TRUST AND TECHNOLOGY:

KeyBank and Novantas Collaborate on Next Generation Deposit Optimization Solution

THE CHALLENGE

KeyBank is one of the largest financial institutions in the country with approximately $138 billion in assets.

With a sophisticated product team and more than 10 years of experience with the PriceTek® Deposits platform, the bank had a strong analytical foundation on which to base pricing and product-management decisions. It was also an early adopter of customer-level strategies, aiming to better optimize the value exchange for customers.

As the team considered future rate moves, the franchise's presence across many markets, and the bank's rapidly-changing customer and competitor landscape, however, it became clear that optimization needs were being redefined. "Our existing approach was solid, but was not necessarily solving for what we saw as the emerging problems," stated Lionel Poudevigne, Vice President, Product Management Pricing and Forecasting at KeyBank.

To scale efficiently and fulfill its mission to empower clients and communities to thrive, KeyBank set out to find the right solution to advance its optimization capabilities.

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– Chris Manderfield

Director, Consumer Lending, Deposits and Project Management Office at KeyBank

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RELATIONSHIPS MATTER

KeyBank was committed to being thorough in its search for a solution. The bank conducted a multi-step interview process, requesting numerous review sessions with each vendor, and even initiated targeted pilots with a select set of vendors to make sure they fully inspected the capabilities.

In preparation, Novantas spent considerable time studying the bank's plan and making refinements to the PriceTek road map. "We had a big data optimization road map in motion that we gladly accelerated to address KeyBank's objectives," commented Lisa Brown, Managing Director and Head of PriceTek Client Services at Novantas.

"The challenge when you are seeking new, innovative technologies is that most vendors will say they can do it all and you have to take them at their word. This is where our 10-year history with Novantas mattered a lot," noted Chris Manderfield, Director, Consumer Lending, Deposits and Project Management Office at KeyBank. "The flexibility to our demands and willingness to escalate the time frame was added confidence that they would deliver."

Taking all factors into consideration, KeyBank narrowed the field to four options. So why did Novantas win out?

Cutting-Edge Technology. KeyBank was eager to dive into more advanced forecasting and optimization capabilities. Novantas had made a major investment in Big Data technologies and was recognized by independent organizations as a leader in this area. It was clear from the optimization design that the combination of machine learning and the scalable Big Data technology stack was going to enable a granularity and accuracy of optimization that was not available from other solutions in the market.

Unique Cross-Bank Data. Novantas has made a commitment to developing a deposit consortium with the support of the PriceTek network. Access to this data set, especially in a rising-rate environment, is unique. While other solutions may provide deposit data comparisons, the Novantas solution leverages actual bank data. This enables an approximate three-week turnaround for new data, more consistent bank-to-bank data, and exclusive metrics in areas like behavioral life, which simply cannot be derived from other programs.

Thought leadership and expertise. All vendors in the consideration set could deliver software, but the added intelligence in Novantas' PriceTek ecosystem stood out. The deep bench of deposit experts enhances the effectiveness of the product. "The idea of working with a partner who can provide not only leading technology, but also help us be smarter around how to use the tool, how to behave within the industry, and more, was compelling," stated Chris.

THE ART OF INNOVATION

Working in close collaboration, Novantas advisory, product management and engineering teams, along with constituents from KeyBank's product management, pricing and finance groups set out to define the bank's specific requirements. Over all, they were looking for an easy-to-use interface and an intuitive workflow to provide the right rates and product characteristics to the right customers – advancing the principles of highly customized customer offers.

As the capability was being built, Novantas initiated checkpoints with the bank team to ensure the platform was set to deliver on key business use cases and to collaborate on the features and functions. "We really felt part of the process. Working with the team was seamless and positive. They addressed all of our needs and it was a great experience," said Lionel.

The resulting optimizer, in combination with Comparative Deposit Analytics, addressed all the bank's requirements and more. Highlights include:
- Fast optimization of complex simulations with the use of "approximate models" built by training machine learning models on a dataset generated from a full simulation run

- Elasticity models for acquisition, attrition, and switch balances factored into optimization results
- Ability to differentiate and optimize rates at customer-level segments
- Differentiated responses to increases in Fed-funds rate by competitor type and varying time horizons
- Constraint building flexibility and the integration of expert judgment into results
- Full support in documentation and model risk management submission

THE ROAD AHEAD

"With the added functionality of PriceTek's Next Generation Optimizer, we are well positioned to accelerate the growth of our customer base," said Lionel. "Even prior to fully rolling out the new capabilities, we have been able to lag betas, save on interest expense, and extract invaluable insight on our performance relative to peers."

ABOUT KEYBANK

KeyCorp's roots trace back 190 years to Albany, New York. Headquartered in Cleveland, Ohio, Key is one of the nation's largest bank-based financial services companies, with assets of approximately $138.8 billion at Sept. 30, 2018. Key provides deposit, lending, cash management, and investment services to individuals and businesses in 15 states under the name KeyBank National Association through a network of approximately 1,200 branches and more than 1,500 ATMs. Key also provides a broad range of sophisticated corporate and investment banking products, such as merger and acquisition advice, public and private debt and equity, syndications, and derivatives to middle market companies in selected industries throughout the United States under the KeyBanc Capital Markets trade name. For more information, visit www.key.com. KeyBank is Member FDIC.

ABOUT NOVANTAS

Novantas, Inc. is the leader in customer science and revenue management programs for the financial industries. A FinTech 100 Company, the company's advisory and solution services specialize in investigating and interpreting customer needs, attitudes, and behaviors, to help financial institutions refine pricing, distribution, marketing, customer strategies, and sales and service activities. Novantas' PriceTek® is the leading deposit management platform around the globe supported by a Big Data Scenario Optimization Engine that was a Top-5 finalist in Cloudera's Data Impact Awards (2018, 2017). For more information, visit www.novantas.com.