

# The New Digital Demand in Retail Banking

From Customer Experience to Engagement Across Life Moments

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Oracle Financial Services Global Retail Banking Survey 2018

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For many of today's banks and the services they provide, the shift to digital channels is complete. Common banking services are now widely accessible through convenient digital channels, but even for the banks delivering exceptional digital experiences, their broader digital shift is far from over.

For banks that have mastered the delivery of basic digital services, the next step is driving digital deeper – and making every experience as simple and intuitive as possible across the customer lifecycle.

Data will play a critical role in that transformation, helping banks use the information gathered through basic digital services to better understand their consumer, proactively anticipate future needs and build relevance at every stage of the financial lifecycle.

For the nimble FinTechs and new digital players in the banking market, high-relevance digital interactions are already the norm. But, the one area where traditional banks still have an edge over them is in consumer trust.

Trust remains extremely important in retail banking, and is something that great experiences need to be built on top of, not offered in place of

With traditional banks striving to build smarter, deeper and more relevant digital experiences across the financial lifecycle, and FinTechs trying to win the consumer trust that banks have held for decades, a clear solution has emerged – collaboration.

Banks are experts in distribution, have consumer trust on their side, and have a global mindset with an established global footprint. FinTechs are nimble innovators with great ideas that can transform the banking world as we know it. Together, they can achieve unparalleled success.

The end result is better customer experiences, higher customer retention and the creation of banking partnerships that lead to lifelong loyalty and pervasive service delivery across the financial lifecycle.

Working together to reach that point is the true second digital shift for traditional banks and FinTechs alike.

# Foreword

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*The end result is better customer experiences, higher customer retention and the creation of banking partnerships that lead to lifelong loyalty and pervasive service delivery across the financial lifecycle.*

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Gary Pugh

**Vice President & Head of Marketing**  
Oracle Financial Services Global Business Unit

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for Customer-Centric Innovation






Content



# Report Coverage and Approach

This report dives into the retail banking journey undertaken by today's banking consumers. Inside we'll explore:

-  How satisfied consumers are with the **experiences** they're currently receiving
-  Their state of mind, and what's important to them
-  What they are likely to do at the next stage of their financial lifecycle

In 2016, Oracle published "The Millennial Migration," an original report helping banks understand their place in the digitally-driven millennial mind.

Now, we've pushed the envelope further, by not only looking at how banks can stay relevant to digital consumers, but by uncovering the expectations and preferences of today's consumers.

How the survey was conducted

**The survey was answered by 5,200 respondents from across the globe.**

 **Market breakdown (400 respondents/market)**  **Respondents aged between 16-65**

Markets include:



The survey targeted five key retail banking sectors:

-  **Opening a Bank Account**
-  **Payments and Transfers**
-  **Personal and Lifestyle Loans**
-  **Home Loans and Mortgages**
-  **Personal Finance Management and Investments**

The survey has been structured to provide key insights and sentiments on the following, broken down by age group and markets:



**Frequency of use for bank vs non-bank products**



**Satisfaction with their current bank's service experience**

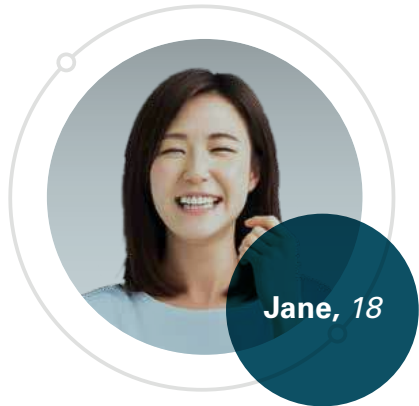


**The value they place on different types of services they'd like their bank to offer**

# Our Storytellers

Every one of your consumers is different – and improving experiences for one should never come at the cost of diminishing those of another.

To help you understand how opinions and experiences currently differ across age-groups and consumer demographics, we'll call on four personas throughout this report:



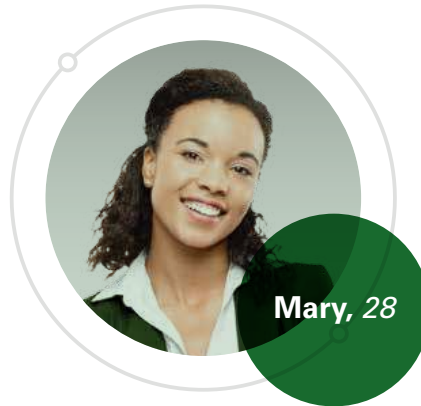
**Jane, 18**

## **The Explorer** **(The New and Curious Consumer)** *Characteristics:*

- Grows up in the digital age
- Highly influenced by social media and friends
- Expects things to be done in an instant, digitally
- Likely to open their first bank account and begin their financial journey
- Least likely to want to visit a bank branch and prefers to use a Chatbot or Live Chat to find out more about banks/financial providers' services

### *Introducing:*

**Jane**, aged 18 – She is a university student who has grown up in the digital age. As a digital native, Jane is very receptive to new digital services. However, she is also new to banking and sometimes need face-to-face assistance to help her make the right banking choices. Other than this, she also looks at external sources to find out about the services offered by bank.



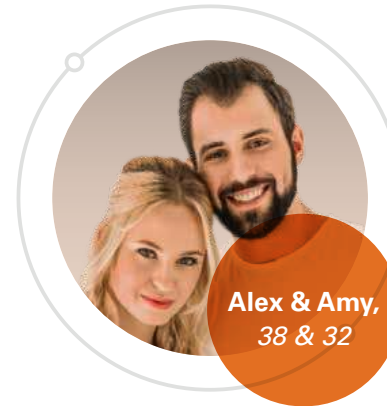
**Mary, 28**

## **The Experimenter** **(The Affluent and Smart Consumer)** *Characteristics:*

- Grows up in the digital age
- Highly influenced by social media and friends
- Smart consumer and tech savvy
- Adventurous – keen to try out new platforms/products

### *Introducing:*

**Mary**, aged 28 – She is a single air stewardess from an international airline. She already owns a car but wants to change to a newer model. Due to the nature of her job, it is very important for her to be able to access her bank accounts on the fly and be able to do anything that she wants wherever she is. Even though she is affluent for her age, she is a smart shopper – always looking for the best deals and best rates of returns online. She recently took up a personal loan with a Challenger Bank as they were able to provide the services she needs at a more competitive rate.



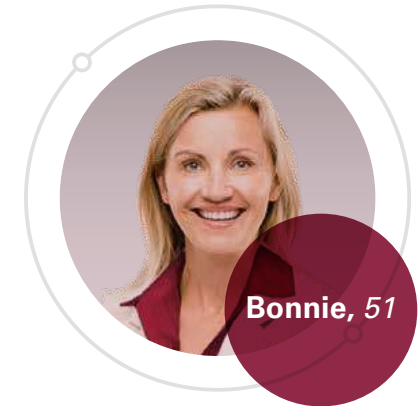
**Alex & Amy,  
38 & 32**

## **The Planners** **(The Careful & Smart Consumer)** *Characteristics:*

- Careful with their finances as decisions are based on a larger investment sum
- Smart but careful consumer – will check with their friends on the best deals in town and do research to back up their financial decisions

### *Introducing:*

**Alex and Amy**, aged 38 and 32 – Husband and wife. Amy recently gave birth to a baby girl. With this new addition to the family, Alex is looking for a larger home. To help him make the right decision, he is asking his friends on social media for advice, as well as doing research on the best mortgage option in the market. A FinTech lender picked out these cues via social listening tools and web tracking. Because of this, Alex is now looking at a mortgage with a non-bank.



**Bonnie, 51**

## **The Observer** **(The Guarded Consumer)** *Characteristics:*

- Not tech savvy – less likely to do financial transactions online
- Not risk takers so they often observe with a keen sense of interest
- Pays attention to results before making a financial decision
- Most likely to want to visit a bank branch to speak with a banker on their financial needs

### *Introducing:*

**Bonnie**, aged 51 – Her children are all working, meaning there is far less financial dependency on her now. As a result, she is looking for ways to do something with her spare cash. However, she is conservative about her financial decisions. She was hesitant to adopt digital banking at first, but has begun using digital services for some common banking tasks. While confident and experienced using many banking services, she still occasionally prefers the face-to-face service that she learned to trust as a young adult.

