

## **Commercial Banking Sector**

The Commercial Banking Sector is defined by Investopedia as “a financial institution that provides services such as accepting deposits, giving business loans and auto loans, mortgage lending, and basic investment products like savings accounts and certificates of deposit.

### **Porter's 5 Forces**

The five porter forces are threat of entry to the market from other organizations/companies/businesses, supplier power, buyer power, availability of substitute products and existing competitors. The commercial banking industry has many banks that are major players in the industry. JP Morgan Chase is one of the banks that is leading the Commercial banking industry. A list of the largest banks in the commercial banking industry is JP Morgan Chase, Bank of America, Wells Fargo, Citibank, PNC bank, etc. Although JP Morgan is leading the Commercial banking sector with having a revenue of 96 billion dollars, there are many industries and companies that are threatening JP Morgan Chase and the Commercial Banking industry as a whole. Fintech industry is revolutionizing the Commercial Banking industry. Fintech companies and startups such as Lending Club, Wealthfront, Venmo, etc are starting to eat away at some of the things that Commercial banks have such as peer to peer lending, investment management, student loans, etc. There's not really a huge threat of a new entrant entering the market because of the capital required to start a commercial bank. JP Morgan Chase and the other large commercial banks have a huge international presence and brand name that it would be hard for another startup commercial bank to disrupt their presence.

There isn't much supplier power due to the fact that commercial banks don't require much supplies to keep going. Most of the supplies that a Commercial bank require is a stable

internet infrastructure as most of the transactions that occur in a commercial bank is online. A huge threat to the fact that most of the commercial bank info is online is securing customer's information. There have been many hacks where a commercial banks such as JP Morgan had customer's information stolen. However if more and more of the commercial banks practice good operational and cybersecurity less of these hacks will occur.

The commercial banking sector has an existing competitors such as the financial technology sector. The Fintech sector is the biggest sector that threatens the commercial banking sector. The advancements of software and Artificial intelligence in the technology industry have allowed us to reduce our need for physical locations of commercial banks. The introduction of check deposits by taking a picture alongside with ATM's have further reduced the number of employees such as tellers needed to run a bank. Another type of technology that might revolutionize the commercial banking industry are bitcoins and other cryptocurrencies. Bitcoin is a type of currency called a cryptocurrency that exists on the internet. What makes bitcoin revolutionary is that it is decentralized, deflationary, open source, and no one owns the software entirely. Other financial tech startups such as Lending club allow for people to get loans without going through a bank. Crowdfunding websites such as indiegogo and kickstarter allow businesses and individuals to raise money without a need for a commercial bank. Companies, startups and software like these are eating up at the consumer bases of the commercial banks.

The commercial banking sector buying power presently is moderate as people still need banks for mortgages, car loans, etc. In the future the buying power of the commercial banking sector will diminish greatly as more Fintech startups and companies come up with ideas that will replace the functions of commercial banks that people use that have not been replicated yet such

as Mortgage loans, car loans. The commercial banking sector as a whole does not have much of a future especially within retail banking as more and more of their functions are being automated or replaced. So the threat of substitutes within the commercial banking sector is very high. As a result of the threat of substitutes being high means that this sector would not be a very good investment in the long run.

Some of the biggest trends in Commercial banking are Mobile Banking, and AI Help desk.

### Mobile Banking

Mobile Banking is going to be the future of banking as more and more of the banking functions such as deposits and money transfer can be done online and on our phones through mobile applications. Also with the introduction of new apps such as apple pay, and samsung pay will continue to make banking easier on the mobile side than how it was before where we would go on the full website.

### AI Help desk

It seems more and more that Advanced AI bots will be taking over the help desk as customer representatives. I have noticed how while talking on the phone that it's mostly AI that is the customer representatives rather than actual human beings. Human beings only come to the picture if there is an issue that the AI can't resolve. Once AI becomes more advanced as technology advances it seems that AI will totally replace human beings.

### New Risk and Reward

Some of things that some of the executives within the Commercial banking sector should consider in order to compete with the financial tech sector is whether or not to automate certain

divisions that are being done by humans by robots or AI for cost-cutting. The automation of certain business functions will increase profits and reduce operating costs, but will greatly reduce the number of jobs and could cause outrage within the general public. They will have to revolutionize certain business lines in order to keep up and compete with the various startups and companies within the fintech sector.