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Consumer banking remade by COVID-19

Scenarios for resilient leaders

May 2020

In the wake of COVID-19, Deloitte and Salesforce hosted a dialogue among some of the world's best-known scenario thinkers to consider the societal and business impact of the pandemic. The results of this collaboration can be found in *The world remade: Scenarios for resilient leaders*.

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Banks have become a cornerstone in the battle against COVID-19 as they continue to provide essential services to maintain the economy throughout the pandemic

This document intends to provide consumer banking leaders potential long-term implications of COVID-19 for the consumer banking sector

We are in uncharted waters; yet, banking leaders should take decisive action to help ensure their organizations are resilient

Deloitte's Resilient Leadership framework defines three time frames of the crisis

RESPOND
Manage continuity

RECOVER
Learn and emerge stronger

THRIVE
Prepare for the next normal

Focus of this document: Scenarios for resilient leaders with a medium-term view

Refer to ***Thrive scenarios for resilient leaders*** for a long-term view

This document introduces scenarios of how the US consumer banking landscape may develop over the next one to three years and is intended to help leaders explore some of the potential medium-term implications of COVID-19. These scenarios outline potential futures, created to spark insight and spot opportunity.

Because, as Peter Drucker famously observed, "the greatest danger in times of turbulence is not turbulence itself, but to act with yesterday's logic." [1]

[1] *Managing in Turbulent Times* by Peter F. Drucker (1980)

How might consumer banking evolve in the coming years, and how can leaders be prepared?

1. Explore how uncertainties during the pandemic could shape US consumer banking in the medium term
2. Have productive conversations on the lasting implications and impacts of the crisis
3. Identify decisions and actions that will improve US banks' resilience to the rapidly changing landscape
4. Move beyond "responding" to the crisis and toward "recovering" in the medium term

Scenario thinking can help us better inform our decisions in an uncertain future

This document explores various scenarios about how the COVID-19 pandemic could accelerate or redirect the consumer banking industry over the next one to three years. Building on several trends already in motion, the scenarios are built on important macro and banking sector uncertainties, both already evident and others potentially plausible based on the severity of the pandemic and government actions.

These scenarios target consumer banks, which in many cases includes retail and small- and medium-sized businesses (SMBs).

We chose to focus on the next one to three years on the assumption that this time frame is long enough that change is possible, but close enough that it matters to executives today.

As you read this document, challenge yourself to imagine how things you were sure to happen could now be on a different course. Avoid the temptation to conclude that the crisis will accelerate the changes you already expected or believed were inevitable or that the scenarios are truths or future forecasts.

This document and its depiction of possible future scenarios should ultimately spark several questions around implications and next steps for your organization.

What are scenarios?

Scenarios are stories about what the future may be like, created through a structured process to stretch thinking, challenge conventional wisdom, and drive better decisions today. They are not predictions about what will happen. They are hypotheses about what could happen, designed to open our eyes to new opportunities or hidden risks.

Note that these scenarios stand as of the end of April 2020. They are based on our best understanding of the health trajectory, economic impacts, and government actions in response to the COVID-19 pandemic.

Two critical uncertainties will drive the overall impact of COVID-19

1 | What is the overall **severity of the pandemic** and pattern of disease progression?

Lower impact — Higher impact

Rapid peak
The virus's spread shows a rapid peak before quickly declining

Self-dampening
Rapid exposure across individuals leads to eventual "herd immunity"

Gradual progression
A gradual and prolonged development of the virus's spread is seen

Roller-coaster
Seasonal waves of the viral disease are seen, with decreasing degrees of severity

Second-act
A second wave of viral infections emerges stronger than the first

2 | What is the **level of collaboration** within and between countries?

Significant — Marginal

Coordinated response

- Nations "think big and act fast." Effective collaboration within and between countries to contain the virus's spread through coordinated strategies and best practices (such as mandating quarantines and testing)
- Coordination to reduce mobility of people and slow transmission
- Proactive measures by public institutions to prevent future widespread viruses

Weak and divided

- Lack of coordination among governments and institutions to provide supplies and resources required to prevent virus's spread
- Lack of accountability and breakdown in communications and information-sharing
- Insufficient and uneven response to effectively address mobility of people carrying the disease

Note: Refer to "The world remade by COVID-19: Scenarios for resilient leaders," section 2

Making sense of the future

Four scenarios as thought starters

The passing storm

The pandemic is managed due to effective responses from governments to contain the virus, but is not without lasting repercussions, which **disproportionately affect SMBs and lower- and middle-income individuals and communities**.