# The Digital Switch is Complete

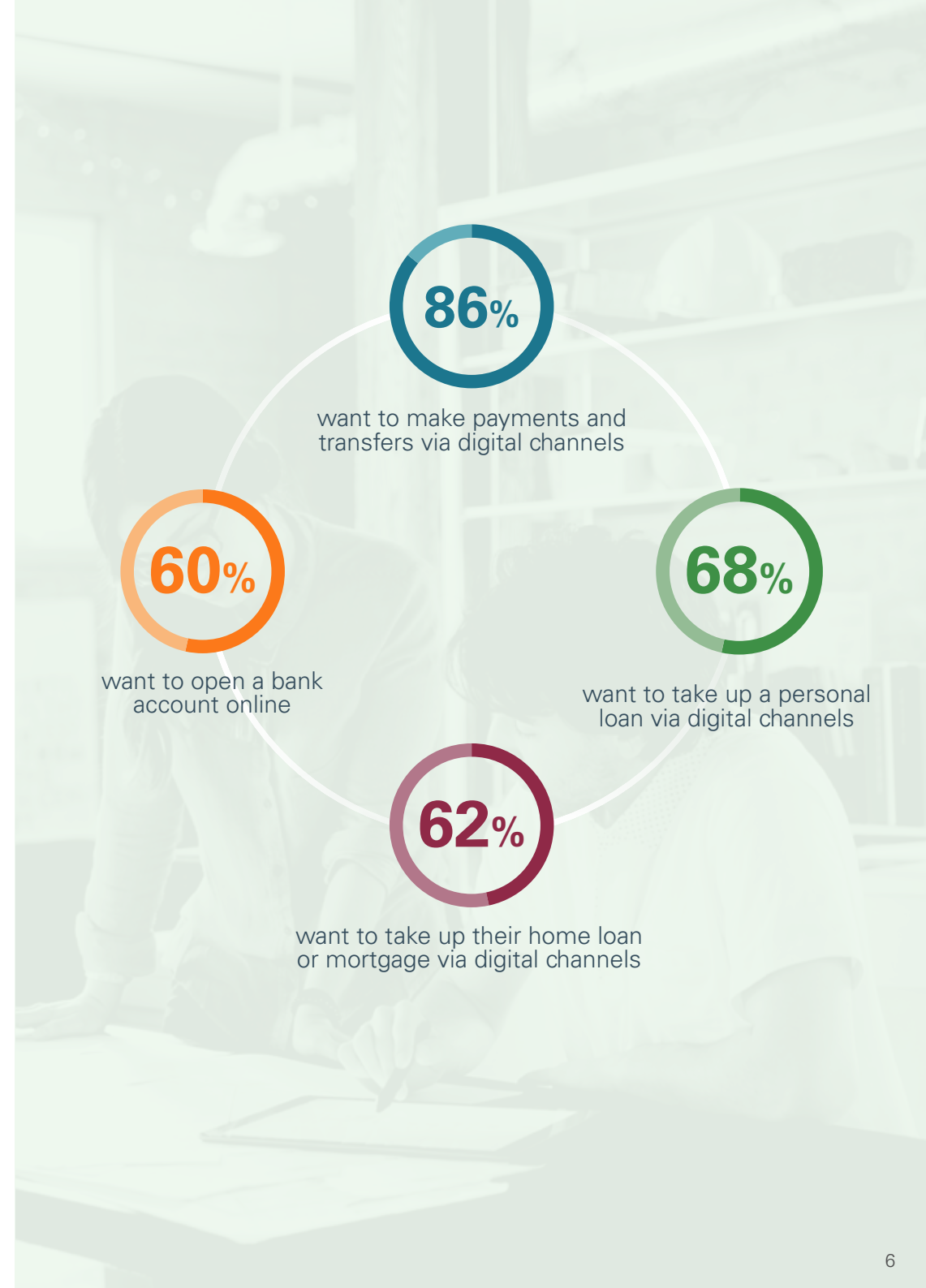
**Retail banking consumers have made the digital switch**



**67%** of customers globally are active on digital platforms and frequently access their bank accounts through digital channels including mobile banking apps and web-based banking platforms.

While consumers are generally very satisfied with the basic banking services being provided through digital channels, their experiences with more complex transactions are currently falling short of the growing expectations and digital demands.

Today's banking consumers have come to expect seamlessly connected, convenient and positive service interactions at every stage of the financial lifecycle, and across every digital and physical banking channel.



# What is Driving the Digital Switch?

**Best rates of returns and experience are the most important considerations in today's consumers' financial decisions.**

**81%** of consumers are using digital channels to engage with their bank.

**69%** of consumers want their entire financial lifecycle on digital channels.

**30%** of those that have not tried a FinTech option or Challenger Bank product say they are open to trying them.

While trust remains critical, best rates of returns and **experience** are gaining importance in today's consumers' financial decisions.



**69% of consumers** want their entire financial lifecycle on digital channels.



**Best rates of returns** and **experiences** are the most important considerations in today's consumers' financial decisions.

“Today, the fastest growing financial services organizations in the world are, without exception, technology-based providers, not incumbent banks or institutions. From Ant Financial, Alipay and WeChat in China, M-Pesa in Kenya, Paytm in India, Kakao in Korea, and more. Technology allows much faster scale on much thinner margins, but it is fundamentally about a key element in the future of customer-centric banking – the removal of friction.

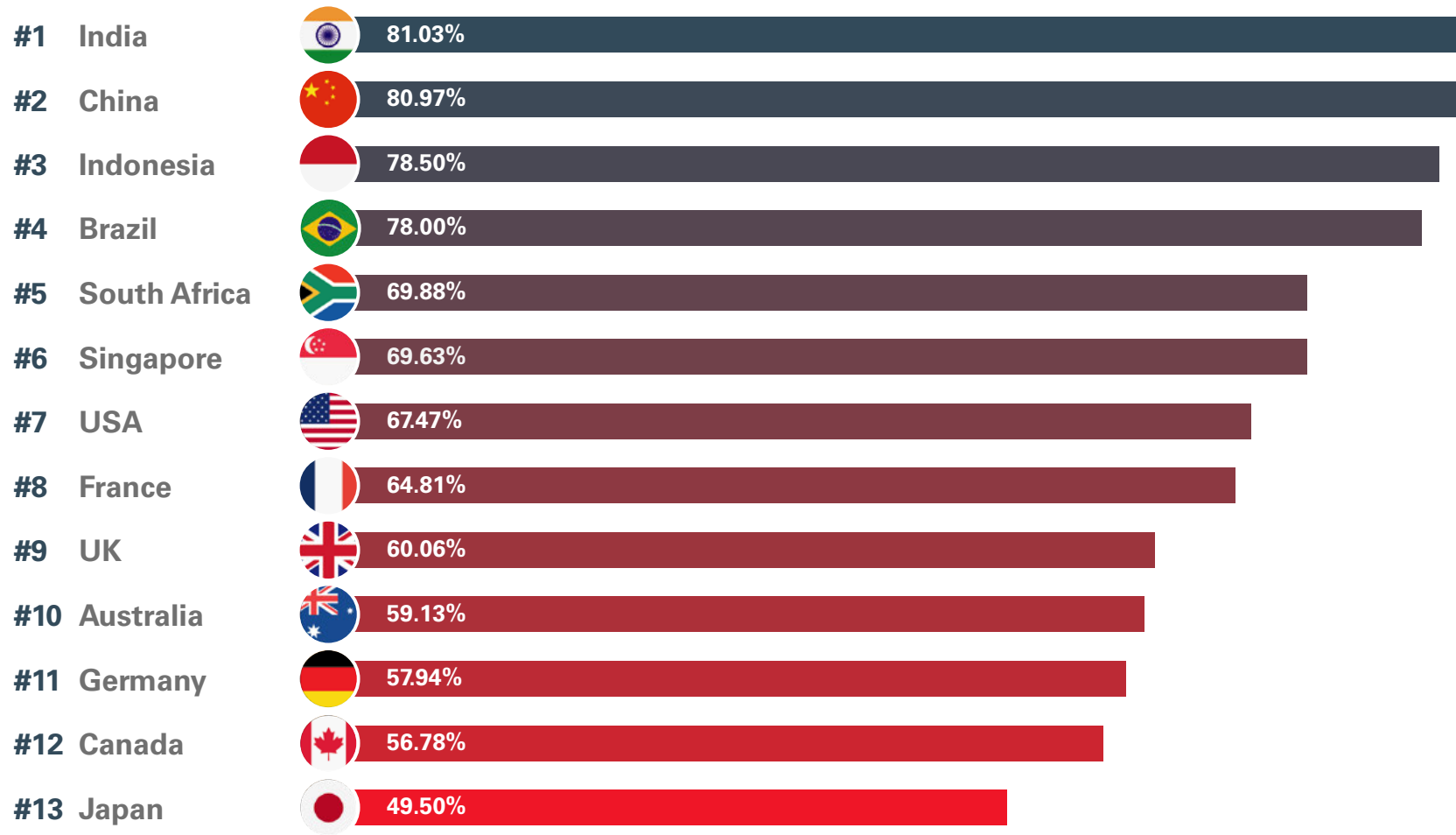
**- Brett King, Founder/Chairman - Moven,  
Author of Bank 4.0**

“Consumers love digital channels for their ease and transparency—they just need to be driven there, either by an integrated offering or by a strong marketing channel.

