A logo with a hand pointing at a circuit board

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**Consultancy Name: RevolEdge Solutions**

**Client Company: The Bank of Nova Scotia (Scotiabank)**

**Written Status Report**

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# **Preliminary Results**

Understanding where Scotiabank is currently, where it needs to reach, and the gaps between the two areas to develop innovative solutions to drive the bank's growth is essential.

## Where Scotiabank is currently

**Digital Adoption:** Scotiabank has made significant developments in digital banking. The COVID-19 pandemic had a tremendous impact on the digital transformation of Scotiabank (Scotiabank, 2020). The bank has made considerable investments in digital strategy and technology. The digital adoption of Scotiabank increased to 61% in Quarter 3 of 2023 (Scotiabank, 2023, p. 3). Currently, the digital banking of Scotiabank is progressing, but there is scope for more advancements.

**Financial Performance:** Scotiabank is the seventh-largest bank by assets in the Americas as of Quarter 3 of 2023. It is the third bank in the ranking by market share in loans in Canada (Scotiabank, 2023, p. 18). However, the market share in the Pacific Alliance is at an average of 10% (Scotiabank, 2023, p. 5).As of Quarter 3 of 2023, the adjusted net income was $2,227 million compared to $2,611 million the previous year, indicating a reduction of 15% (Scotiabank, 2023, p. 14).

**Financial Performance Analysis (Table):**

|  |  |  |  |
| --- | --- | --- | --- |
|  | FY2022 | FY2021 | FY2020 |
| Net Income ($Bn) | 10.17 | 9.96 | 6.85 |
| EPS ($) | 8.05 | 7.74 | 5.43 |
| Dividend Growth ($) | 4.06 | 3.60 | 3.60 |
| Revenue ($Bn) | 31.42 | 31.25 | 31.34 |
| Return on Equity | 15.6% | 15.0% |  |
| Total Assets ($T) | 1.35 | 1.185 | 1.14 |
| Deposits ($Bn) | 916.18 | 797.26 | 750.84 |
| Net Profit($M) | 7.501 | 7.469 | 4.896 |

(Scotiabank, 2022) (Scotiabank, 2021)

**Customer Experience:** The priority of Scotiabank is its customers, guided by the purpose: "for every future." Scotiabank has a significant customer base across all four of its lines of business. The bank's Canadian Banking serves over 10 million Retail, Commercial, and Small Business Banking (Scotiabank, 2023, p. 6). As of August 2023, International Banking has over 11 million Retail, Commercial, and Corporate Customers.

**Real Estate:** Scotiabank currently provides financial solutions and advice for real estate property development. The bank offers a range of products and services, including financial expert advice, construction financing, and cash management services (Scotiabank, n.d.). However, the bank itself has not ventured into the real estate world.

**SWOT Analysis (Matrix):**

|  |  |
| --- | --- |
| STRENGTHS | WEAKNESSES |
| Leading Bank | High Turnover |
| Global Reach | Dependence on key markets |
|  |  |
| OPPORTUNITIES | **THREATS** |
| Market Growth | Regulatory changes |
| Digital Transformation | Intense competitors |

## The desired state of Scotiabank

**Enhanced digital Transformation:** Though Scotiabank has made significant investments in digital banking through online and mobile banking solutions, there is scope for more innovation and advancements. Digital adoption in certain countries should increase. In Mexico, digital adoption is only 53%, and in Peru, only 50% (Scotiabank, 2023, p. 3). The bank could also leverage technological advances to increase customer satisfaction and cut costs. This approach could include converting the traditional branches to digital branches with kiosks and cutting down the number of employees. Also, introducing biometrics for ATM and online transactions would increase customer convenience.

**Improved financial Performance:** Scotiabank aims to increase its market share and growth, especially in the Pacific Alliance. This move would give the bank a further competitive advantage over its competitors.

**Improved Customer Experience:** Improving the customer experience is paramount to Scotiabank. In addition to retaining the existing customer base, it could also draw in new customers by providing incentives, gifts, and attractive offers.

**Exploring new ventures in Real Estate:** Scotiabank currently offers services and financial solutions for real estate but has not ventured into real estate itself. By opening a real estate wing, there is an opportunity for the bank to make a profit from investing and partnering with established companies.

## Understanding the Gap

* There is a need for Scotiabank to invest more in digital solutions and make complete use of the changing technology to provide an enhanced experience to its customers.
* The lower market share in the Pacific Alliance should be increased by adopting various strategies like innovation, customer loyalty, and mergers and acquisitions.
* The bank has not determined all the tactics that could effectively help improve its customer experience and grow its customer base.
* Though Scotiabank offers real estate services, it has yet to enter the real estate market.

# **Plan**

Our team has built a set of recommended solutions that include:

* Introducing Biometric ATMs and biometric-enabled transactions,
* Providing goodies and gifts to new customers.
* Convert some of the traditional banking branches to digitalized banking branches with kiosks.
* Exploring the real estate sector for banks.
* Increase market share of Scotiabank in the Pacific-Alliance Countries.

