

A ‘reimagining’ of the role lenders play

RBC’s new Ventures division is on a mission to alter the way it targets and attracts personal, commercial banking customers

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Three years ago, Dave McKay was feeling the pressure. A banker with decades of experience, he could see that customer habits were changing. Digital giants such as Apple and Amazon were amassing more influence.

What’s the CEO of a conservative Canadian bank to do? The Royal Bank of Canada boss assembled a working group of senior executives to develop an ambitious strategy for their personal and commercial-banking division – one that represents new thinking in how it reaches retail-banking customers.

The business case was obvious. Personal and commercial banking delivers half of RBC’s total profit and finding new ways to grow would be crucial. The digital revolution is also changing nearly every industry and the nature of relationships between customers and companies is evolving. Everything from voice-activated home devices, such as Amazon Echo, to ride-hailing apps, such as Lyft, have established new norms for client interactions.

But for Mr. McKay, there was also a personal motivation – and frustration. Before he took over as CEO in August, 2014, he had run RBC’s personal and commercial banking for six years. It was the world he knew best, yet its existing strategy was losing its power.

RBC believed it had the best retail products, everything from credit cards to loyalty programs, but many Canadians barely seemed to care. “We were frustrated that we couldn’t get more customers to try [us],” Mr. McKay said in an interview. “They were inert.”

Last week, RBC unveiled its solution: a brand new division, named RBC Ventures.

Historically, banks often targeted new clients by pulling one of two levers – price or risk. Either the bank can offer something at a better price than rivals or it can market its products to clients who may represent greater risk.

Ventures has a completely different mission, one designed to alter the way RBC targets and attracts personal and commercial banking customers.

Instead of using traditional sales methods, such as mailing millions of credit-card offers directly to Canadian homes, or relying on bank branches, Ventures aims to reach clients well before they consider whether they need a banking product.

“We’re broadly reimagining the role we play in a client’s life,” Mike Dobbins, who runs the unit, said in an interview.

One example: Rather than advertise small business loans, hoping that clients will reach out when they are ready to start new companies, Ventures has built a new business in-house, called Ownr. It walks founders through all the steps necessary to set up a new company – everything from arranging all of the legal documents to designing a corporate logo. The hope is that at the end of the process, the customer will also tack on an RBC small business loan.

Mr. Dobbins said he conservatively estimates RBC’s Ventures arm can sign up five million users to its new apps by 2023 and he hopes to convert at least 10 per cent of those to the bank’s products and services. If successful, the bank will not only add clients, but the cost of acquiring them through these new channels should be significantly lower than under current methods.

A unique characteristic of Canadian banking provides extra incentive for RBC to try something different. Retail clients have long been reluctant to change banks, but recently switching rates or the percentage of clients prepared to change banks, have fallen into the single digits.

Multiple forces are driving this, but Canadian banks partly have themselves to blame. The largest lenders have adopted the bundling model favoured by telecom companies, providing discounts to clients if they have multiple relationships with a single bank – such as a chequing account, a mortgage and a credit card.

Because so many financial products are often tied to a single



Last week, RBC unveiled a new solution named RBC Ventures, which aims to reach clients well before they consider whether they need a banking product. CHRIS WATTIE/REUTERS

institution, changing banks becomes a hassle.

“We had to try something different,” Mr. McKay explained. “And we saw a secular opportunity to do that.”

At the moment, RBC Ventures has seven businesses in the market. Twelve more are currently under development. The new division will be run by Mr. Dobbins, an American who joined the Canadian bank from Capital One in 2010. Mr. Dobbins reports to RBC’s CEO.

When building RBC Ventures over the past two years, Mr. Dobbins collaborated with executives

across the organization. Bold new ideas have a history of dying inside large, bureaucratic institutions, so the goal from Day 1 was to have other leaders buy in – particularly because a culture change was necessary.


Ventures is run out of its own office on Toronto’s waterfront and it is set up as a tech incubator. The division has an open-concept layout with whiteboards everywhere and its dress code is rather informal, with Fjallraven backpacks serving as a preferred laptop bag.

Inspiration for the new division comes from Silicon Valley and some large global disruptors. Mr. McKay said he bounced many of the ideas behind the formation of Ventures off American tech executives on trips to California and executives travelled to China to study what the dominant players there, such as WeChat, are doing to lure clients.

Whether the new strategy will persuade Canadians to switch banks is unclear. But at the very least, it will update the way RBC broadcasts its services for the digital world. That alone may be worth the investment. “Our strategy architecture hasn’t changed for 20 years,” Mr. McKay said.

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