**- Devie Mohan,**  
FinTech Market Strategist and Researcher



# Level Of Openness To New Digital Platforms Across Countries



“ FinTechs achieve 100% of their consumers via digital. The best incumbent banks in the space like USAA (US), mBank (Poland), and UBank (Australia) are able to get the majority of their revenue via digital. Regardless, the future is pretty clear. In five years' time, if you aren't delivering the bulk of your revenue through digital channels you'll be out of business, or in danger of imminent failure.

- Brett King, Founder/Chairman - Moven, Author of Bank 4.0



# How Your Customers Made The Switch

If you're still thinking about and discussing the digital switch as something that's happening or going to happen in the future, we've got some bad news – it's already complete.

The vast majority of consumers have moved from the traditional ways of banking such as visiting physical branches, and are now banking online more frequently and increasingly open to trying innovative new digital platforms.

At first glance, banks appear to be facilitating this new demand well – with high satisfaction levels reported for opening an account and completing payments and transfers. But the further you go into the financial lifecycle, the satisfaction falls.

81% of consumers are using digital channels to engage with their bank – a move heavily influenced by the way they are accessing other services outside of banking.

A circular portrait of Jane, a woman with dark hair, smiling. The name 'Jane' is written in white on a dark blue circular background to the left of the portrait.

Jane

**Jane** never even had to make the switch.

She was born digital, and there was never any question about how comfortable she was using digital channels for banking – only whether she had the expertise to complete banking tasks online without any expert assistance.

A circular portrait of Alex and Amy, a man and a woman, smiling. The name 'Alex & Amy' is written in white on an orange circular background to the left of the portrait.

Alex & Amy

For **Alex and Amy**, the digital switch was a very natural transition. As they embraced digital services in other aspects of their lives, they naturally made the digital switch in banking too, and today they complete the vast majority of banking tasks digitally.

Their busy work and family schedule also makes them appreciate the convenience and ease of access to all their banking accounts and investments on the go.

A circular portrait of Bonnie, a woman with blonde hair, smiling. The name 'Bonnie' is written in white on a dark red circular background to the right of the portrait.

Bonnie

For **Bonnie**, the switch took a lot longer. Her history of trusting and relying on face-to-face service made her naturally apprehensive of digital banking, so she waited until digital services were proven and widespread before deciding to try them.

Now that Bonnie is accustomed to using digital banking channels, she wants them to be as simple and frictionless as possible – and that goes for all transactions, from making payments to opening a business or applying for a mortgage.

A circular portrait of Mary, a woman with dark curly hair, smiling. The name 'Mary' is written in white on a dark green circular background to the right of the portrait.


Mary

**Mary** made the digital switch at such a young age that digital experiences are an accepted part of her modern life. For Mary, banking frustration doesn't come from a lack of digital options, but more frequently occurs when complex services can't be carried out seamlessly across multiple digital and physical channels.

Mary sees her relationship with her bank as purely transactional. There is no added value there, meaning Mary is on the hunt for a financial services provider who is truly able to understand her needs at her current lifecycle stage.

# Your Consumers Have Alternatives – And They're Not Afraid To Use Them

Unlike their youngest consumers, most retail banks don't have the luxury of being born digital. For the banks, making the digital switch has been a long process – and one that hasn't always served consumer needs in the best ways possible, or have been completed on time.




Enter the agile new FinTechs and tech giants. The digital prowess of new Challenger Bank options is making them an attractive alternative to traditional banks, and consumers are already clearly showing that they aren't afraid to use them.

**Consumers who have not tried a FinTech option or a Challenger Bank product or platform are already in the minority**




30%

of those that have not tried a FinTech option or Challenger Bank product says they are open to trying them.

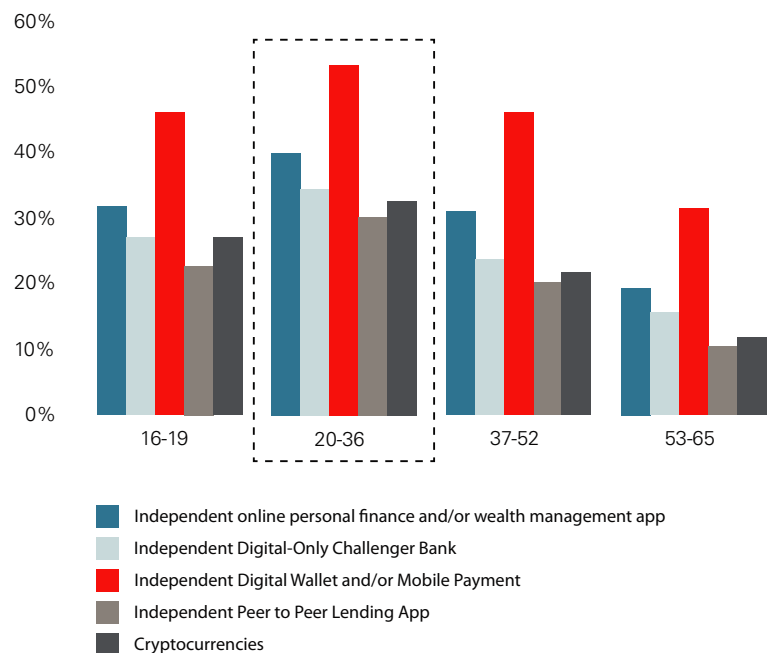


For traditional retail banks, the time for change is now, because Challenger Bank offerings have never been more compelling for digital consumers, and they are increasingly becoming a popular choice for almost all kinds of banking service, at every stage of the financial lifecycle.

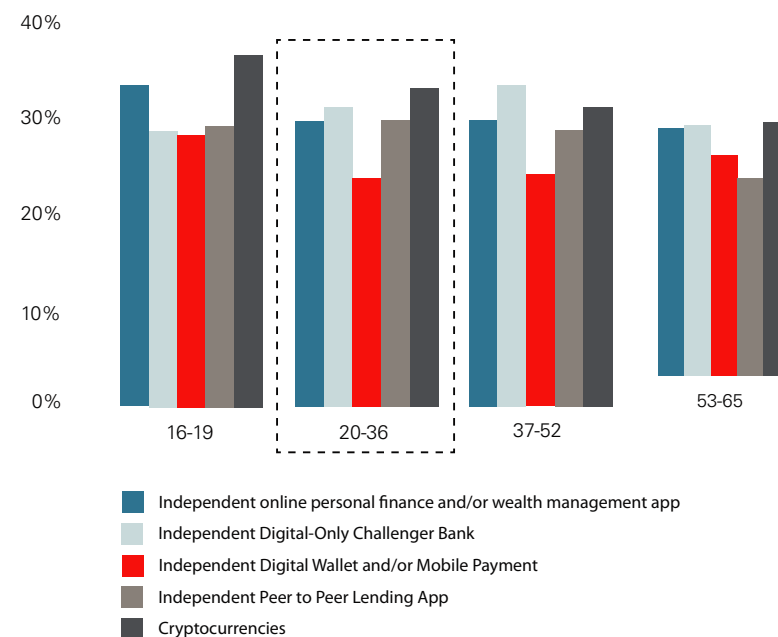


# Interest in FinTech & Challenger Bank Alternatives is High and Growing

Current Usage Of FinTech And Challenger Bank Platforms



Interest To Try Out FinTech And Challenger Bank Platforms



## The Popular FinTech and Challenger Bank Options

With major shifts happening across the consumer financial lifecycle, consumers are showing high interest in exploring Challenger Bank options at every financial lifecycle stage. Consistently high interest in alternatives across all stages highlights a need for today's banks to improve services at every financial lifecycle stage.

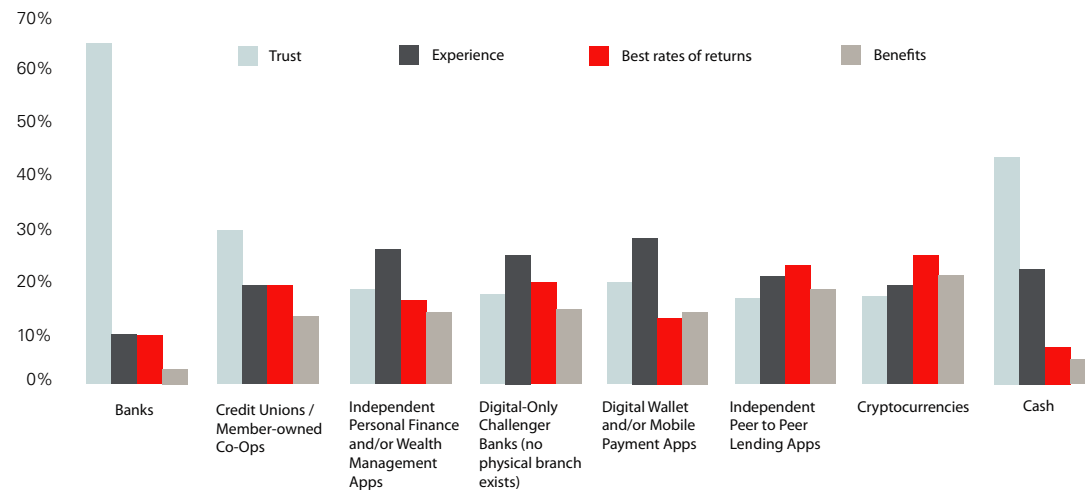
It is also evident that consumers aged 20-36 are the most adventurous group when it comes to using FinTech and Challenger Bank alternatives but interest is high across all age groups.