## Plan moving forward:

1. **Tailored Demonstration:** We plan to organize a series of demonstrations tailored to your bank's specific needs. We will schedule a set of personalized demos. These will be demo machines for all Biometric systems and kiosks, giving stakeholders a feel of their live working.
2. **Data-Driven Insights:**

Market Analysis - Presenting trends in banking that underscore the shift towards digitalization and the tangible benefits realized by early adopters.

ROI Projections - Detailed financial models showcasing potential savings, increased customer retention, and revenue growth from the proposed solutions.

1. **Addressing Concerns:** Our focus will be on identifying and addressing any potential challenges that may arise during the transition phase and implementing effective strategies to mitigate their impact. Furthermore, we aim to educate and facilitate a smooth adaptation for our customers into the newly digitalized environment to enhance customer retention rates and overall satisfaction levels.
2. **Pilot Branches Proposal:** The selection process for pilot branches will be based on various factors such as the volume of people visiting, geographical location, and demographic characteristics. We aim to evaluate these criteria to choose the most suitable branches carefully.

During the pilot phase, we are committed to establishing effective communication channels, allowing employees and customers to provide valuable feedback. This two-way feedback system will be crucial in ensuring continuous improvement throughout the pilot program.

1. **Stakeholder Engagement Sessions:** To facilitate effective communication, we have planned engaging sessions where all parties involved can express their concerns, request further explanations, and contribute valuable insights regarding the suggested resolutions. Additionally, we aim to offer a sneak peek into the extensive training initiatives developed specifically for our bank employees. These programs will be meticulously designed to equip them with the skills and knowledge to navigate the upcoming system changes proficiently.
2. **Support and Training Assurance:** Our commitment lies in offering continuous technical assistance throughout the initial implementation stage, guaranteeing that our clients always receive support. Additionally, we will develop comprehensive training modules tailored to different roles within the bank's staff. These modules aim to equip employees with the necessary skills and knowledge to assist customers and efficiently manage the newly implemented systems.
3. **Digital Branch Design & Layout:** To offer stakeholders a comprehensive understanding of the proposed digitalized branch layout, our organization intends to utilize cutting-edge technology such as virtual reality (VR) or 3D modelling. This innovative approach will enable us to present a simulated tour that showcases how the new design optimizes customer flow, diminishes wait times, and elevates the overall experience. By employing these advanced techniques, we aim to provide an immersive and engaging visualization of our vision for the future branch layout.

# **Solutions Explained**

**1. Biometric ATM Machines & Biometric enabled transactions:**

ATMs will be equipped with biometric authentication mechanisms, such as fingerprint and facial recognition, to improve security and user experience, and whether it's in-person or online, biometric authentication adds a layer of protection.

**Challenges:**

* Initial installation cost.
* Ensure the confidentiality and security of biometric data.
* Customer adaptation and trust in the new system.
* Integrating with existing banking systems.

**Outcome of the Initiative:**

* Enhanced Security: Biometric authentication, such as fingerprint or facial recognition, offers an additional degree of protection to ATM transactions. Customers can have better peace of mind when accessing their accounts and conducting transactions, lowering the risk of fraud.
* User convenience: No need to remember PIN codes; a simple scan can give access.
* Safety and efficiency:Biometric-enabled transactions make banking more efficient. Customers no longer need to memorize PINs or carry actual cards, which makes transactions faster and more convenient.
* Faster than conventional authentication methods
* Demonstrates the bank's commitment to advanced security.
* Competitive Advantage: Offering advanced biometric technology can differentiate Scotiabank from competitors and attract technologically inclined clients who value convenience as well as safety.
* This initiation will increase customer satisfaction and will help the bank reach the digital transformation goal aligning with the goal of all Canadian banks to be a Net-Zero economy by 2050.

**2. Introducing Incentives for New Customers:**

Presenting rewards, such as exclusive products to entice prospective clients towards the bank.

**Obstacles:**

* Ensuring that the expense of these incentives does not surpass the overall value derived from long-term customer relationships.
* Efficiently handling inventory and distribution logistics.

**Outcome of the Initiative:**

* Customer Acquisition: Incentives such as goods and presents attract new customers to open accounts with Scotiabank. This has the potential to increase the bank's customer base.
* Brand Endorsement: Items featuring the bank's logo can serve as a promotional instrument.
* Promotion and marketing: These rewards which include exclusive products can be used to promote buzz and an interest in Scotiabank's offerings among potential customers as part of marketing strategies.
* Customer Devotion: Initial benevolence has the potential to foster enduring customer allegiance.
* Increase in the NPS score which is currently 23 for Scotiabank.

**3. Bank's Real Estate Division:**

Introduction: The bank will establish a specialized wing focusing on various aspects of real estate, such as investments, construction, and advisory services.

**Challenges:**

* Specialized Expertise Requirement: Operating in the realm of real estate necessitates having knowledgeable professionals with expertise specific to this industry within the banking team.
* Susceptibility to Market Volatility Impacting Investments: As with any investment-related venture, fluctuations in market conditions could potentially affect returns on real estate investments.