- Relatively constrained disease dynamic
- Effective health system and policy response

Lone wolves

Prolonged pandemic period, spurring governments to **adopt isolationist policies**, shorten supply chains, and increase surveillance.

- Severe, rolling pandemics
- Insufficient global coordination and weak policy response

Good company

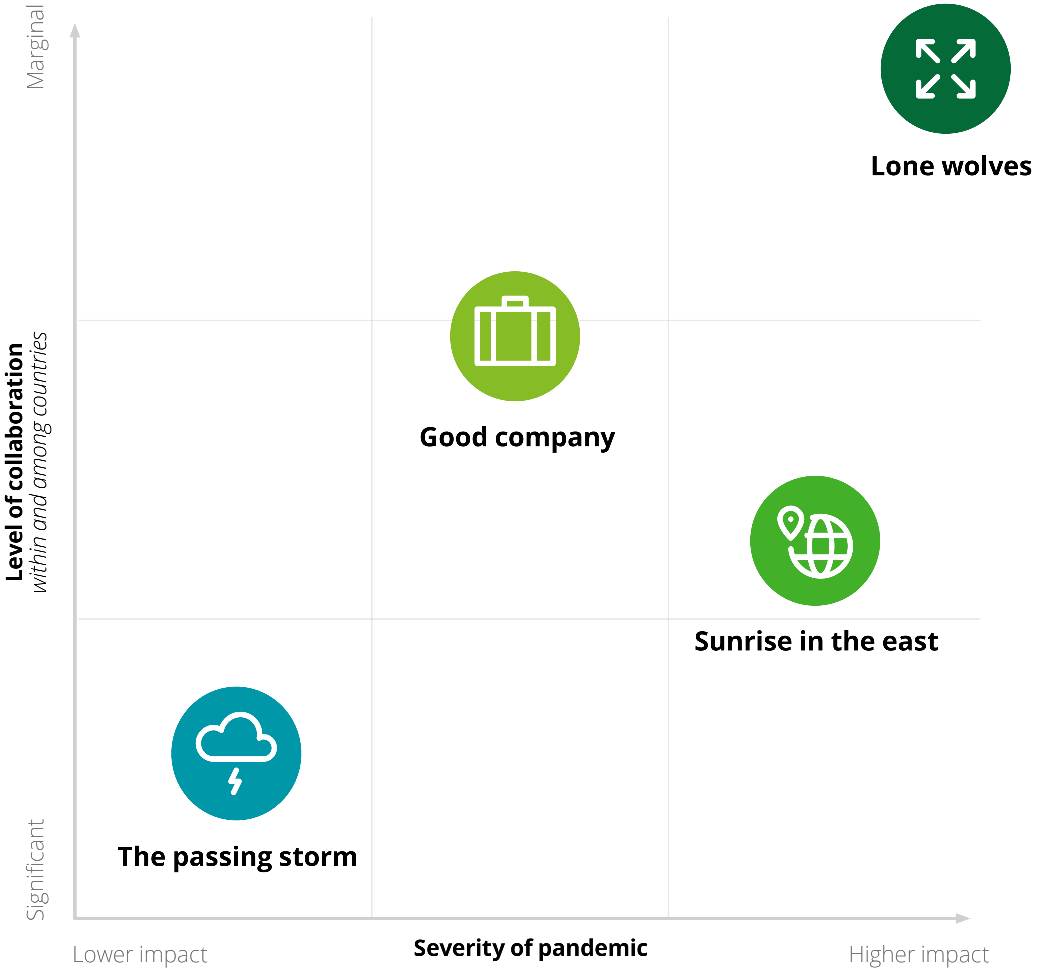
Governments around the world struggle to handle the crisis alone, with **large companies stepping up as a key part of the solution** and an acceleration of trends toward "stakeholder capitalism."

