



Three drivers supporting a business case for digital change

Redefining digital transformation

Section two



Making the case for digital transformation can be challenging.

Getting institutional buy-in can be tricky, with key stakeholders hoping to minimize cost, risk, and in many cases, a change to the status quo.

The reality, however, is that digital change is happening all around you. As technology develops, this “profoundly changes the strategic context: altering the structure of competition, the conduct of business, and, ultimately, performance across industries” according to a McKinsey report.

As strategic frameworks shift, so too do the components of a successful business case that support them. What does that mean specifically for the lending industry?

To help justify the business case for digital change at your bank or credit union, we leveraged McKinsey’s framework identifying three rationales for technology adoption. As you make your pitch, you can leverage market competition, bottom line pressures, and consumer experience as key drivers.

In the following pages, investigate the underlying factors across these three drivers that can help support the transformation your customers deserve.

The three drivers:

Market competition

Bottom line

Consumer experience

Market competition

There is no denying the significant market shift impacting financial services (broadly) and the lending industry in particular.

Most traditional banks are working on digital plans, and fully digital banks are gaining market share each year. Most recently, a variety of non-financial technology firms, including tech giants and e-commerce organizations, have entered into financial services.

In order to ensure your customers are getting the best out of you, a “keeping up with the Joneses” framework can be helpful as you make the case for strategic shifts. The competitive changes you can leverage fall into three basic buckets.

Traditional banks digitizing

Digital disruptor banks

Non-financial technology companies

01 Traditional banks digitizing

Digitization is the new normal. 97% of financial services firms are making progress on digital transformation, “whether they’re in the process of developing a strategy or already implementing one,” says BDO.

Instead of, or in parallel with, fully transforming their bank’s operations, some large incumbents have been bold enough to launch their own neobanks to compete with the disruptors. Others are developing solutions themselves, purchasing technology solutions from vendors, or partnering with fintechs to reach their goals.

Traditional lender Assurance Mortgage adopted Blend’s platform to stay ahead in today’s competitive market. This partnership led to the creation of a digitized loan officer assistant named Abby. With Abby in place, Assurance Financial has seen substantial digital growth.



15%

**YoY total
volume growth**

“The acquisition numbers have been fantastic so far. Even though we don’t have boots on the ground in every market across the country, Abby helps us capture market share.”

Kenny Hodges

CEO, Assurance Finance

[Read more about Assurance Financial](#)

02 Digital disruptor banks

There are thousands of neobanks, or digital disruptors, now fighting for market share, and their funding is larger than ever. In the first half of 2019, they raised a record \$2.5 billion.

Disruptive challenger banks are built to innovate. These nimble organizations can move faster than traditional banks because of their lean business models. Unlike traditional banks, they aren't encumbered by the significant costs of maintaining physical branches.

In their Financial Services 2020 report, PwC says, "Successful disruptors typically offer a better customer experience and greater convenience at a much lower price." Why is this? They are focused exclusively on this customer-focused digital experience. To keep up, make the case for doubling down on *your* customer focus.

03 Non-financial technology companies

Tech giants, with deep pockets and countless loyal customers, are beginning to offer financial services. According to Accenture's research, "many executives predict that non-financial technology companies will become major players in financial services within five years."

These companies have a unique set of advantages. They have a wealth of consumer data, enabling them to offer customized solutions. They are able to roll out new products and features swiftly, and the solutions they offer are often integrated into existing experiences with large customer bases. The nature of their businesses also means these new elements can be rolled out without an upheaval of their operations.

Look to competitors, whether new, old, or simply with a new paint job, as you make the case for customer-focused digital transformation.

Bottom line

Unparalleled market uncertainty in 2020 has been an unfortunate reminder of the need for fiscal diligence. Banks have a renewed need to innovate, provide digital solutions that meet demand, and find cost savings wherever possible.

The period of strategic adjustment necessary to meet new market realities is the perfect time to consider how customer experience can be a driver of bottom line growth. Perhaps surprisingly, investments into technology that improve your CX can have significant positive impact on your balance sheet over the long term.

Digital platforms are a method of digital transformation that directly support a customer-focused restructuring of your bottom line. Automation helps maximize the return on resource allocation.

It allows employees to spend time working in their areas of expertise, where they are adding the most value to the business. For instance, loan officers can serve as trusted advisors to customers in the application and buying processes while a digital platform takes care of manual tasks that once took up much of their time.

BCG reports that risk and operating costs are “the most significant encumbrances” for banks across all regions. Automation reduces human error, including data entry mistakes or other misstatements, which can be extremely costly for organizations. The costs of errors come in many forms, including wasted time, monetary costs, and a decline in company reputation.

