



Sustainability in Investment: Bank of FUSE

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COMPANY INTRODUCTION

Founded in 1975 in Vancouver, British Columbia, the Bank of FUSE¹ is a prominent publicly traded bank with over 700 branches across Canada. Bank of FUSE offers a comprehensive range of financial services to individuals and large businesses through its commercial and investment banking divisions. Its commercial banking division caters to individuals and small businesses, while the investment banking division involves itself with large corporations. Beyond financial prowess, Bank of FUSE also prides itself on its core values of “Accountability, Honesty, and Integrity.”

Priding itself on community, it issues over \$10 million in community grants each year and is active in local events nationwide, often setting up booths during outdoor fairs or festivals. This exposure, along with its catchy name, has allowed the Bank of FUSE to become one of the most popular and noticeable financial institutions in Canada. Through its commitment to excellence and reliability, the Bank of FUSE has earned itself a position among Canada’s top-tier banks, seeing nearly \$15 billion in annual revenue and boasting around 35,000 employees.

PRODUCT ANALYSIS

The Bank of FUSE is highly acclaimed due to the variety of services it provides. From loans, mortgages, specialized financial consulting, and saving and chequing accounts, small businesses and individuals thrive from the resources provided for their specific needs. One of its unique strengths is its low-income, high-interest savings account, where individuals making less than \$50,000 per year are able to access a 7% interest rate on their savings, with no annual fee. This policy has been a great success for the Bank, incentivizing more lower-class Canadians to open a bank account and improve their credit score. This has also positively impacted the bank’s public perception, with Canadians from all backgrounds seeing the Bank of FUSE as a force for good within their communities.

For larger corporations, the Bank of FUSE provides advisory services and strategies for mergers, acquisitions, and risk management in addition to large loans. Bank of FUSE’s high standing has provided them with strategic partnerships, allowing access to global markets. This puts the bank in a position to ensure clients remain competitive and receive appropriate support.

¹ The Bank of FUSE is a fictional company created to simulate a prototypical Canadian bank.

Due to the Bank of FUSE's strong reliability, and the array of support they provide to their clients, they dedicate great importance to customer satisfaction and public image. To maintain its reputation and trust among its clients, the Bank of FUSE has begun to recognize environmental concerns associated with its reliance on fossil fuel investment.

SITUATIONAL ANALYSIS

Recently, as the Bank of FUSE has ventured into the world of ethical investing, it has faced a variety of concerns. Primarily, as is the case with the majority of banks worldwide, the Bank of FUSE is heavily invested in the fossil fuel industry and cannot plausibly divest entirely from the industry immediately. Not only does the bank serve as the primary savings institution for large fossil fuel conglomerates such as Suncor and Enbridge, but over 50% of its investment portfolio is related to fossil fuels in some fashion. To go green, the Bank of FUSE has slowly introduced more investments in the renewable energy industry, supported global climate conferences, and donated millions to zero-emission energy sources and research. However, their efforts have been perceived as insincere and hypocritical, considering their fossil fuel investments.

Several conferences and climate agencies have refused to partner with the Bank of FUSE, accusing the institution of "greenwashing,"² and its public perception has soured. Most worryingly, the bank's CEO was recently forced to resign after it was revealed that the Bank of FUSE continued to issue low-interest loans to Coastal GasLink for its \$14.5 billion LNG pipeline in Northern BC³, in spite of the Bank's insistence on no longer directly funding dirty energy projects. As a result, the bank has lost many clients worried about climate issues, especially losing out on a younger generation that prioritizes the environment. In the past five years, the bank has seen an 8% decrease in assets, a 5% decrease in clients, and a 23% decrease in new account openings. In the aftermath of the Coastal GasLink controversy, hackers temporarily disabled the bank's online banking portal, replacing the page with a video and plea to boycott the "environmentally destructive" bank. The Bank of FUSE urgently needs to improve its public image and find a way to support green industries effectively.

INDUSTRY ANALYSIS

The banking sector, including the Bank of FUSE, is currently navigating through a landscape rife with both challenges and opportunities. As businesses operate within an increasingly interconnected global economy, understanding and mitigating risks have

² Definition: <https://www.investopedia.com/terms/g/greenwashing.asp>

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<https://www2.gov.bc.ca/gov/content/industry/natural-gas-oil/lng/connecting-natural-gas-pipelines/coastal-gaslink>

become imperative for sustainable growth. Recognizing industry trends and opportunities can provide a roadmap for strategic decision-making, allowing banks to capitalize on emerging markets and consumer preferences while mitigating potential threats. As a result of the COVID-19 pandemic, banks have increased interest rates for loans and are currently in the process of rehiring employees who were laid off during the pandemic. In 2024, it is expected that the banking industry's expansion will plateau⁴, as it faces challenges adapting to a post-COVID reality and finding alternative sources of revenue. This only exacerbates the Bank of FUSE's fossil fuel dilemma.

