

# Moving with the times

*The global financial crisis instigated a deep shift for Canada's banks. The result? More opportunities for commercial banks and greater customer satisfaction overall*

INTERVIEW WITH

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An economic crisis of unprecedented levels – coupled with an ongoing technological revolution – has catalysed a transition in the banking industry worldwide. A rejuvenated approach is particularly evident in Canada, one of the world's strongest financial markets. Accordingly, comprehensive and more robust regulations, together with greater customer engagement, have propelled forward a system that is more transparent and can meet changing customer needs far more efficiently.

Technology has a pivotal role to play in the latter, through the provision of tools and services that can promptly respond to client requests – any time, anywhere. Consequently, a new era of opportunity has begun for the banking sector, one that sees great optimism for small business owners and female entrepreneurs. At this exciting time, *World Finance* had the opportunity to speak with Andrew Irvine, Senior Vice President at BMO Bank of Montreal, to discuss how Canada's banking industry is shifting, and his own vision in the midst of it.

## **How have you seen the banking industry in Canada change recently?**

Much of the economy is in the middle of a major structural shift. Inevitably, the same thing is happening for the financial industry as well because market and economic forces continue to shape the banking industry in Canada and drive current trends. For instance, today's banking customer lives in a complex, fast-paced, technology-driven environment. This increasingly knowledgeable, sophisticated and demanding customer expects a banking relationship that delivers convenience,

customisation, control, collaboration, convergence and consistency. Therefore, our industry must build strategies that place the customer at the centre of organisational investments, initiatives and day-to-day operations.

Trends in innovation and technology dictate that the future industry winners will be those banks that challenge their own business models to be dramatically more efficient, and deliver ever-increasing value to the customer. Driven by customer demands and competition, Canada's banks continue to invest in technology – not only to enhance existing web and mobile platforms, but to also build the capability to allow customers to carry out a variety of banking transactions through their mobile devices.

Productivity is changing as well. As top-line growth slows, a renewed emphasis on transformational efficiency gains is becoming apparent. Unlike basic cost-cutting, this preoccupation with productivity focuses on both sides of the equation – revenues and costs – to drive both growth and shareholder value. Improving productivity has become a major focus for Canadian banks and productivity gains are now recognised as a key lever to protect and increase profitability.

## **What challenges are commercial banks in Canada facing at the moment?**

At the top of the list is market disruption from non-traditional entrants. Non-traditional and unregulated competitors such as Apple, Google and PayPal – along with smaller and more nimble disruptors – are entering the market at an increasing rate. For us, competing with these firms isn't about launching apps and adding convenient features, it's about saying to customers: "We're ready to meet you where you are, and when it suits you best, with new tools designed to help you manage your financial life on your terms."

Next, there is regulatory reform that has changed banking on every level, and we think it has changed for the better. With each passing



year, regulation related to capital, liquidity, counter-terrorist financing and anti-money laundering compliance rise on the corporate agenda. At BMO, we have a solid level of regulatory engagement that is important for our ability to compete.

## **Would you say Canada's economic landscape is giving commercial banks reasons to be optimistic?**

According to BMO's economists, the answer is yes – in a relative sense. Unlike in 2009, Canada is not in a full-blown recession; only the three oil-producing provinces, which account for about one quarter of GDP, are contracting. Meanwhile, British Columbia and Ontario are expanding moderately fast as a result of an upswing in exports and vibrant housing markets. Our major trading partner, the US, continues to grow modestly, while the Canadian dollar, though appreciating this year, remains low. Oil prices have recently increased, raising hopes Alberta, Saskatchewan and Newfoundland and Labrador will start expanding next year.

Interest rates remain very low and the Bank of Canada is not expected to begin tightening policy until well into 2017. Low borrowing costs should encourage decent growth in residential mortgages and business credit – a good reason for optimism. Less positively, lending margins are likely to remain compressed by the low-rate environment for a while, and elevated household debt will continue to constrain consumer loan growth.