- More prolonged pandemic
- Collaboration to control the pandemic led by large companies

Sunrise in the east

China and other East Asian nations are more effective in managing the virus and take the reins as **primary powers on the world stage.**

- Severe pandemic
- Collaborative health response led by East Asian countries



Note: Refer to "The world remade by COVID-19: Scenarios for resilient leaders," section 2

These scenarios illustrate potential ways in which the US consumer banking landscape could unfold over the medium term

	The passing storm	Good company	Sunrise in the east	Lone wolves
The US economy...	...**recovers rapidly** after an initial recession due to an effective health response from the federal and state governments	...**recovers more slowly, relying on large corporations** to lead the recovery as the government struggles	...**recovers very slowly** due to the prolonged nature of the virus, with foreign investments helping the economy to recover	...**is left in turmoil** as global supply chains are disrupted
Consumer behaviors...	...**return to status quo** with no material long-term changes in behaviors or attitudes	...**become more comfortable sharing** data with corporations as trust in these increase	...**become less loyal** and more aggressively search for offers and personalized customer experiences	...**demand that most interactions are contactless** and continuously search for yield across banking offers
Banking industry...	...**reverts to pre-crisis levels**, although weaker banks struggle during the crisis	...**becomes more crowded** as nonbanks enter via banking-as-a-service	...**transforms** as platforms gain in popularity and foreign players and banks explore alliances/M&A	...**shrinks dramatically due to prolonged crisis**; many banks struggle to navigate poor long-term credit performance
Regulation...	...**converges to global standards** as governments find common cause to collaborate (e.g., open banking)	...**eases and champions** both ease of business for banks and collaboration	...**accommodates greater foreign investment** and roles for international players	...**supports protectionist policies**, with stricter regulation limiting foreign competitors
Technology advances...	...**stay on course**, but with a greater focus on modernizing legacy systems	...**focus on "more human" digital advice and personalization** as customers offer up more data	...**shift to support platform models** underpinned by public cloud and sharing costs through utilities	...**focus on contactless solutions** as rolling pandemics threaten in-person transactions
Profit margins...	...**are initially squeezed**; however, the CARES Act helps banks to **gain from fees from the stimulus package** and support the economy	...**are challenged** by the prolonged crisis but recover due to lower price sensitivity	...**never recover** for banks, who struggle to own customer experiences and do not develop new differentiators	...**are challenged by low rates** and poor credit performance, but eventually recover due to market consolidation and price increases

10 potential implications for consumer banking in the US, irrespective of which scenario unfolds

Laser focus on cost-to-serve	Financial institutions' profits will be under pressure due to potential increase in credit losses and a low-interest-rate environment
Digital acceleration	Digital agility will accelerate in importance, requiring banks to restructure tech (e.g., cloud) to reduce costs and improve agility. Regulators might respond with mandated investments in digitizing the core and revised stress testing scenarios, leading to capital and investment constraints
Advance no-touch experience	Contactless payment products, artificial assistants, and their supporting capabilities (e.g., cybersecurity) will see greater demand and investment; and digital experiences will become more human
Beware of high risk of switching	Firms who make mistakes and are unresponsive to customers may lose loyalty during a period where customers are more sensitive to poor experiences
Make or break for challengers	Reliance on contactless channels and more yield-seeking behavior by customers provide a perfect opportunity for challenger banks to capitalize, provided they can navigate the credit cycle
Preserve human connection	Despite banks placing more control directly into customers' hands via self-service, human interaction via call centers and branches will remain critical, with contact centers notably rising in importance
Stick to remote work	Remote-working models could remain as the new normal for many functions, especially the middle and back office (increasing operational risk and need for focus on operational resiliency). Human and machine collaboration will progress, creating broad need for retraining
Non-FIs enter	Non-FIs (e.g., retail, big tech) will accelerate their entry into consumer banking and pressure incumbents and take the innovation initiative. There is significant M&A potential within the fintech sector
Accelerate branch makeovers	Overall branch transformation efforts will be accelerated through new concepts, further footprint consolidation, more standalone ATMs with additional servicing capabilities where branches once were, and re-organization of existing full-service branches to specialized advice centers
Growth shift away from tier-	Population growth will accelerate the shift away from tier 1 cities (e.g., New York, Los Angeles) and toward their suburbs. Further growth will shift toward tier 2 cities (e.g., Charlotte, Orlando)

