age range	Total respondents	Percent of sample
18-24	918	14%
25-34	1381	22%
35-44	1356	21%
45-54	1295	20%
55-64	1421	22%

Switcher Status	Total respondents	Percent of sample
Recent Switchers <sup>1</sup>	887	14%
Likely Switchers <sup>2</sup>	1,103	17%

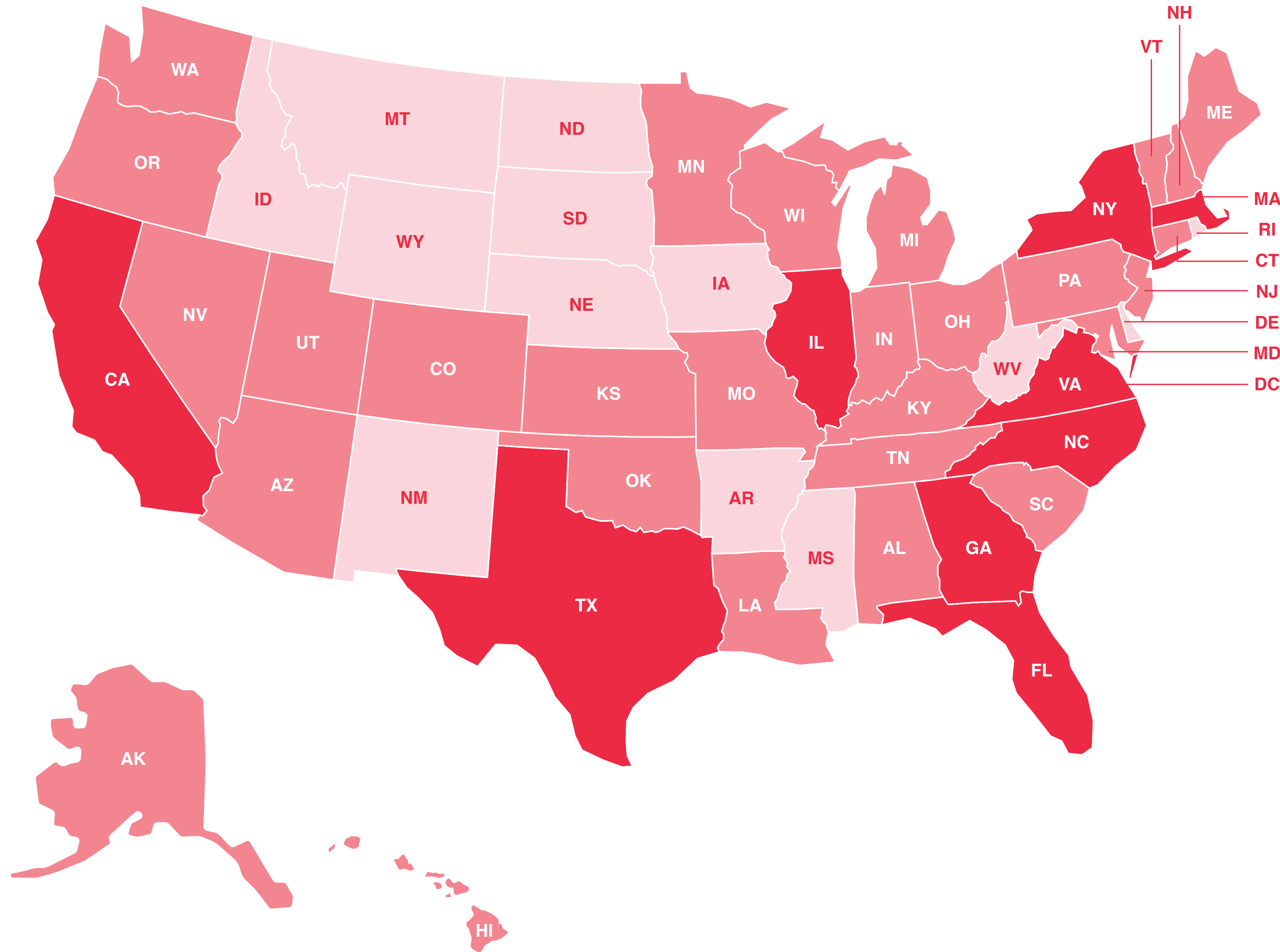
1: Switched in the last two years  
 2: Likely to switch in the next 12 months  
 3: Figures are not mutually exclusive

Gender	Total respondents	Percent of sample
Female	3299	52%
Male	3099	48%
Other	33	0%

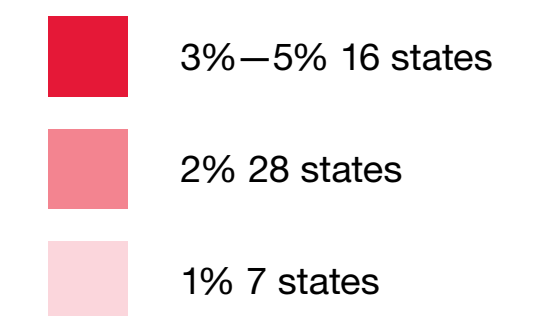
Parental status	Total respondents	Percent of sample
Parent with kids under 18 <sup>3</sup>	2,352	37%
Parent with kids 18-24 <sup>3</sup>	1,041	16%

# Geographic Distribution

	%	Num.
Total people surveyed	100%	6371
State		
California	5%	341
Pennsylvania	3%	187
Michigan	3%	182
New Jersey	3%	178
Texas	3%	178
Ohio	3%	177
Tennessee	3%	177
Georgia	3%	176
Illinois	3%	175
Washington	3%	175
Florida	3%	173
Massachusetts	3%	173
New York	3%	172
North Carolina	3%	171
Arizona	3%	169
Virginia	3%	168
Delaware	2%	100
Maine	2%	100
Montana	2%	100
New Mexico	2%	100
North Dakota	2%	100
Rhode Island	2%	100
South Dakota	2%	100
Wyoming	2%	100
Colorado	2%	99
Hawaii	2%	99
Idaho	2%	99
Kansas	2%	99
Missouri	2%	99
Oklahoma	2%	99