**Outcome of the Initiative:**

* Diversified Income Streams: Entering the real estate market allows Scotiabank to diversify its revenue streams. Mortgage lending, real estate investment services, and property-related financial products can produce revenue in addition to regular banking services.
* Strategic Market Positioning: Through its dedicated real estate division, the bank positions itself as a well-rounded provider of holistic financial services.
* Cross-selling and Customer Retention: By providing mortgage services and real estate financing, Scotiabank may strengthen its existing customer ties. This can lead to possibilities for cross-selling, where customers may choose to use the bank's extra financial and banking offerings.
* With the Canadian Real Market bubble about to burst in the coming years, Scotiabank diving into Real estate will prove beneficial in the long run.

**4. Convert traditional bank branches to digital branches with kiosks:**

Transform traditional branch services with digital kiosks capable of handling a variety of banking tasks, reducing the need for manual intervention.

**Challenges:**

* Initial investment in technology and infrastructure.
* Train employees and customers to adapt to the new system.
* Ensure digital kiosks are secure and user-friendly.

**Outcome of the Initiative:**

* Operational efficiency: Faster service, reduced queues, and streamlined operations.
* Cost-effectiveness: Converting certain traditional branches to digitalized branches lowers operational costs while keeping an in-person presence for customer service. Routine operations can be handled by self-service kiosks, freeing up workers for more difficult tasks.
* Improved Customer Experience: Self-service kiosks allow customers to conduct regular transactions at their convenience, potentially reducing wait times and increasing their level of satisfaction.
* Adaptation to evolving Banking Trends: As digital banking evolves, upgrading branches to take advantage of digitalization aligns Scotiabank with evolving client expectations.
* With the help of third-party organizations helping companies to digitalize, we’ve produced an outcome of how the digital branches would look like:

A group of people in a bank

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(Cameron, 2021)

**5. Increase market share of Scotiabank in the Pacific-Alliance Countries.**

Current Market of Scotiabank on Map:

A map of the north and south america

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(Scotiabank, 2023)

**Scotiabank in the Pacific Alliance as of Q3, 2023**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Q3/23** | **Mexico** | **Peru** | **Chile** | **Colombia** | **Total/Average** |
| **Scotiabank Market Share** | 7.6% | 16.1% | 14.5% | 5.0% | 10.2% |
| **Market ShareRanking** | 5th | 3rd | 3rd | 6th | n.a. |
| **Average Total Loans($Bn)** | $45.1 | $23.2 | $57.2 | $12.4 | $137.9 |
| **Revenue($Bn)** | $0.7 | $0.4 | $0.6 | $0.3 | $2.0 |
| **Net Income after NCI($MM)** | $234 | $97 | $150 | ($2) | $479 |
| **ROE** | 25.0% | 15.2% | 9.7% | (0.7%) | 13.9% |
| **# of Employees** | 8,813 | 8,940 | 7,351 | 5,292 | 30,396 |

(Scotiabank, Q3 2023)

RevolEdge Solutions has mapped out prospective growth paths for Scotiabank over the next two years through careful study and market trend evaluation. Key findings indicate a positive prognosis for market share growth and financial prosperity, highlighting Scotiabank's potential to increase the resonance of its brand and the strength of its finances.

**Thorough Evaluation of Market Share Growth:**

* Historical market positioning lays the groundwork for future estimates by recognizing Scotiabank's history of consistent growth in the market.
* **Projected Growth Dynamics:** According to our estimate, Scotiabank's market share will increase significantly over the next twenty-four months, with projections showing an average reach of 11%.
* **Strategic Implications**: Scotiabank has a fantastic opportunity to capture a wider range of the market thanks to this growth trajectory. This not only indicates breaking records but also shows the ability to achieve unmatched market leadership.

**Prospects for Financial Health and Growth:**

* **Diversified Revenue Sources:** Scotiabank's extensive array of financial services and its sizable customer base provide a solid framework for monetary growth.
* **Revenue Projections**: Scotiabank's financial outlook predicts a noteworthy growth in revenues, possibly reaching the benchmark of $2.5 billion, driven by market conditions and internal strengths.
* **Economic Implications**: This growth story highlights Scotiabank's growing sway over the banking industry. The prediction also highlights increased profit margins, assuring stakeholders of a strong financial position going forward.

**Advice for Sustainable Growth:**

* **Synergistic Collaboration**: Combine the data analysis insights from RevolEdge with the inherent growth goals of Scotiabank to create customized strategic initiatives.
* **Decision-making Supported by Data**: Develop a data-centric mindset and use customer behaviour analytics and real-time market insights to guide and modify growth strategies.
* **Embracing Technological Advancements**: Give digital transformation priority to satisfy the changing needs of a clientele with advanced digital capabilities. Investigate possible partnerships with fintech companies to deliver a blend of conventional banking trust and contemporary convenience.

Scotiabank is poised to meet and possibly even exceed these defined forecasts since it is on the verge of a transformative development era. RevolEdge Solutions is eager to dive further into cooperation ventures with Scotiabank and ensure a mapped-out pathway that enhances this growth because it is armed with its cutting-edge analytical approaches.

The team from Scotiabank is invited to join RevolEdge Solutions for a conversation to go deeper into any aspect of this research or to discuss joint ventures.

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