Seven no-regret actions for the following six to nine months that can better position banks to recover

No-regret actions	**1. Take lead to support communities**	Show empathy to customers, as in the short run it will drive long-term differentiation. Banks should respond with community investment funds and other community-building efforts. Also, determine a sensible collections strategy that supports customers and communities while maintaining solid books
	2. Accelerate time-to-market in front office	Contactless channels (e.g., digital, call center) will accelerate in importance and become a source of differentiation. Prioritize the initiatives that will accelerate the ability to quickly deliver needed features and functionality, i.e., accelerate modernization and digital innovation efforts
	3. Help customers outlast the crisis	Address customers' financial needs without exposing bank's viability (e.g., communicate, proactively reach out, update product pricing, change policies on loan forbearance, develop tailored plans to catch up for repayments, and support SMBs with capital solutions)
	4. Proactively review and manage credit portfolio	Proactively review credit product portfolios to identify industries and customers at risk of default. Start developing new scorecards and forecast models to identify customers at risk of default based on specific information (i.e., impact analysis by industry) and actively communicate with customers
	5. Focus efforts on mid-term profitability opportunities	Prioritize branch strategy refinement; configure flexible working models (e.g., remote work options); increase investment and speed of bringing to market new technology, determine impact on cross-sell as potential long-term impact of ability to sell via physical channels
	6. Accelerate modernization and digital (i.e., public cloud and AI)	Prioritize loan processing for existing customers; then focus on medium-term initiatives to modernize technology infrastructures that support changing risk and cost positions, and provide a foundation for next gen digital channels
	7. Redefine call center strategies	Redefine call center strategy and upscale in capabilities as call centers have increased in relevance. Use the opportunity to include intelligent automation. Shift to remote working models to improve service and cost efficiency
Actions to avoid	**Don't shift from product innovation to customer service**	Although it is critical to focus efforts on customer service, product innovation should remain central to address customers' financial needs as a result of COVID-19, ensuring not only customers remain loyal to the bank, but also to potentially increase market share
	Don't make wholesale changes to processes	Updating and refining risk processes is imperative; however, massive changes of processes in the short term may be risky. Process changes may affect operations efficiency and the capacity to respond against customer demands or market changes
	Don't make wholesale changes to your hiring strategy and performance management	For the short term, and until uncertainties in the market become more clear, hiring strategy and performance management should remain the same to avoid creating an organizational structure that is out of line with what the market and customers require
	Don't rush for an expansion, but carefully determine investments	As success factors for expansions are unclear, careful decision-making is required; ongoing expansion plans may continue to be executed. New plans should be reconsidered until the market shows more clarity around how the consumer banking industry may evolve

A closer look at the scenarios

How to read the following pages

As you read the scenarios, DO…

…focus on why this scenario might happen and what it would it mean if it did.

…remember that there is no data about the future. There is only data about the past. These are efforts to spark new ideas about the future. If they don't challenge your expectations, they're not doing their job.

…resist the temptation to focus or anchor on the scenario closest to your current expectations.

As you read the scenarios, DON'T…

…focus too much on specific details. Instead, read for the overall direction and conditions each scenario creates.

…expect to see specific forecasts or detailed views on specific banks according to their characteristics or type (e.g., size in the market, capabilities, regional vs. global bank).

…try and assign probabilities to these scenarios. At this moment, the question should be, what do we need to be ready for, even if we think it's "improbable?"