When asked which alternatives they have not used but most keen to try – cryptocurrencies, independent online personal finance and/or wealth management apps and independent digital only Challenger Banks are the most popular options.

# The Concept of Trust is Being Redefined

Trust Rules, but there could be a redefining concept of Trust in Financial Services.

## How Consumers View Their Financial Options



It will be easy for consumers to make the switch to other alternatives as they correspond better in the aspects of **experience** and **best rates of returns**.

Consumers associate FinTechs & Challenger Bank alternatives with **experience** and **best rates of returns**, while banks are only rated highly on **trust**.

Banks are only highly trusted as a financial partner but are lacking in the other considerations which FinTechs & Challenger Banks are highly associated with.

“ Trust is misunderstood today in banking..... Trust is no longer a function of being a bank – trust is about utility, ease of use and predictable, reliable access across all bank channels. It is not a bank license, a branch network, branding exercise or marketing campaign. Those days are over.

- Brett King, Founder/Chairman - Moven, Author of Bank 4.0

# Consumers are Looking at Alternatives, But Why?

“ The rise of FinTech has been driven by increasing consumer expectations and the faster pace of technological evolution. This research really highlights where traditional finance companies have left a gap in the market of unmet consumer needs, requiring the latest in technology to deliver a better value proposition to consumers. For a long time, financial services have been about buying a product, with little or no service. With powerful technology companies like Google, Apple and Amazon influencing other parts of consumers' lives, they now are demanding similar levels of personalized digital interactions from their financial services.

- Charlotte Petris, Co-founder & CEO, Timelio

“ Brazilians are very active on the use of mobile applications and very keen to use new FinTech solutions (ranking 4th globally according to EY FinTech Adoption Index 2017). The FinTechs that are appearing in the Brazilian scene generally offer solutions that are niched and focused in a very specific problem (following the “unbundling” concept), usually delivering a better experience than the bank offers. The clients are usually underserved by their existing banking provider opening space for them to test FinTech alternatives. After some time, the FinTech alternatives often set the benchmark for a determined solution (such as Guiabolso did with Personal Financial Management and Nubank with credit card segment).

- Bruno Diniz, FinTech Advisor, Speaker and Managing Partner at Spiralem - Innovation Consulting (Brazil)



# A Deep Dive Into the Financial Lifecycle

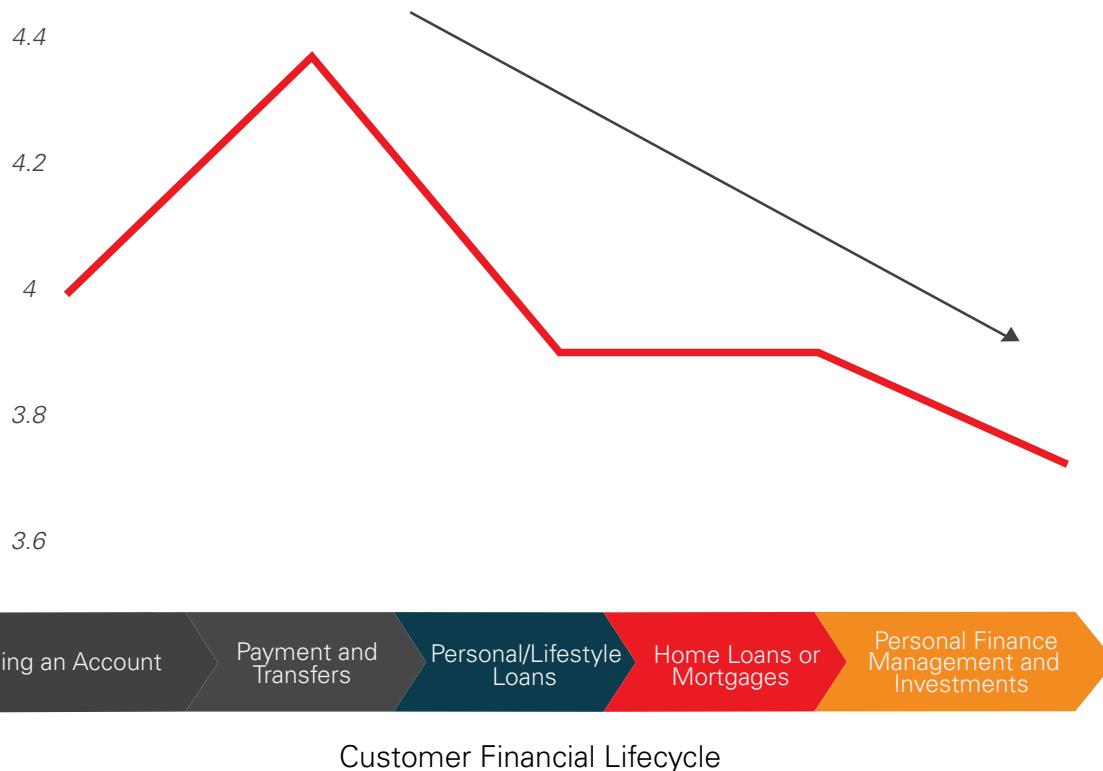
Satisfaction Falls as the Life Moments and Financial Services get more Complex.

## Experience ratings of various bank's services fall as consumers progress further into the financial lifecycle

When we dive into the consumer financial lifecycle, we see that satisfaction drops at critical life moments further down into the stages. There is a significant drop once it comes to more complex financial transactions such as borrowing from a bank or in meeting personal financial management and investment needs.

### Experience Rating Across Critical Life Moments


Experience Rating  
1 - Lowest, 5 - Highest



### Friction is Leading to Dissatisfaction

Relationships between banks and consumers might be off to a good, positive start but it deteriorates over time.

Whichever channels your consumers prefer, there's one thing they all want – connected, seamless, and data-driven experiences across the entire financial lifecycle.



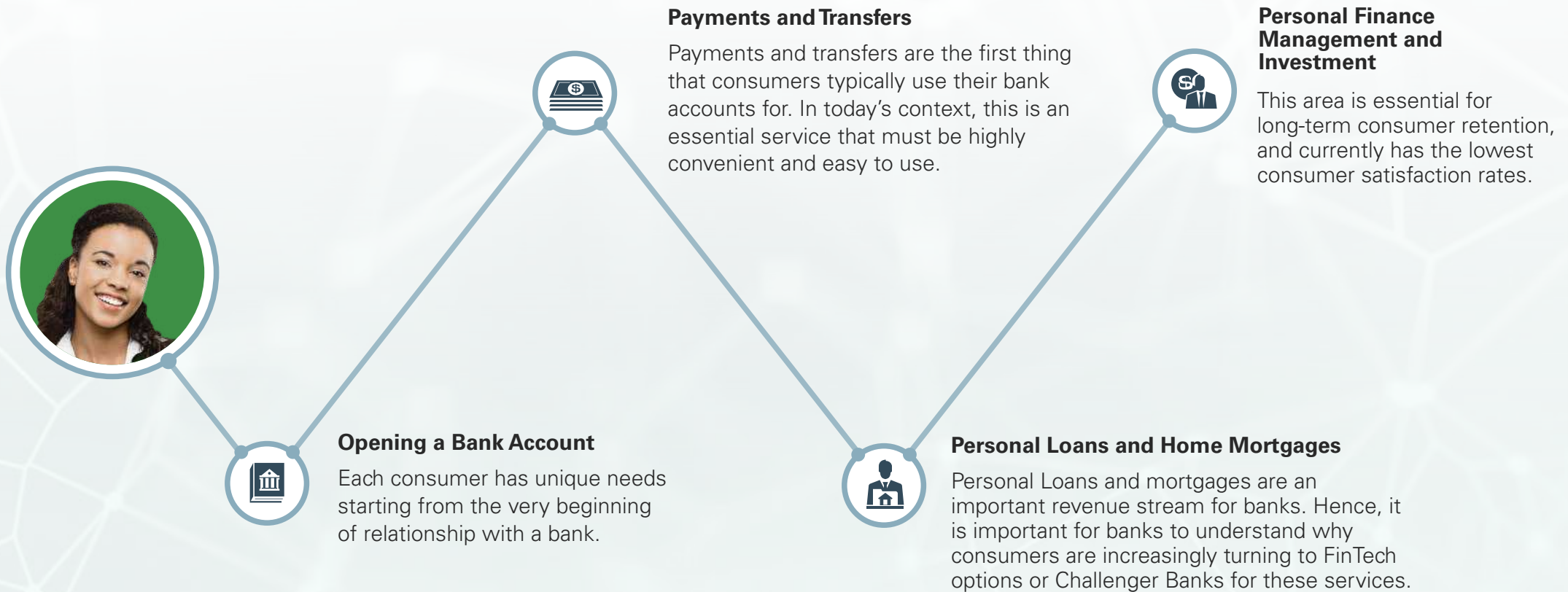
Currently, satisfaction levels are falling for all kinds of banking transactions, and the rise of new digital options has caused many consumers to see banks as a decreasingly relevant part of their digital lives.

