



# Corporate Banking 2.0: Reinventing the Corporate Bank

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23 DECEMBER 2021

# Critical trends impacting wholesale banking today



## Competitive environment

- Compressed **lending margins**
- High **variation in returns**, dependent on income mix
- Large Asian conglomerates consolidating banking relationship (70% wallet share)



## Evolving client expectations

- Integrated solution mindset
- **Value chain linkage**
- **Digital solutions** (e.g., remote authentication)
- **Value added services** (e.g., outsourcing)



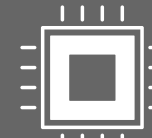
## Increasing trade and regionalization

- Increasing trade volumes (6% growth '18-'27)
- Companies becoming regional
- Cross-border trade dynamics between US and China



## Interim shock due to Covid-19

- Increased credit risk, liquidity constraints
- 7-13%<sup>1</sup> default rate for vulnerable sectors (e.g. real estate)
- Impact on supply chain-idle capacity



## Evolving tech standards and regulation

- SWIFT moving to ISO 20022, impacting: payment systems, data and analytics

1. Based on CDS price 29 Apr 2020 (USA); Implied default rate for vulnerable sectors such as transport and hospitality, Durable Goods, Real Estate, Auto, Energy  
Source: BCG research and case experience



# Corporate clients are becoming more demanding...

## Key pain-points of corporate clients



### Speed

- Slow and cumbersome, paper-based process
- Need for digital self-service for simple products



### Fragmentation

- Multiple portals with different logins
- Need to go to multiple teams for support
- Payroll/ERP integrations yet to become mainstream



### Customization

- Lack of customized solution for niche sectors



### Visibility

- Limited visibility of payment status, LC status, working capital and inventory levels



### User experience

- 'Amazon-like' convenience expected
- Difficult to manage permissions/delegations across business owners/employees



... and require tailored solutions to meet their unmet needs

## Key needs of corporate clients





# Key priorities for a Wholesale Bank of the Future



## Wholesale Banking Priorities



### Sector specific solutions

- Differentiation levers across value chain



### Smart client management

- Smart Selling
- Smart Retention
- Smart Prospecting
- Smart Pricing



### RM enablement

- Digital tool
- Enriched client pool



### Digital operating model

- E2E customer journeys
- Digitization & process robotics
- RM enablement



### Next-gen risk management













- Analytics-EWS, lower cost of risk & monitoring
- Cyber security



### Value added services

- Partnership with Fintechs
- Invoicing, Tax optimization, Supply chain finance, etc.

# Sector specific solutions to win in priority sectors

	Sales / Relationship	Risk	Product	Service	Brand
Typical undifferentiated approach	Unstandardized sales processes	Undifferentiated treatment of loans	One-size-fits-all banking products	Uniform service offering	Generic 'business bank' positioning
Differentiation levers	<ul style="list-style-type: none"> <li>Deep RM expertise</li> </ul>	<ul style="list-style-type: none"> <li>Sector specific UW models</li> </ul>	<ul style="list-style-type: none"> <li>Customized product solns. (e.g. loan structure)</li> </ul>	<ul style="list-style-type: none"> <li>Sector specific Cash mgmt., Payment service</li> </ul>	<ul style="list-style-type: none"> <li>Aligned with needs of target segments</li> </ul>
Global exemplars	 Food, Media, Energy, Finance, Public, RE	 Retirement homes	 Tech sector	 Healthcare payments platforms	 Global leader in agribusiness lending and financial services
	 2-3 industries/RM	 Food & Agri	 Special vineyard, church loans	 	
	 Healthcare	 FI & Public sector		 	



# Data & analytics for smart client management



## Smart Selling

**5-10%**

revenue uplift

- Size client's potential & **share of wallet**
- Capture **non-lending** portion
- **Tailored products**
- **Prioritized RM activities** basis product needs



## Smart Retention

**~25%**

reduction in client attrition

- **Root cause** assessment
- **Predictive models**
- **Proactive attrition mgmt.** through roadmap for RMs



## Smart Prospecting

**~3x**

improvement in Fee income  
(increased lead acceptance rate by RMs)

- **Lead generation engine**
- **Network map** - linkage b/w NTB leads and ETB clients
- **GTM approach** for conversion & **feedback loop**

# Price optimization through a three-pronged approach



## Scientific models to augment the art of pricing

- Industry first pricing model
- Captured customer willingness to pay



## Digital pricing tool empower RM

- Google-like simplified UI
- One-click pricing benchmarks
- Real time profitability impact



## Holistic capability build & enhanced governance

- RM negotiation skill build
- Capability build in model maintenance & analytics
- Customized dashboards



# Collective wisdom of 'best of RMs' can be codified

## Significance test of variables



Test multiple (~250k) data points across data sources

Ticket Size

Maturity

Industry

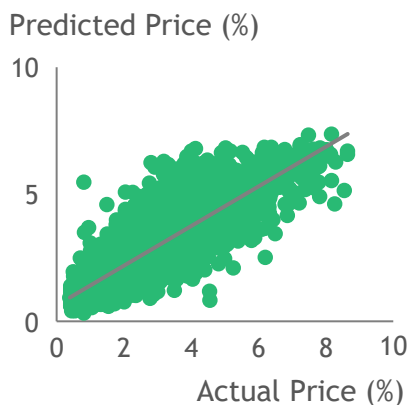
Internal rating

Geography

Exposure

NFB Limit

## Price vs. cost vs. risk analysis



### Statistical models:

- Linear regression
- GBM<sup>1</sup>
- Random Forest
- CHAID DTree<sup>2</sup>

## Deal shortlist based on realization



Arrive at Target Price basis client demand

## Alignment of high impact areas



Priority industries

- ...
- ...