Structure of the following pages

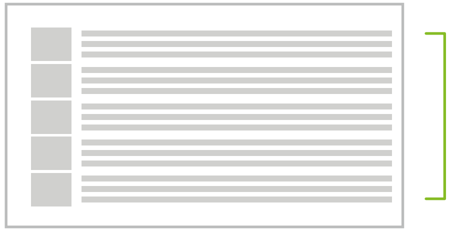
Page 1 of 2: Overview

The **contextual environment** paints a picture of how each particular scenario unfolds

The **banking system** provides a detailed analysis of how the scenario unfolds within the consumer banking industry

Signals + signposts depict the conditions that must be true for the scenario to occur

Page 2 of 2: A closer look



Additional narrative elements depict implications to ecosystem participants and the competitive environment

As you reflect on these scenarios for consumer banks, consider…

- How are your **businesses impacted** in these scenarios? What would have to change if one of these scenarios were to unfold?
- What **opportunities** that seemed unattractive pre-COVID could be attractive now?
- What might **consumers value** in particular in these different worlds? How might that vary by geography, customer segment or products?
- What are the **biggest threats** to your current business in these worlds?
- What new **providers, companies, business models, and ecosystems** might emerge?
- Which existing companies are best positioned to succeed?
- What **capabilities, relationships, and assets** are important in these worlds?

Scenario 1

The passing storm

Signals + signposts:

- Governments effectively collaborate to share best practices and resources
- No indications of a second wave of the virus
- Mechanisms to combat the virus (e.g., immunization) are mobilized
- Economic activity rebounds in late 2020. Recovery initially slow, but speeds up in the second half of 2021 as consumers become more confident

Contextual environment

- The COVID-19 pandemic shakes America, but after a slow initial reaction, the pandemic is met with an increasingly effective health system and a strong political response. The virus is eradicated earlier than feared due to coordinated measures by global players to spread awareness and share best practices
- Economic growth takes a hit in the immediate aftermath of the crisis, but the CARES Act and additional government relief limits the shock and bolsters consumer confidence, returning the economy to positive growth in 2021
- Although short-lived, the pandemic exacerbates the challenges of socioeconomic inequality, as people's uneven ability to weather the storm becomes highly evident
- In response to short-lived quarantine measures, development in communications and collaboration tools sees massive acceleration, particularly in remote conferencing and VR

Banking system

- Strong policy response prevents structural damage to the banking industry and leads activity to recover to positive growth within one to two years
- Most mid-tier and community banks weather the storm due to both their strong capital reserves and effective government actions (including the CARES Act) designed specifically to support them
- Challenger banks and noncharter financial institutions are shaken due to their lack of liquidity and capital access, driving regulators to further scrutinize these players
- Market consolidation continues and accelerates slightly above the pre-crisis rate
- Increased collaboration between countries leads to further convergence of global banking regulations around open banking and data sharing, placing more control into the hands of customers

The passing storm

	Customers	Channels	Products
Competitive implications	• Low-income consumers and SMBs are hardest-hit, as they are primarily employed in the most impacted industries; however, government stimulus and economic recovery help to limit the shock • Despite being more accustomed to digital channels for transactional services, customers still rely on branches to satisfy complex needs (e.g., financial advice for mortgage loan) • Consumers gain trust in banking institutions, as banks are seen to largely weather the storm	• Crisis exposes the fragility of human services channels (call centers and branches), which struggle with high volume during and after the crisis, resulting in significant customer dissatisfaction • Channel investments shift marginally to self-service (e.g., mobile, online) and call centers • Branch transformation efforts are unchanged, but become a main priority for incumbents as they seek to rationalize, offer stand-alone ATMs, develop companion branch models, and begin to develop significant AI use cases for branches	• Margins recover slowly to pre-crisis levels due to the renewed low-rate environment, but pricing structures do not shift materially in the long term • Number of secondary deposit accounts grow as customers frustrated with poor experiences through the crisis use digital account opening functionality to open second accounts—customers do not shift the majority of balances to new accounts • Volume of auto loans, student loans, and mortgage loans quickly recover to pre-crisis levels as home ownership and education become staples of the recovery

	Incumbents	New entrants
Ecosystem participant implications	• Incumbent banks' resiliency through the crisis leads to an increase in customers' trust and loyalty • Despite lagging technology investments to meet customers' expectations, government support and customer loyalty help regional and community banks to remain competitive in market and continue on their pre-crisis trajectory • Some mid-tier financial institutions face less profitable margins, becoming acquisition targets for scale players to increase the size of their books	• Challenger banks struggle with little government support and poor economics, but maintain their focus on the pre-crisis strategy, increasing market share through serving niche segments • Retailers and tech firms find their increased share of online and foot traffic sticky, leading to more interest in offering consumer banking services through partnership with banks