There's a misconception that when consumers say they want banking services to be "convenient," they simply mean they want those services to be accessible and fast. While speed and accessibility are important, true convenience often means services are connected together as part of a smart, seamless financial lifecycle.

For banks' relationships with their consumers, understanding what they need at every stage of their lifecycle and delivering it can make the difference between losing a consumer or keeping them for life.

# The Story of Their Lives

The retail banking financial lifecycle is broken into four main stages, each with their own requirements and expectations:



# Opening a Bank Account

An increasing receptiveness to Digital Services

30%

are looking to open their next account with a FinTech option or a Challenger Bank.

63%

think experience is the most important consideration when opening a bank account.

69%

think best rates of returns is the most important consideration when opening a bank account.



**Current levels of satisfaction remains high. However, many consumers are still looking to Challenger Bank alternatives as their next account provider.**

Satisfaction scores when opening an account are high across all age groups, with an average of 4/5 – indicating strong satisfaction with what banks are currently delivering at this stage.

Seemingly as a result of this rising demand for better experiences, as many as 30% of consumers say they are likely to open their next bank account with a digital-only Challenger Bank.

This figure is especially relevant when you consider that this is where current levels of satisfaction are at their highest. If 30% of consumers are interested in seeking an alternative even though they're satisfied with what banks are currently delivering, retail banks need to work to deliver the things that their consumers are seeking from new alternatives.

This tells us something very important: that relationships between banks and consumers are beginning well, but deteriorating over time.

Consumers rate experience as one of the most important considerations when opening an account – but what convenience looks like for one age group may be very different to another.

# Payments and Transfers

>85%

of payments and transfer services are now completed through online and mobile channels.

65%

of consumers say that experience is a major factor when choosing payment and transfer services.

Experience Rating  
1 - Lowest, 5 - Highest



**4.32**

*Across All Age Groups*

Consumer satisfaction with current payment and transfer services is high, but banks cannot afford to rest in this area. For payments and transfers, many third party competitors such as PayPal, Venmo, and Alipay have quickly become household names that a huge number of consumers now think of first when considering a payment.

“ Mobile payments from WeChat pay and Alipay have great reach and convenience so people living in China today, even in the rural areas, can go out without a wallet or cash.

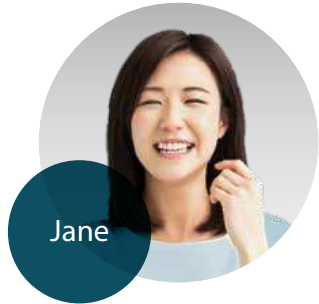
**- Zhou Jing, President of PINTEC**

With consumers rating experience and best rates of returns as extremely important when deciding on where and how to make their payments and transfers, there is still huge room for disruption from these new competitors.



# What Your Consumers Want

Satisfaction at this stage is lowest with **Jane**, which could be attributed to a couple of factors. **Jane's** generation is used to everything being instant, and many current account opening processes remain cumbersome today – even those available digitally.

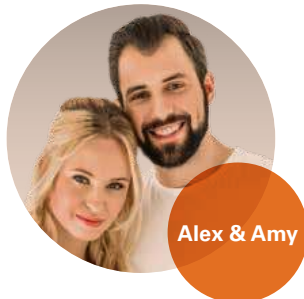


**Jane** has become accustomed to receiving information and services when, where, and how she wants in all aspects of her life in today's instant access world. When she needs help opening an account, her bank needs to deliver the exact same kind of convenient and timely experience.

Safeguarding consumer accounts from the moment of signup has been instrumental to retail banks' success ever since they first opened. Defending this area against encroachment from digital only Challenger Bank alternatives needs to be high on every bank's agenda.

For **Jane**, convenience comes from freedom of choice in the channels she uses to open an account, and simplicity of the digital account opening process.

For **Alex and Amy** however, convenience means being able to set up tailored joint accounts through any digital channel.



*“Consumers have always viewed ‘convenience’ as a top factor. The issue for financial institutions is understanding what consumers really mean by this. All too often, it is translated through existing paradigms of things like branch location, face-to-face service scores, call centre wait times, etc. FIs need to work directly with consumers to ensure they are delivering convenience on the consumers’ terms, not their own. Increasingly, that means end-to-end 24x7 service available through clean mobile interfaces and full-digital account opening, on boarding and account funding.”*

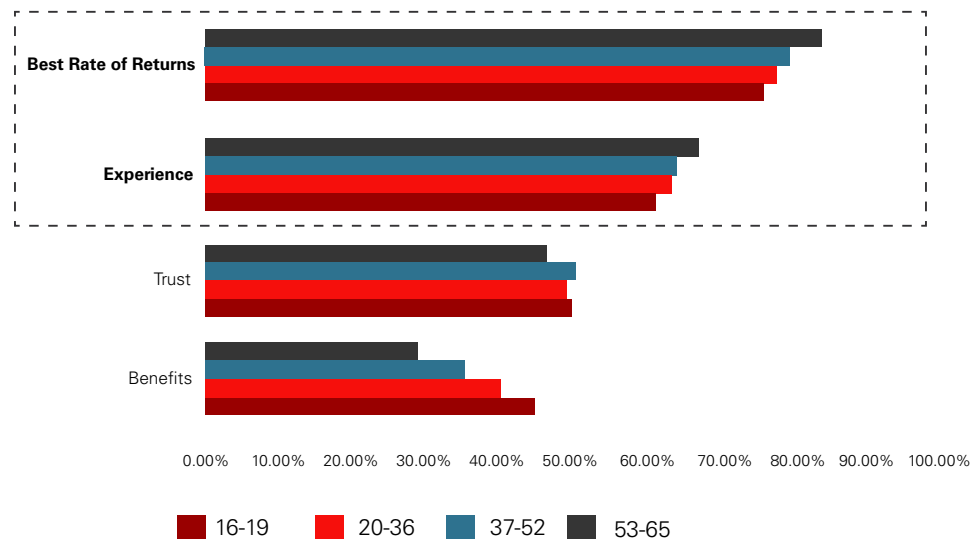
**- JP Nicols,**  
Managing Director, FinTech Forge

# What Your Consumers Want



For **Jane** in particular, convenient digital-only Challenger Bank services are a real alternative, so banks need to consider whether they are doing enough to make transfer and payment services satisfactory for digital native consumers. Banks around the world cannot afford to fall behind in this area.

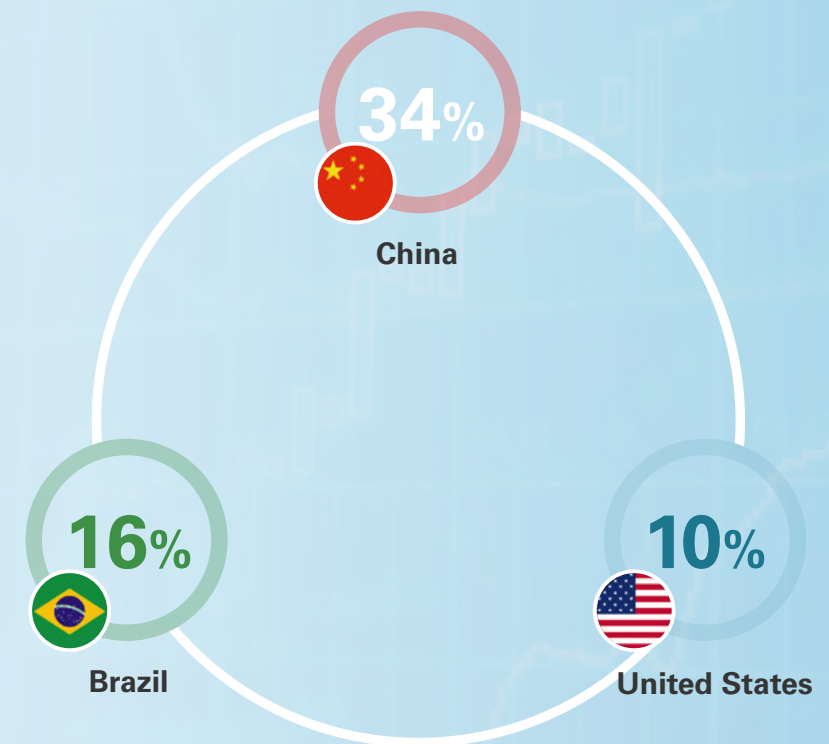
## Top 2 Considerations When Deciding On Payments And Transfers



## Experience was rated as important as rate of returns for all age groups.

The time is now to ensure that payments and transfers are as simple and convenient as possible – through all digital and physical channels. If Challenger Banks gain ground, it could lead to a loss of interest in a bank's more lucrative services further into the consumer financial lifecycle.