BCG found that “banks that make a full digital transformation can reduce operations costs across their front, middle, and back offices by 20% to 40% over three to five years.” When you make these changes in service of your customer, you are putting your organization at the forefront.

BMO Harris Bank partnered with Blend on their digital transformation. This allowed them to automate tasks, freeing LOs to make personal connections and grow their business.

Redefining digital transformation
Section two



253%

**YoY increase in
digital home equity
applications**

*“I’ve heard several times from
bankers that they now have more
time to sell.”*

Mark Schulman

Head of Consumer Lending, BMO Harris

[Read more about BMO Harris Bank](#)

Consumer experience

The definition of a good customer experience has evolved, as customers have increased expectations.

The average consumer is more empowered to demand what they want — simplicity and ease of use, efficient processes, and personalized experiences. Consumers tend to visit branches less, but they still want a person available to converse with, especially when it comes to making large decisions. In an era where so much is on-demand, they can be impatient.

These changing demands mean banks are called to deliver an omnichannel experience, providing routes of engagement through mobile, web, call centers, and in-person interactions. A comprehensive digital platform enables these touchpoints to become one unified experience while helping to satiate the customer's desire for information and advice when and where they want it. Well-implemented digital platforms also utilize customer data and analytics to make personalized experiences a scalable reality.

It's important to note that a better customer experience drives two things: winning new customers and customer loyalty. Winning over new customers means increasing revenue, and customer loyalty means the opportunity to drive deeper relationships, leading to sustained revenue over time.

Navy Federal Credit Union reaffirmed its dedication to serving its customers by exceeding expectations with easy-to-use self-serve applications made possible by Blend's platform.



2X

Increase in self-serve applications

“Consumer expectations are changing, and we have to deliver an elevated experience.”

Randy Hopper

Senior Vice President, Mortgage Lending

[Read more about Navy Federal Credit Union](#)

The case for digital change is undeniable.

A well-executed digital transformation, which can be accomplished in tandem with your existing technology stack, will enable you to provide a different level of customer service.

Utilize the three key drivers — market competition, bottom line pressures, and changed consumer expectations — as you gather internal support for technological investment.

You will be able to offer your customers a unified experience seamlessly comprised of the digital capabilities they expect and the personal touch you pride yourself on. In turn, you'll stay competitive, revive your balance sheet, and signal to customers that you understand their changed desires.

Sources

BDO USA LLP. (2019, April). BDO's 2019 Middle Market Digital Transformation Survey. BDO. <https://www.bdo.com/insights/industries/financial-services/digital-transformation-in-financial-services>

Eisen, B. & Benoit, D. (2020, January 12). Bank Stocks Had a Bonanza in 2019. Earnings Will Be More Blah. Wall Street Journal. <https://www.wsj.com/articles/bank-stocks-had-a-bonanza-in-2019-earnings-will-be-more-blah-11578834001>

Grasshoff, G., Coppola, M., Pfuhrer, T., Gittfried, N., Bochtler, S., Vonhoff, V., & Wiegand, C. (2019, March 26). Global Risk 2019: Creating a More Digital, Resilient Bank. BCG. <https://www.bcg.com/publications/2019/global-risk-creating-digital-resilient-bank.aspx>

Hirt, M. & Willmott, P. (2014, May). Strategic principles for competing in the digital age. McKinsey. <https://www.mckinsey.com/business-functions/strategy-and-corporate-finance/our-insights/strategic-principles-for-competing-in-the-digital-age>

Poppleton, A. & Pingaro, T. (2019, January 7). Financial services seizing value with technology. Accenture. <https://www.accenture.com/us-en/insights/financial-services/seizing-value-with-technology-overview>

PwC. (2020). Financial Services Technology 2020 and Beyond: Embracing disruption. PwC. <https://www.pwc.com/gx/en/financial-services/assets/pdf/technology2020-and-beyond.pdf>

Tesfaye, M. (2019, August 14). Neobanks' have secured a record \$2.5 billion in funding this year. Business Insider. <https://www.businessinsider.com/neobanks-raise-cash-at-record-rates-business-insider-2019-8>



Redefining digital transformation

Dive further into this series to discover the meaning of impactful digital transformation in today's lending market.

Section 1: A new definition of digital transformation for the new era of digital lending

Section 2: The business case for digital change

Section 3: Aligning digital transformation with the customer lifecycle

Section 4: How a platform can help you avoid the pitfalls of point solutions

Section 5: Leveraging digital transformation for successful acquisition

Powered by Blend

Blend is transforming the lending industry by creating a unified approach to getting mortgages, consumer loans, and deposit accounts. Our Digital Lending Platform makes the journey from application to close fast and easy for consumers, while helping lenders increase productivity, deepen customer relationships, and deliver exceptional customer experiences.