Negative list

- ...
- ...

Priority Circles

- ...
- ...



Indicative impact (basis client experience)

**30 bps** price increase across customers

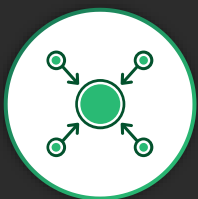
**15x** return on transformation<sup>3</sup> investment

**55%** of clients improved their profitability

# RM's to be digitally enabled to increase share-of-wallet



# Reimagined journeys to match ever-increasing customer expectations...



## Customer-focused design

- Identify **unmet needs**
- Shortlist **opportunities to 'delight'** customers
- Assess **peer capabilities**
- Drive change mgmt. towards **'preferred reality'**
- Deliver and iterate on **MVPs** rapidly



## Digitization & process robotics

- **Partner with FinTechs** for cutting-edge technologies and use-cases
- Integrated suite of **smart processing** technologies
- **Metrics and reporting** for dynamic product management

...to be prioritized for high impact processes



### Account Openings

Seamless onboarding while adhering to Regulatory & Compliance requirements



**15-30%**  
RM support cost decline



### Credit Approvals

Efficient and data-driven credit decisioning process



**20-40%**  
Ops cost reduction



# Analytical risk monitoring can increase effectiveness and decrease cost of risk monitoring

Predictive models using 360° data ...

... Identify high risks clearly (and early) ...

... Allowing early warning and steering ...

... To lower cost of risk and cost of reviews

Typically used in models

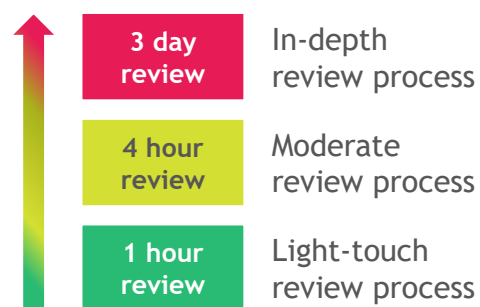
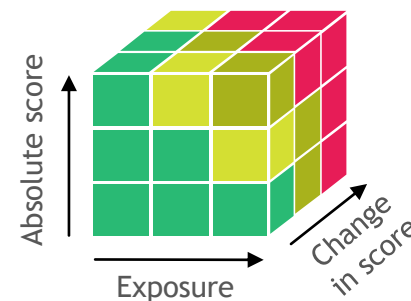
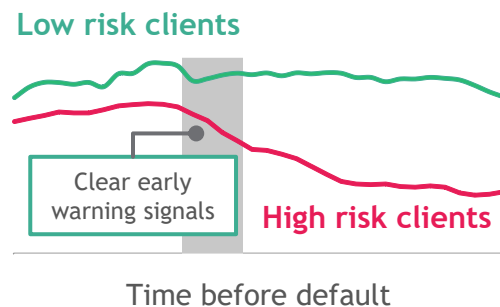
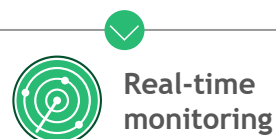
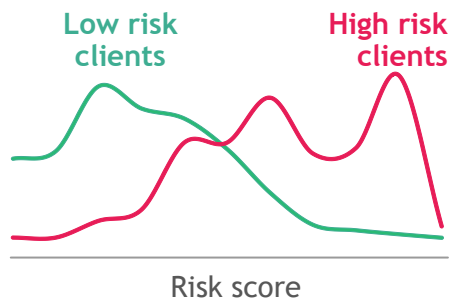
Client attributes  
Financial data

Sometimes used in models

Market data  
Collateral details  
Product history

Under-leveraged in models

Account behavior<sup>1</sup>  
Loan behavior  
Web analytics



Focus on 'Risky' clients rather than reviewing all clients leading to lower cost of risks

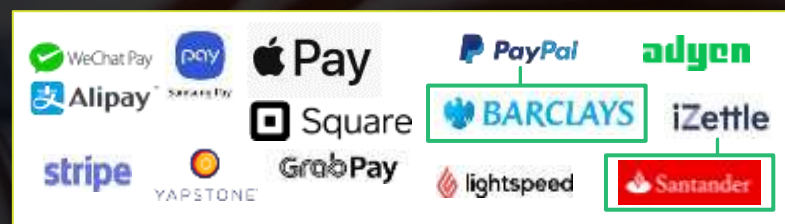
Intensity of reviews in-line with riskiness of customer leading to lower costs of review

1. Transaction accounts offer data delivered in real time, granular, digital and unmanipulated. Given legal requirements, data history & quality are typically close to optimal  
Source: BCG case experience

# Banks can partner with FinTechs to build ecosystems

## Liquidity mgmt. and payments

Instant online payments  
Portable POS-interfaces  
Cloud-stored txn data



## Foreign exchange

Online offerings  
Reduced inconvenience and expense of international transfers



Corporate  
Banks acting as  
gatekeepers  
of ecosystems

## Value-Added Services

Accounting/invoicing  
Tax optimization  
E-commerce development



## Working capital and lending

Online application  
Automated underwriting  
Higher risk tolerances



## Trade, supply chain finance

Visibility on trade and working resources  
up/down the value chain





# Key issues for discussion today

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- 1 How should banks reinvent their operating model and build capabilities to stay relevant amidst evolving globalization of corporate financing?  
.....
- 2 What could be the drivers of Indian corporate banking revenue pools shifting from lending to transaction business?  
.....
- 3 Given strong growth outlook for mid-corporates and SMEs expected, what are key success factors for corporate banks to fulfil this demand for capital?  
.....
- 4 How relevant is the global impetus for ESG and climate financing, to India? How could Indian banks prepare to make the most of this opportunity?



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