## Top 3 Markets Facing An Erosion Of Bank's Business In Payments And Transfers



# Personal Loans and Mortgages

1 in 3

are looking for alternatives because of an unsatisfactory experience

76%

of consumers think rates of returns is the most important when it comes to loans

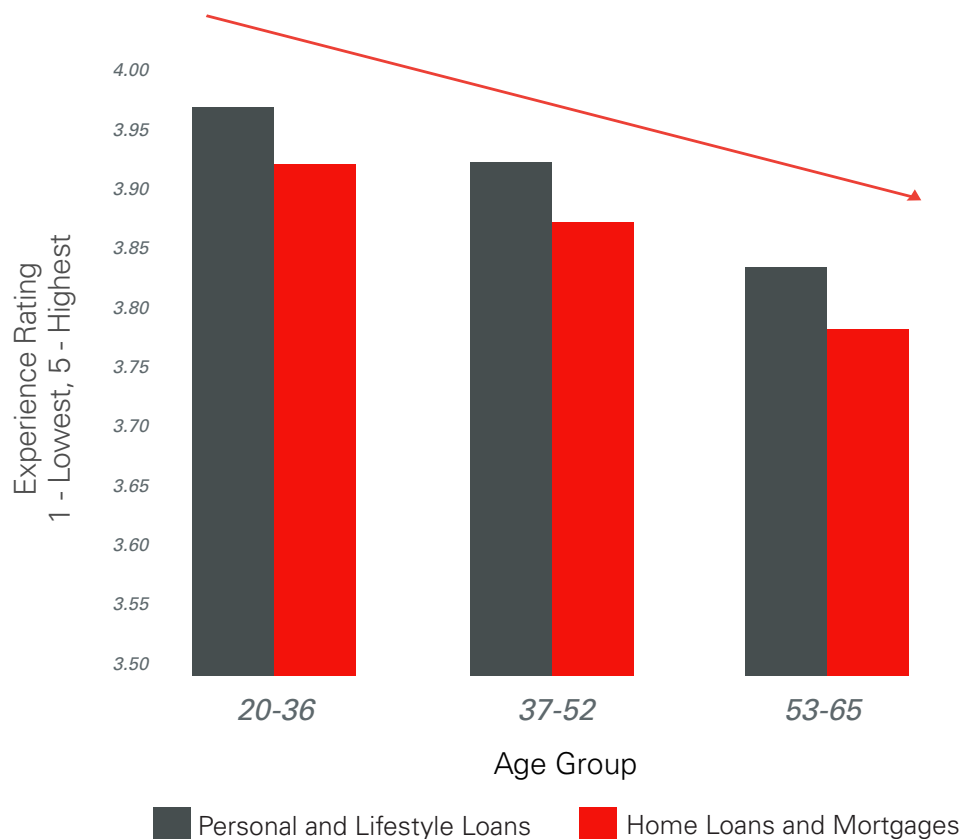
68%

of consumers think experience is the most important when it comes to loans

30%

prefer to obtain loans through non-digital channels as such omni channel communications

## Average Score Of Experience Ratings



## Friction in Traditional Process is Leading to Dissatisfaction & Openness to Alternatives

Satisfaction with both personal loans and mortgage services is notably low across all consumer age groups.

FinTech innovators are creating truly frictionless lending models and customer experiences while some banks still rely on lengthy and complex approval processes.

When it comes to borrowing money from a bank, consumers who have been in the same bank for many years, are still required to fill out stacks of physical forms, duplicating information banks have gathered about them countless times before.

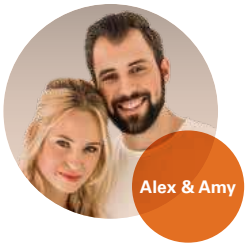
One-third of respondents to our survey are looking at Fintech options or Challenger Bank options for their next loan or mortgage.

“Businesses and consumers currently have an existing relationship with a traditional bank, so it is often the first place they think of when seeking a loan. However, the trend is also moving away from having a relationship with one financial provider, which is key to the disaggregation of financial services.

- Charlotte Petris, Co-founder & CEO, Timelio

Mortgages in particular make up a large and important revenue stream for retail banks. Banks cannot afford to give ground to new digital competitors here, indicating a clear need to improve the quality of service they deliver at this financial lifecycle stage.

# What Your Consumers Want



For **Alex**, **Amy** and **Mary**, current bank loan and mortgage services are falling slightly below expectations. This is largely attributable to the complexity of securing these services. While services have been made available through digital channels, they aren't as streamlined as other digital banking services, and work needs to be done to make them more convenient.

As banks modernize services in this area, they cannot afford to ignore the needs of consumers that may not be happy completing such significant and important transactions purely through digital channels. Simplifying and streamlining digital experiences will make it easier and more satisfying for all consumer groups, but it's important to recognize that about 30% of consumers say they still prefer to obtain loans through non-digital channels, so their needs should be considered too.



Consumers value the **speed** at which they can get their loan and the **quality of rates** above all other factors when it comes to securing loans and mortgages.

To speed things up, banks can review their processes and start exploring ideas like automating loan application processes, which can both accelerate and simplify applications and approvals – creating frictionless experiences for consumers. For existing consumers in particular, banks already have all of the data they need to make a decision on whether or not to approve a loan to that consumer, but utilizing it to improve processes will require better data integration and smoother data access processes.

New peer-to-peer lending alternatives such as LendingClub for example, enable consumers to borrow from individuals instead of banks, and negotiate far more flexible and personalized terms than a bank ever could.

Another important thing that these lenders prioritize is speed. With a global top bank now able to deliver conditional approval for loans in just five minutes, consumers are going to become much more sensitive to long application or approval processes in the future.

The perfect example of this is Quicken Loans, a lending provider built on fast loan delivery that recently overtook Wells Fargo as America's largest mortgage lender – demonstrating just how far speed of approval can get a financial services provider today.

Banks have to understand what makes non-bank services appealing to consumers. And they have an advantage since they have insights into their consumers' banking habits and behaviours.

By better utilizing the consumers data they already have, banks can customize loan packages and offers for their consumers at the right time, and remove friction from consumer application and engagement processes – two factors that will be essential for retaining consumer trust and keeping pace with digital-only competitor.

“PINTEC's digital lending platform Dumiao now processes over 100,000 lending requests each day, covering all of China, with 80% of the requests coming from non-tier 1 cities. Dumiao only has around 240 people, most of whom are IT-related staff. The speed, efficiency and coverage Dumiao has been able to achieve is not uncommon in China and we believe the era of digital lending is already here.”

- Zhou Jing, President of PINTEC



# Personal Finance Management and Investment Services



think non-bank alternatives assists them best in their personal finance management and investment needs.



of consumers consider best rates of returns are the most important when making decisions for this service.

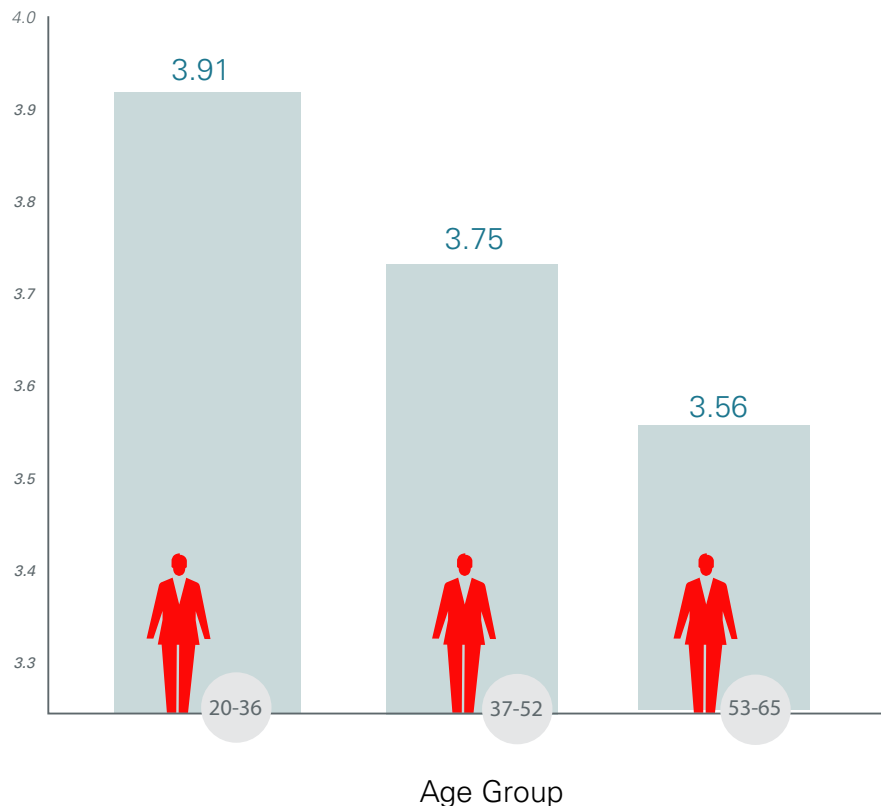


of consumers consider experience the most important when making decisions for this service.