One of the primary challenges facing banks like the Bank of FUSE is the evolving nature of consumer preferences. Research indicates that younger generations, particularly millennials and Gen Z, prioritize environmental and social responsibility when choosing financial institutions. A survey conducted by Deloitte found that 70% of millennials are willing to pay more for sustainable products and services, highlighting the growing demand for ethical banking solutions⁵. Banks must adapt to these changing preferences to remain competitive and attract new customers.

Environmental awareness and ethical investing have emerged as significant trends within the banking industry. With growing concerns about climate change and environmental degradation, there is a rising demand for sustainable investment opportunities. According to the Global Sustainable Investment Alliance, global sustainable investment assets reached \$35.3 trillion in 2020, representing a 15% increase from the previous year⁶. Banks are increasingly incorporating environmental, social, and governance (ESG) criteria into their investment decisions to align with investor preferences and regulatory requirements. Failure to address these environmental concerns could result in reputational damage and loss of market share.

SUMMARY

As a formidable bank with a wide variety of branches and services, the Bank of FUSE faces a major challenge in adapting to consumer preferences, especially the shifting importance concerning social and environmental responsibility. After entering the world of ethical investing, the Bank of FUSE has received an array of criticism due to its investments in nonrenewable fossil fuels. Because of this, their reputation has suffered greatly, and as a result, the bank has lost many clients over these issues. The urgency lies in rebuilding the bank's public image, attracting environmentally conscious clients, and retaining the

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<https://www2.deloitte.com/us/en/insights/industry/financial-services/financial-services-industry-outlooks/banking-industry-outlook.html>

⁵ <https://www2.deloitte.com/content/dam/Deloitte/si/Documents/deloitte-2023-genz-millennial-survey.pdf>

⁶ <https://www.gsi-alliance.org/wp-content/uploads/2021/08/GSIR-20201.pdf>

younger generation that prioritizes ethical banking.

THE CHALLENGE

Your challenge is to help the Bank of FUSE adapt and restore client and public trust. The Bank of FUSE has faced significant challenges, and its current strategy has proven ineffective in retaining and attracting new customers with shifting priorities. As a business strategy consultant, you will be responsible for presenting an effective and feasible strategy and implementation plan to attract more customers and assets, while keeping the PR disasters at a minimum.

Your team has been hired by the Bank of FUSE as consultants. Using this case study as a glimpse of the situation, you must complete the following.

- Perform a complete analysis of the Bank of FUSE.
 - What is the state of the bank's public perception?
 - How is the Bank of FUSE positioned to handle the specific issues and changes in the overall industry?
- What are some strategies/initiatives that the Bank of FUSE can adopt to salvage its public perception, increase client and asset numbers, and move away from its reliance on fossil fuels?
 - Remember to consider rising trends in the banking industry.
 - Should the bank embark on a more passive approach by sweeping this scandal under the rug to preserve the status quo, or, with a new CEO, take a stronger stance against climate change and the fossil fuel industry, at the risk of its prior business practices?

As the Bank of FUSE is a fictional company, teams will have the ability to make a handful of reasonable assumptions about the company if those assumptions are integral to the case, but must clearly identify them and justify their assumptions within their presentation. Additional outside research about the Canadian banking industry is permitted, and will likely result in a more informed and well-thought-out case. Use this information to inform your team, but remember to justify any assumptions or research in your case or else it will be ignored by your judging panel of experts.

YOUR TASK:

Create an 8-10 minute presentation on your analysis, your recommendations, and your implementation of such recommendations.

In your presentation, remember to include:

1. **Problem Identification** (What are the key issues?)
2. **SWOT Analysis** (What are Bank of FUSE's internal/external strengths/weaknesses?)
3. **Target Market** (Who is The Bank of FUSE targeting? Describe their consumer profiles.)
4. **Competitor Analysis** (Who is in the market already? Who will soon enter the market? How do they compare to your company?)
5. **Solution** (What strategies will you employ?)
6. **Implementation Plan** (How will you implement your solutions?)
7. **Risks & Mitigation** (What are the risks involved with your changes, and how can they be reduced, if not prevented?)
8. **Conclusion** (What was the problem? How did you solve it?)