	%	Num.
Total people surveyed	100%	6371
State		
Iowa	2%	98
Minnesota	2%	98
Nebraska	2%	98
New Hampshire	2%	98
Oregon	2%	98
South Carolina	2%	98
Alabama	2%	97
Connecticut	2%	97
Indiana	2%	97
Kentucky	2%	97
Washington, D.C.	2%	97
Maryland	2%	96
Vermont	2%	96
Wisconsin	2%	96
Arkansas	1%	95
Nevada	1%	94
Alaska	1%	93
Mississippi	1%	92
Louisiana	1%	90
Utah	1%	90
West Virginia	1%	90





# How We Measured Financial Wellness

We broke Financial Harmony down into two dimensions based on customer attitudes and needs:

/ “Make Transactions Simpler” refers to reducing the burden of managing finances in the day-to-day

/ “Make Smarter Decisions” refers to providing the knowledge and guidance to make better decisions for my long-term financial future

We used markers from our survey to further define each of these dimensions and measure customers’ related satisfaction.

In response to: “Please indicate how much you agree or disagree with the following statements about your primary bank.”

## Make Transactions Simpler

Convenience: “I am satisfied with the digital tools my bank offers (website, app)”

Trust/Security: “My money is secure”

## Make Smarter Decisions

Support: “My current bank has good customer service”

Respect: “My current bank treats me with respect”

Shared Values: “[The bank] shares my values”

# Configuring for your bank

R/GA's consulting practice can leverage its proprietary research to identify high-impact innovation opportunities for specific banks. Contact Christy Randall if you would like to learn about R/GA research insights specific to your bank, such as:

## 1 / Custom Competitive Set

### Inputs

Competitors in a target bank's region with the greatest awareness and market share of responders

Competitors with greatest likelihood of switch for target bank's customers

### Outputs

Top competitors for customers, including national, regional, and digital banks

## 2 / Strengths + Vulnerabilities

### Inputs

Banking attitudes, financial goals, frustrating aspects for a target bank's customers

Banking attitudes, financial goals, and frustrating aspects for primary competitor customers in the region

### Outputs

Outlined points of differentiation of the bank (where they stand apart from the competition) and areas of vulnerability (where they lag behind the competition)

## 3 / Targeted Recommendations

### Inputs

Synthesis of target bank's unique strengths and vulnerabilities

Relevant macro insights from FS primary research survey

Customer experience deep dives

### Outputs

Tailored recommendations based on the bank's unique situation and goals

# Figure Footnotes

**Figure 1 / Page 5**

**2020 R/GA Retail Bank Customer Survey.**

Please indicate how much you agree or disagree with the following statements about your primary bank; 4-point scale; top box

**Figure 3 / Page 7**

**2020 R/GA Retail Bank Customer Survey.**

Please indicate how much you agree or disagree with the following statements about your primary bank; 4-point scale; top box

**Figure 5 / Page 11**

**2020 R/GA Retail Bank Customer Survey.**

Please indicate how much you agree or disagree with the following statements about your primary bank; Please rate how appealing each of the following features is to you if it were to come from your primary bank; 3-point scale; top 2 box; index by age range

.

**Figure 6 / Page 12 (Left)**

**2020 R/GA Retail Bank Customer Survey.**

Please indicate how much you agree or disagree with the following statements about your primary bank; Only include parents; 3-point scale; top 2 box

**Figure 6 / Page 12 (Right)**

**2020 R/GA Retail Bank Customer Survey.**

How knowledgeable would you say you are about each of the topics below?; How important is each topic to you?; Only include parents with children under the age of 18; 3-point scale; top 2 box

**Figure 9 / Page 17**

**2020 R/GA Retail Bank Customer Survey.**

Thinking about when you first decided that you wanted to switch your primary bank, what were the reasons? Only show if joined primary bank less than 2 years ago; multi select; index by bank type

**Figure 8 / Page 15**

**2020 R/GA Retail Bank Customer Survey.**

Please indicate how much you agree or disagree with the following statements about your primary bank; 4-point scale; top box

**Figure 10 / Page 17**

**2020 R/GA Retail Bank Customer Survey.**

Please indicate how much you agree or disagree with the following statements about your primary bank; 4-point scale; top box; filter: recent switchers (joined primary bank less than 2 years ago)

**Figure 12 / Page 20**

**2020 R/GA Retail Bank Customer Survey.**

Please indicate how much you agree or disagree with the following statements about your primary bank; 4-point scale; top box; filter: likelihood of switching bank in next 12 months, 2-point scale; top 2 box

**Appendix 1 / Page 42**

**2020 R/GA Retail Bank Customer Survey.**

Thinking about when you first decided that you wanted to switch your primary bank, what were the reasons? Only show if joined primary bank less than 2 years ago; multi select; index by bank type

**Appendix 2 / Page 43**

**2020 R/GA Retail Bank Customer Survey.**

Thinking about your current experience with your primary bank, please indicate which aspects you find frustrating; multi select; filter: recent switchers to regional banks, national banks (joined primary bank less than 2 years ago)

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**2020 R/GA Retail Bank Customer Survey.**

Please rate how appealing each of the following features is to you if it were to come from your primary bank; 3-point scale top 2 box; filter: likelihood of switching bank in next 12 months; 2-point scale; top 2 box