## Average Consumer Satisfaction Ratings

Experience Rating

1 - Lowest, 5 - Highest



## A Red Alert for Traditional Institutions

Across the financial lifecycle, personal finance management and investment services have the lowest ratings.

There is greater dissatisfaction with banks in the area of personal finance management services compared to all previous sectors and lifecycle stages.

More than 40% of consumers think non-bank alternatives assist them best at this stage of the lifecycle – representing a significant erosion of traditional bank business in this area.

Whether a retail bank sees PFM services as a core part of its strategy or not, they play a pivotal role in customer retention, so banks can't afford to ignore this decline in customer satisfaction.

“Banks have, clearly, not been able to keep up with the consumer expectations for personal financial and behavioural analysis and subsequent offer creation. This is just a small example of where Open Banking and PSD2 can make a huge difference to keep consumers happy within a bank. There are several FinTech products who can analyse and visualise consumer's spending and savings patterns very well and banks can then easily plug in the visualisation into their current product portfolio.

- Devie Mohan, FinTech Market Strategist and Researcher

# What Your Consumers Want

Service experiences and the best rates of returns are the most important factors for consumers when selecting a financial management and investment service. Maintaining competitive rates in this area is something banks are constantly working on, but as far as experiences go, additional work appears to be needed.

Today's consumers expect the same experiences when managing investments as they receive for other common services. When they add money to an investment or move wealth around, they want it to be as simple as getting a ride through Uber or Lyft.

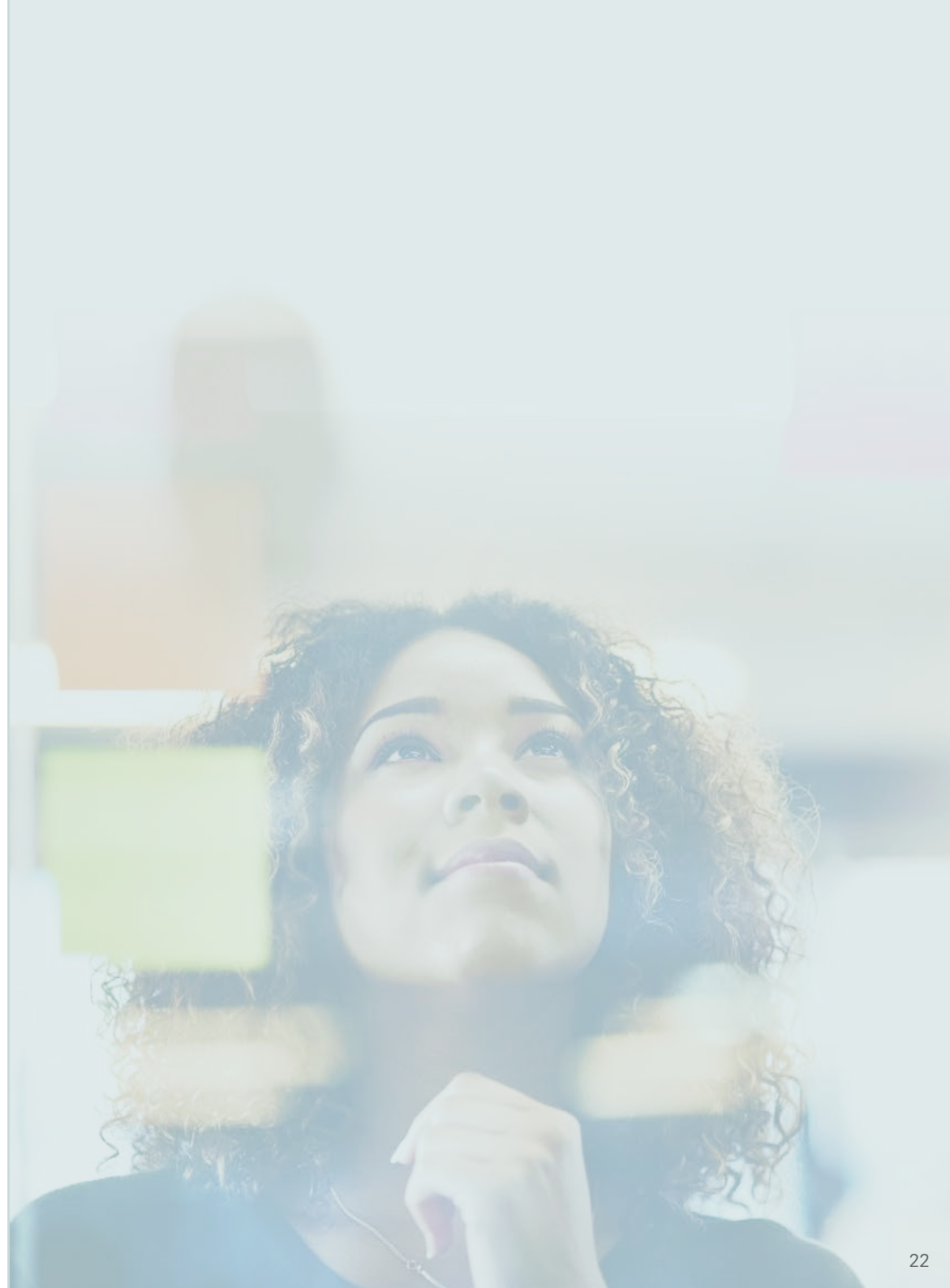
For **Bonnie**, the quality of rates and service experiences are especially important at this stage of the financial lifecycle. She is looking to grow her wealth through investments. If through research and recommendations from friends and family, she finds that a FinTech option or Challenger Bank offers more competitive rates and are able to provide a more dedicated and personalized service than her bank, she won't be afraid to go there.



Competitors can offer **Bonnie** a personalized investment service, closely tied to her current wealth, family goals and level of risk aversion. With lifelong data about **Bonnie**, nobody is better positioned to deliver this than her bank – it just may not be doing it yet.



**Mary** has a large disposable income, and wants to grow her finances through investments, so she can work towards an early retirement. But because of the nature of her job, she needs to be able to manage her investments on the go as well. A Challenger Bank can quickly customize an investment plan based on her needs, and give her the means to manage investments from anywhere in the world.



# Leverage Collaborative Ecosystems for Customer-centric Innovation

One in three of consumers are open to considering non-bank alternatives for financial services.

## **The Emergence of Bank-FinTech Collaboration and Open Banking, Offers Accelerated Customer-Centric Innovation.**

Retail banks have been dealing with digital disruption for many years now. First, it was the arrival of online-only banks. Then came the agile Challenger Bank financial service providers. But the next wave of digital disruption looks very different.

New financial services ecosystems including the Payment Services Directive, Open Banking, and SWIFT standards are forcing banks to adapt in a new way – by coming together to share important information.

“ The key advice for the following years would be the open banking strategy adoption by the incumbents. Opening their APIs is the last mile on collaboration in the FinTech segment leveraging both Banks and FinTechs complementary strengths, improving the customer experience in a much better way than each company could do on its own. This is becoming a reality in places like Europe (reinforced by new rules such as PSD2) and this trend is going to increase in Brazil. Banks like Original and Banco do Brazil are already going this direction and announced their Open Banking strategy recently.

**- Bruno Diniz, FinTech Advisor, Speaker and Managing Partner at Spiralem - Innovation Consulting (Brazil)**

Far from being a threat to individual banks, these new ecosystems present a significant opportunity to help retail banks compete in a market that's becoming increasingly responsive to changes in consumer demands.