Scenario 2

Good company

Signals + signposts:

- Banks and other businesses take initiative to combat the virus spread and support recovery
- A shift towards greater corporate responsibility is seen with new long-term outlooks, leading to greater emphasis on investing in workers and communities
- Economic recovery begins late 2021. Recovery slows in early 2022 and speeds up by the second half of 2022

Contextual environment

- The pandemic persists past initial projections, placing a growing burden on global governments who struggle to handle the crisis
- Financial institutions and other large corporations step up to fill the void left by the uncoordinated response among global governments, gaining trust and prestige
- US economic recovery starts slow in early 2022 and speeds up by the second half of the year. Interest rates stay near zero through the end of 2022
- Large companies respond quickly and figure out how to configure and restructure their supply chains, observing a rapid growth in output after the crisis

Banking system

- Demand for nonloan banking services recovers slowly and trust in banking institutions increases; leads to higher demand post-crisis and engages less price-sensitive customers
- Regulators loosen regulations to support flow of credit to the communities. Regulators are supportive of big tech, challenger banks, and other new entrants who heavily use technology and have low cost structures
- Increased trust in "good companies" results in customers willing to share data more broadly, which gives players who are able to drive insights and value an advantage over competitors
- Challenger banks and other niche players lean in and benefit from the rising tide of trust for institutions. Rising trust levels provide increased access to data, which further drives and sets the pace of innovation
- Prolonged pandemic and economic downturn lead to a fundamental shift in the balance of market power as M&A activity, from nontraditional players, impacts existing market structures

A closer look at the scenarios

Good company

	Customers	Channels	Products
Competitive implications	• Trust skyrockets for banks and corporations who demonstrated community support—leading to greater loyalty, lower price sensitivity, and a greater willingness to share data • As banks have greater access to consumer data, individuals and SMBs are provided more relevant advice and products—extending a private banking-like experience down-market • Previously unbanked Americans increasingly establish bank accounts as trust improves and banks respond with tailored solutions (e.g., offering greater access and transparency)	• Prolonged crisis results in increased demand, adoption, and usage of digital channels, leveraging AI to create conversational and more "human-like" interactions • But advice still continues to be largely human-based (e.g., trading, wealth, and mortgage) • Branch transformation is accelerated, migrating from a full-service channel that processes transactions, to a relationship management channel focused on advice for consumers—enabled by stand-alone ATMs and strong support tools (e.g., AI)	• Banks use customer data to develop personalized and tailored products and services • Advice and speed to credit are among the most critical competencies developed by good companies • Financial institutions develop innovative and targeted solutions for underbanked individuals, covering basic financial needs at an achievable cost

	Incumbents	New entrants
Ecosystem participant implications	• A lower-for-longer-than-expected interest rate environment leads incumbents to identify new business models that balance support for communities with sustainable profitability, improving trust and loyalty from consumers • Incumbents seize the opportunity to embed crisis-driven demand and processes into their long-term operating models (e.g., significant improvement of seamless digital channels and agile working) • Incumbents slow to implement new ways of differentiating face declining margins, as traditional differentiators such as price and speed give way to new factors like personalization and ecosystems • Aggressive competition leads to further consolidation, notably among attractive mid-size players • Incumbents aggressively reduce technical debt to achieve long-term operations efficiency	• Big tech firms become critical sources of data as customers demand greater personalization; these firms penetrate the market both single-handedly and through partnerships with banks and challengers • Big tech firms use their customer service expertise to increase market share while penetrating the consumer banking industry • New entrants consider M&A of small- and medium-sized banks for increased speed to market • Challenger banks have the opportunity to provide products and services to underserved segments, while large banks battle big retail and tech companies for their existing customers' portfolio base

Scenario 3

Sunrise in the east

Signals + signposts:

- Far East nations emerge from the recovery period with less economic impact
- China and other Far East nations significantly ramp up foreign direct investment efforts, bolstering their global reputations
- Economic recovery begins late 2021. Recovery speeds up by the second half of 2022, with quicker speeds of recovery in the East

Contextual environment

- China and other Far East nations managed the disease earlier than Western nations and emerge from the pandemic stronger, while the Western nations struggle with deep and lasting human, social, and economic impacts. Economic power shifts east as Eastern countries help the world recover
- China and other Far East nations rapidly mitigate the pandemic within their borders and support friendly nations with resources and best practices. Mitigation efforts result in a shift of trade flows away from the United States, reducing Far East dependency on US trade
- The US economy takes significantly longer to return to pre-COVID levels, resulting in a weakening of the US dollar against the Yuan. Significant shrinkage is seen in the economy, and multiple large government bailouts are needed to keep major industries afloat. Pandemic creates a "social leveling" across all classes
- Increases in consumer data sharing with governments and businesses drive a leap forward in AI development, and the capability is quickly embedded into everyday life (e.g., health and security)
- Citizens accept government and institutional surveillance mechanisms as part of the public good

Banking system

- Slow recovery and long-term near-zero interest rates result in muted balance sheets and a smaller banking profit pool, driving increased market consolidation particularly among small- and mid-sized banks
- US banking policy shifts towards less protectionism and greater convergence with international rules (e.g., open banking), as better economic conditions abroad lead to a decline in investment capital in the US and a greater desire for foreign investment
- The largest East Asian banking and technology ecosystem players begin to make plans to penetrate the US markets
- Customers, hurt by the crisis, increasingly seek to optimize their financial situation as they search for yield. Platform models gain in popularity, offering institution- and product-agnostic algorithms that match customers with products based on price and fit (identified with data-driven insights)
- Incumbents accelerate their push for customers to be self-serviced through digital and call-center channels. The acceleration is driven by worsening customer economics and foreign new entrants

A closer look at the scenarios

Sunrise in the east

	Customers	Channels	Products
Competitive implications	• Customers, hurt by the crisis, increasingly seek to optimize their financial situation, leverage banking platforms to search for increased yield • Loyalty to banks is challenged as new entrants bring new and innovative solutions to market • Fragmentation between segments accelerates; early adopters benefit from digital boom, while individuals overwhelmed by technology rely more on physical channels	• More customers turn to aggregators and digital marketplaces supported by big tech and foreign entrants. Aggregators place pressure on margins by allowing for standardized comparison of multiple providers • Inclusion of financial services into marketplaces and digital platforms for consumer and commercial banking becomes paramount • Most segments and transactions migrate to digital channels, while branches remain relevant for specific segments	• Advice becomes more personalized and products are more bespoke due to the use of alternative data • Myriad of new apps emerge on platforms and aggregators, which automate day-to-day financial management like savings and bill-payment activities • Banks focus on supporting outside offerings through new technologies (e.g., cloud, APIs) in response to new solutions from foreign players

	Incumbents	New entrants
Ecosystem participant implications	• Ownership of customer experience becomes more important as platform models gain in popularity. This ownership will enable companies to be highly influential in the marketplace • Reacting to pressures on efficiency ratios, banks further explore alliances among each other and with new entrants to develop and share noncompetitive capabilities (e.g., document management). New partnerships will invent capabilities and products to support the quickly changing online economy • Technology investments (e.g., AI and modernizing core platforms) take center stage as global banks seek to improve scalability to match the Asian entrants (i.e., big tech) • Tech capability providers improve by automating and outsourcing even more sophisticated activities that have traditionally required "human" skills, shifting tech skills required and challenging banks' decisions to invest in-house	• M&A will be driven by foreign firms entering the market and domestic technology companies; East Asian banking and technology ecosystem players, less affected by COVID-19 economic impacts, begin to penetrate the US market and bring with them entirely new products and large ecosystems, as well as unmatched financial power • New entrants dictate the direction and pace of innovation, resulting in a call to arms across the industry. Finance offerings are becoming truly real-time across the basic functions such as save, transact, fund, invest, and insure

Scenario 4

Lone wolves

Signals + signposts:

- The COVID-19 virus continues to mutate and evolve, evading eradication
- Countries deemphasize working together and enforce isolationist policies
- Global economic recovery by mid-2022, with diverging rates of recovery across countries

Contextual environment

- The COVID-19 pandemic becomes a prolonged crisis as waves of disease rock the globe for longer than anyone was prepared for. No vaccine seems to be close, global health systems are overwhelmed, and societies become increasingly depressed
- Countries grow isolationist in the name of domestic safety as mounting deaths and social unrest continue. The isolationist reaction limits trade flows and reduces geopolitical alignment
- Government surveillance is commonplace as tech monitors civilian movements. The government collects personal and social information not only to eradicate the pandemic, but also to put in place effective prevention methods
- The economic downturn and investor uncertainty dramatically impact the capital markets; companies experience sharp falls in market value across various industries

Banking system

- Overall trust in the banking system declines due to the prolonged crisis eating at banks' capital and limiting the effectiveness of government backstops. Loyalty to individual banks also decreases as customers switch banks often in search of the best yield
- Some international banks make plans to exit the US as they find it costly to operate across multiple countries with divergent and strict regulations
- Community and regional banks that historically have not invested in digitalization struggle to remain competitive from a pricing and digital experience perspective, leading to significant market consolidation as those banks are acquired by larger and stronger incumbents
- The US accelerates digitization and becomes a more cashless economy to reduce the risk of contagion through physical currency bills. Merchants invest in facial recognition and geo-sensors to facilitate contactless payments and money transfers

A closer look at the scenarios

Lone wolves

	Customers	Channels	Products
Competitive implications	• Increasingly untethered from living near work, more customers choose to live in small towns and tier 2 cities. Growth shifts away from large city centers • Loyalty to individual banks decreases as customers switch banks often in search of the best yield during continuous unemployment pressure • Cash payments drop sharply, as individuals are afraid of getting infected; accelerating use of electronic payment methods • With increased government presence in their lives, customers seek to maintain their freedom and rely more on alternative payment methods such as cryptocurrencies	• Physical distancing becomes an ongoing facet of life, driving a decline in branch traffic and increased use of contact centers • Customers almost fully rely on digital channels to meet their banking needs. The richness of channels (e.g., hyper-personalized, more human) becomes a significant differentiator • Strong desire for "no-touch and light-touch" hyper-personalized experiences drives adoption of all things contactless, including mobile payments, mobile authentication at ATMs, and voice assistants, which become meaningful differentiators • Rise in innovations to address customers' needs with minimal contact such as "drive-through channels" or "ATM on wheels"	• Bare-bones digital direct deposits and savings accounts become widely popular due to lower acquisition costs, as customers are not willing to pay for complex customized products • Regular crises, a prolonged low-rate environment, and the proliferation of the sharing economy conditions customers to avoid purchasing big-ticket items and adopt a "pay-as-you-go" lifestyle focused on access and flexibility, leading to a need for new and entirely fee-based business models • Industry consolidation results in less competition and higher prices • Continued economic pressure and unemployment causes a reduction in mortgage and auto-loan volumes

	Incumbents	New entrants
Ecosystem participant implications	• With supportive regulation, consumer banks heavily invest in contactless payments as brick-and-mortar merchants seek to adopt facial recognition and geosensors to pay for payments • Some banks may not be able to make the needed and required investments while encountering large losses. Regulators step in to support or take over struggling big banks • Traditional regional and community banks struggle to invest in the tech capabilities that customers are looking for, resulting in market consolidation and downstream impacts to suppliers like core banking outsourcers. Regional banks who can invest in tech updates have better standing • International banks take a big hit as compliance costs associated with operating across different countries rise • Consumer banks implement remote work models and consolidate branches	• Challenger banks struggle to survive as a prolonged crisis limits investment capital and minimizes economics; the remaining challengers will cut prices to gain deposits and set lower or no fees based products • Direct banks with no physical presence arise, decimating the branch-based models • Some digital challengers fail given lack of profitability and investment funding drying up, causing many challengers to exit the market. Customer books and digital assets will be sold off to incumbents

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