

By Daniel W. Rasmus



## The Tens—10 Reasons Banks Need Scenario Planning

**1 Loss of Trust** In a 2011 Ernst and Young [Global Consumer Banking Survey](#) the firm reported that 44% of customers say their confidence in the banking industry has decreased since 2010. Banks cannot re-establish trust by talking around customers and focusing on financial instruments and non-productive investments. Banks need to reconnect with their core clients. Scenarios help people imagine what they will need to do to rebuild trust against multiple social, economic and political backdrops.

**2 Branding is More than Marketing Image** Banks cannot just spruce up their market image with bright colors and new experiences to attract and retain customers. In the era of social media, banks need to authentically engage customers. Scenarios can help banks think about what authenticity may mean in the future, and imagine what channels will exist, and how they should engage.

**3 Changing Consumer Expectations** Young consumers want different things from their banking experiences than the aging populations of America, Europe, Japan and elsewhere. But even technology-savvy older adults are shifting their expectations. Scenarios create rich canvases to explore future expectation shifts by mapping how strategic forces will reshape consumer perceptions and needs.

**4 Technology Anticipation** Scenarios focus on anticipation. They aren't always right, but they are more right than linear extrapolations of the present. Scenarios offer powerful tools for considering how technology will evolve, and more important to banking, how it may be applied to the experience of transactions and financial relationships.

**5 Managing Risk** You can't manage a risk you don't know about, and if you focus on known risks, you may well miss emergent risks. Scenarios force people to confront and challenge their assumptions, which will help them identify and acknowledge emergent risks.

**6 Emerging Markets** Don't think exclusively: South Asia, China, Russia, Africa or the Middle East. Think the unbanked in the United States, primarily Hispanic immigrants sending money back to their historic countries of origin. Think

everything from PayPal to Linden Dollars to iTunes accounts. Millions of dollars in transactions take place outside of the banking system. Scenarios can help banks anticipate disruptions, and see opportunities, before they become irrelevant.

**7 Rethinking Innovation** Innovation has been rampant in banking, but too often focused on new ways to create income from non-productive investments. Derivatives, hedge funds and other related instruments distance banks from their direct customers by creating abstract concepts, intangible investments and difficult language. Banks need to realize that innovation examines policies, practices, relationships, communications, perceptions, offers, investments, social responsibility and environmental concerns, to name a few. Scenarios help organizations confront their assumptions and discover new definitions of value.

**8 Differentiation** Although we can't foretell the future, we can, with great accuracy, say that the future will be uneven in the application of policy and opportunity, of threats and regulations, across sovereignties and populations. Scenarios can help banks explore what future markets they want to play in, and how best to differentiate and position themselves to be attractive to the customers in those markets.

**9 Uncertainty** From regulation to customer expectations, much about banking is uncertain. Scenarios ask that participants put a name on uncertainty and grapple with the implications of not knowing by making strategic investments that are robust and resilient in the face of change.

**10 Co-Creation** Banks want to remain relevant. Their size and integration will float the industry for a long time, but will it be a growth industry, driven by real innovation, or will it be a dying industry, looking toward consolidation, cost cutting and financial instruments to make its balance sheets appear credible as its power and influence diminishes. Scenarios can help banks think more holistically and honestly about their future and determine how to co-create the future with policy makers, regulators, and most importantly, their customers.