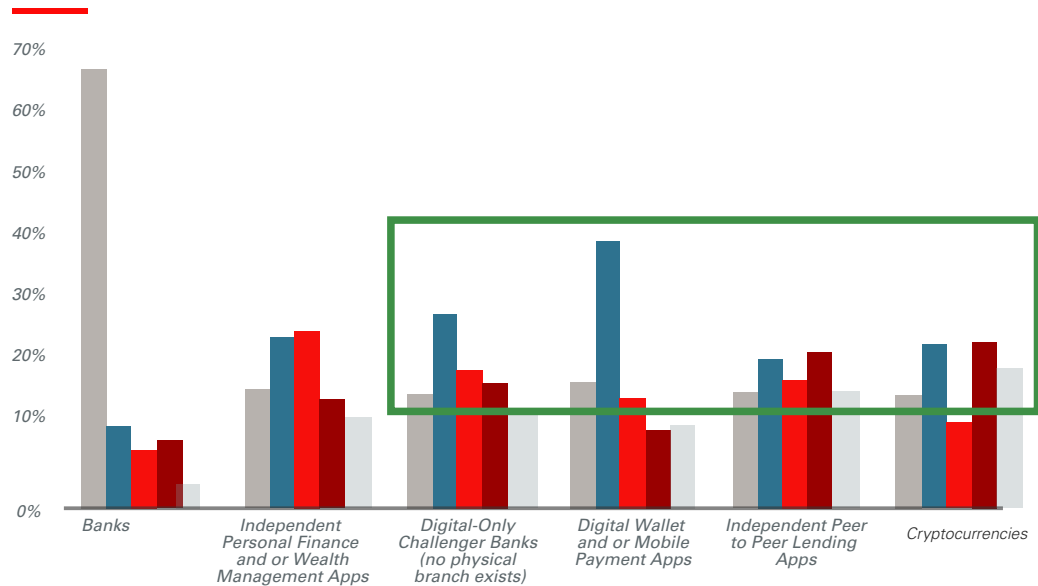
By sharing data with strategic partners – typically other banks, FinTechs, or third-party data experts – banks can better understand consumer needs at all stages of their financial lifecycle, enabling them to respond faster and more accurately to new demands, and give consumers fewer reasons to explore new alternatives.

“ Banks used to see FinTechs as a threat but have since realized that collaboration is the key. FinTechs can help banks in breaking the traditional silos with new and innovative solutions to enable true customer centricity which will drive the banks grow.

**Jan Reinmueller, Partner, Head of Digital Village, KPMG in Singapore**

# Building on What Banks Do Best

## How Consumers View Their Financial Options



Retail banks rate highly in the area of **trust**, but fall behind FinTech options or Challenger Bank competitors in all other areas.

Outside of trust, the alternatives currently win over banks in all other criteria. Consumers perceive them as more convenient, offering better service, delivering better rates and even offering additional benefits to them.

Switching behaviour is now far more likely as consumers have lesser attachment to their banks. In order to retain their current consumer base, banks need to deliver value and consistency in services, as well as a higher standard of experience, built around the expectations of today's empowered consumers.

“Banks have been in existence for hundreds of years, and it has been an industry known to re-invent itself over and over again to survive. But whether banks will evolve to become FinTech companies or vice-versa, I think both are possible. The two working together closely to create future-oriented banks is also a very likely scenario. We have seen that as an industry trend already. Whatever the future holds, being able to quickly adapt to an ever-changing environment will be the essential survival trait for every financial institution in the world.

- Zhou Jing, President of PINTEC

“Banks need to remember their purpose is to provide value for consumers. With that as a guiding purpose, it will open them up to the opportunities of collaboration and innovation that will help transform banking.

- Cade Tan, SVP, DBS Data & Transformation Group

By sharing data and engaging strategic partners in line with new financial regulations and ecosystems, banks can retain and even build this trust, while regaining ground across all of the other factors that are driving consumers towards the alternatives.

With alternatives leading in the areas of experience, rates, and benefits, there's a lot for retail banks to do to keep up. For FinTechs, innovation comes naturally, but for far larger banking organizations, coming up with new service ideas that effectively deliver everything today's consumers are looking for globally is extremely challenging.

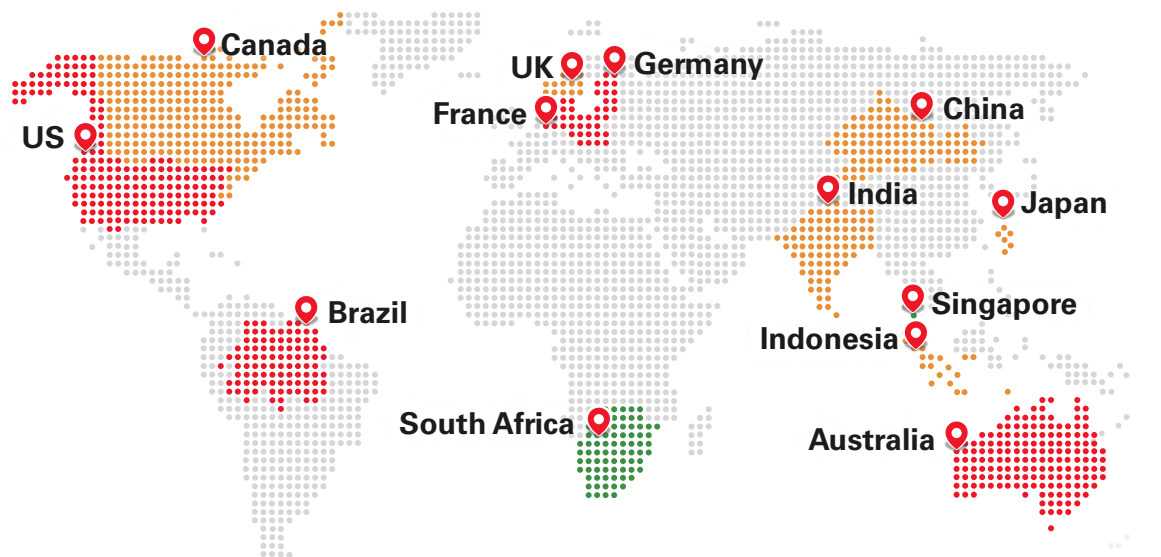
As a result, many large retail banks are considering and actively moving forward with a strategy that goes beyond strategic partnership – buying out agile new competitors and acquiring their services and capabilities. This can be an extremely effective approach, and provides a fast (if costly) solution to many of the challenges retail banks are facing today.

“It would be critical to identify core values for the consumer and use technology to bring that value to the consumer efficiently and effectively. With rapid changes in technology, banks tend to lose this focus with so many different technological agendas.

- Makoto Shibata, Head of Global Innovation Team, Digital Transformation Division, Mitsubishi UFJ Financial Group Inc.



# Impact of FinTech & Challenger Bank Options By Country



COUNTRY	OVERALL SCORE
USA	15
Germany	13
Australia	11
Brazil	11
France	11
Canada	9
China	9
India	9
Indonesia	9
UK	9
Japan	7
Singapore	5
South Africa	5

This heat map shows how likely consumers in each country are to go to a FinTech or Challenger Bank for their next financial transaction or service across all lifecycle stages.

**(>10 Points)**  
Threats from FinTech & Challenger Bank options are high

**(7 to 10 Points)**  
Growing threats from FinTech & Challenger Banks options

**(<7 Points)**  
Safe from threats from FinTech & Challenger Banks options

## Building a New Kind of Consumer Banking Experience

Meeting consumer expectations means meeting the needs of all consumers, not just those that were born digital, or those resistant to adopting digital channels.

What's more, consumers also need to be able to trust their bank, in which today, means much more than simply believing a bank is acting responsibly with their money and data – it means truly believing their bank understands their needs.

True omnichannel banking requires maintaining traditional service channels, and understanding how they can be optimized to best meet the needs of the groups that continue to rely on them. Once banks start partnering and sharing data more effectively, that understanding will become easier to gain and maintain.

“One shouldn't assume that trust is enough, as customers today are looking for a holistic package. These days, trust isn't earned just by the products and services a company offers, but may include whether a company has good sustainability practices or even ethical practices.

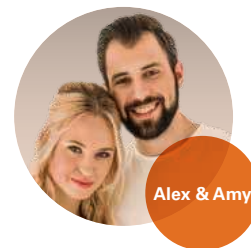
- Cade Tan, SVP, DBS Data & Transformation Group

# Enabling Omnichannel Access Across the Financial Lifecycle



**Jane** as a digital native needs access to branchless, intuitive, friction-free banking services that still enable her to get expert assistance instantly, whenever she needs it.

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**Alex and Amy** are comfortable with using all kinds of channels and demand a consistently high level of service across them all. Most importantly, they need their experiences to be consistent across all banking touchpoints, so they aren't constantly re-entering information as they jump between channels and engage with new financial services.

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**Mary** is always on the move and has limited time for making complex banking decisions. She needs her bank to utilize what it knows about her to make informed recommendations about her financial future, so that she can make big decisions quickly, from anywhere in the world.

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**Bonnie** also needs her bank to understand her needs. As she moves into the world of long-term wealth management, expert help is required from someone that truly knows her – sometimes digitally, and sometimes face-to-face.

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*The core of the business must become about the ability to deliver banking experiences to consumers when and where they need it, in real-time. This requires a leadership team that understands technology is at the core of what they do. But more than that, they must understand the bank is no longer a collection of products distributed across channels, but experiences which surface the utility of the bank to a consumer contextually.*





- Brett King, Founder/Chairman - Moven, Author of Bank 4.0



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# Meet Our Influencers

Special thanks to these influencers who have contributed to our report:



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