Looking at our own customer base, we think the small business sector is alive and well. We are particularly happy to see the growing strength of female entrepreneurs – it's one of the fastest-growing small business segments – with women now holding ownership stakes in 47 percent of Canada's SMEs. At BMO, we've been focused on being their bank of choice – in fact, in May we sponsored a Carleton University study that provided great insight on how female entrepreneurs make risk decisions, and how they expect to be served by financial institutions.

## **How is it that BMO's commercial banking services differ to others in Canada?**

BMO's commercial bank differentiates itself with a sincere focus on enhancing the customer experience. Our vision is to be the bank that defines great customer experience. Across the country, we've realigned the structure of our divisions to ensure we are providing the best customer experience possible. Local autonomy, particularly as it relates to commercial banking where relationships are extremely important, is key to maintaining our strong position in the Canadian marketplace.

We continue to use our knowledge strategically, to be more proactive and adaptive, while leveraging our technology and expertise to understand our clients and their businesses better. It's about making their banking experience more personal, intuitive and, ultimately, growing with them.

## **How important are strategic partnerships to commercial banks in the current climate?**

We know the evolving needs of customers are driving a push for innovation and the development of new technologies. Strategic partnerships will be vital to succeeding in this environment. At BMO we are tapping into partnerships with companies or entities that are using technology in interesting ways that complement our own thinking.

One particularly good example of this is our recently announced partnership with the DMZ at Ryerson University in Toronto – North America's leading university-based incubator. The programme we've developed with them, called 'BMO Presents: The Next Big Idea in Fintech', provides six selected fintech start-up companies with a four-month placement at the DMZ, an exclusive opportunity to pilot their technology with BMO, as well as formal introductions to venture capital groups.

## **Do you have any plans to reinforce your industry specialisation?**

BMO already has pockets of industry specialisation: for example, we are very strong in the agriculture and real estate sectors. Additionally, there are numerous opportunities to focus on other industry verticals in a more structured manner, which we are exploring strategically. We have programmes in place to support entrepreneurs and professional service providers like pharmacists,

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as they require specialised financial solutions – particularly on the lending side – for training, equipment and real estate.

## **What is the value of customer experience to BMO Bank of Montreal?**

Our business is built on relationships. We base our brand promise on the recognition that money is personal, and the investment we're making in technology is entirely focused on that belief. We're creating tools that empower our customers, while helping us to understand their preferences and priorities. We're also blending virtual and face-to-face conversations to ensure we're delivering value at every touchpoint, providing customers with quick, clear, knowledgeable support, and more.

## **The company is known for its digital presence. What is its digital strategy?**

Excelling in digital technology is about performing well in three key areas, starting with channel leadership. We intend to accelerate our digital channels to lead in digital originations and self-service. We are now making important strides in this area, including the dynamic relaunch of the company's website, remote deposit capture and the rollout of our integrated retail and wealth tablet application – all while rewiring back-end systems and customer-facing channels to ensure we are more nimble.

Secondly, payments innovations are crucial. We have a great payments business with a strong platform, partnerships and premium products. Going forward, we will focus on continuing to grow our core business, improving fraud management and authentication, as well as developing our digital payments capabilities.

Thirdly, simple, intuitive processes will improve our productivity, in addition to our employee and customer experience. We've already started by 'building the rails' and process infrastructure for macro changes, while introducing new processes, such as cheque imaging and enablers like the option to bring your own device.

## **What are your plans for the future?**

Across BMO, we are enhancing productivity to driving performance and shareholder value, accelerating the deployment of digital technology to transform our business, leveraging our consolidated North American platform and expanding strategically in select global markets to deliver growth.

To conclude, I want to reiterate the importance of the technological revolution underway in our industry – a revolution that we are fully embracing at BMO. Transformation isn't something that's happening to our bank, we're initiating our own transformation and driving it forward. Where customer experience and efficiency converge, we're meeting the customer's changing needs in ways that win their loyalty and reinforce our brand in the digital marketplace. ■