accenture

Global Banking Consumer Study

Reignite human connections to discover hidden value

Introduction

Powerful forces create an urgent need to act

It is hard to imagine a time before television. Although many now consume content through smartphones and tablets, the TV set has for decades been the primary device through which many obtained news and watched their favorite programs.

But it wasn't always this way. In 1950, just 9% of US households had a TV set. Five years later, a staggering 65% did. And five years after that, adoption reached 87%.

Uptake rocketed because a series of important developments occurred at the same time: advances in transmission and visual display technology; the creation of technical standards that meant different networks could be viewed on a single device; and a rapidly increasing appetite for news and entertainment presented visually.

This created an immense opportunity for networks, device manufacturers and advertisers. By seizing the moment and acting decisively, many created large, successful businesses.

Today, banking executives can learn a lot from this period. As in the early days of television, a variety of factors are combining to create the need for a new, outside-in view of the industry.

Opportunities abound for banks that can explore the art of the possible and reinvent their enterprise to increase their relevance to customers and set a new performance frontier for all aspects of the organization.

Emerging technologies are making it possible for banks to strengthen their digital core by leveraging the power of cloud, data and AI through an interoperable set of systems across the enterprise. A strong digital core allows companies to develop new capabilities at speed, try new things, and fail fast when needed. Technology, once viewed as the disruptor, is now an enabler, helping banks to enhance employee productivity, transform cost structures, engage with customers in novel ways, and develop completely new propositions.

This technological revolution is just the first of four major developments that are shaping banking today and creating an imperative for banks to reinvent their business and operating models.

1

Advanced technology is now available to all

2

Rapidly rising interest rates reveal frailties

3

The changing face of competition

4

Shifting customer preferences

1

Advanced technology is now available to all

Banks invested $124 billion globally in new IT in 2021, a 24% increase compared to 2019[1].

The latest breakthroughs create fresh opportunities. Just think of the metaverse and generative AI, the technology behind ChatGPT and similar chatbots. These cutting-edge technologies hold enormous potential for banking, particularly in revolutionizing the customer experience. Generative AI, for example, could enhance digital interactions by making impersonal customer care conversations much more human-like and effective. Critically, the accessibility and affordability of technologies such as AI and machine learning (ML) have been improved by the availability of APIs, which allow businesses of all sizes to utilize pre-trained models.

2

Rapidly rising interest rates reveal frailties

It is a common perception: as night follows day, banking profits increase as interest rates rise. So, after a 450bps surge in US Federal Reserve rates and a 350bps hike in European Central Bank rates since February 2022, many thought banks were in luck.

But are they? Most banks that had released their 2022 results at the time of writing this report showed a double-digit increase in net interest income (NII). Yet as recent events showed, a rapid rise in rates can expose fundamental weaknesses among some banks. Indeed, higher interest rates can have negative implications, which are already materializing in some markets. For example, they can slow economic growth, lower demand for new credit, cause some banks to increase provisioning for loan losses, reduce the value of their securities portfolio, and result in deposit outflows that put the bank's liquidity at risk.

In addition, funding costs might increase as banks try to avoid deposit outflows or when central banks start to cut interest rates and banks need funding to issue new loans.

History and recent developments have shown that the consequences of any of these factors could affect banks very quickly. Those that look only at the positive effects of interest rate increases may fail to respond swiftly when circumstances shift.

3

The changing face of competition

A major factor is at play that was not present during previous periods of rising interest rates: stiff competition from digital-only banks and businesses that traditionally operated outside of financial services.

Examples include Apple and Singapore-based super-app provider Grab, which have made significant strides into banking in recent years. Accenture research indicates that the share of revenue of traditional banking products such as auto lending, consumer finance and mortgages that are sold through non-banking channels will increase by three to five percentage points by 2025[2]. This is a significant departure from the past 10-15 years, when banks primarily competed with other banks through long-established channels.

As a result, non-traditional financial services businesses will increase their share of origination and recurring fees as well as interest income as they chip away at banks' revenue and put pressure on their margins. Some new market entrants might even launch their own financial services products, completely circumventing traditional banks. Whether banks partner or directly compete with new entrants, the presence of these disruptive players risks reducing the number of touchpoints between bank and customer. This in turn could diminish banks' relevance and their role in consumers' lives.

4

Shifting customer preferences

The pandemic has altered consumer expectations and behaviors so greatly that the phrases 'pre-Covid' and 'post-Covid' are widespread.

An Accenture Consumer Pulse survey shows that six in ten customers have fundamentally changed their values and life purpose in the past 12 months[3]. What is more, two-thirds say companies are not responding fast enough to their changing needs. The consumer survey conducted for this report, the results of which are detailed in the next chapter, also shows that preferences and attitudes towards banks are in flux.

With customers' lives changing so rapidly, it is no longer enough for banks to provide great and convenient customer experiences. They also need the agility to be and remain relevant to their customers, understanding the forces that affect their individual lives and acquiring the ability to play a meaningful role in helping each customer to respond effectively.

Each of these four developments represents both a threat and an opportunity. To capitalize on them, banks will need a different mindset and different capabilities.

They will analyze the changing marketplace from the perspective of the consumer, and will jettison their traditional silos and benchmarks in favor of a new, more holistic performance frontier. Their digital core will give them the agility to adapt quickly to changing demands, and their reskilled, tech-supported workforce will engage with customers in more meaningful ways.

In short, to become or remain a market leader, every bank will need to embark on a journey of perpetual renewal.

Setting a new performance frontier for banks

There's a new imperative being driven by a handful of organizations that are quietly and systematically changing the game. Their goal: to reinvent, over time, every part of their organization, with a deliberate strategy that is digital at its core.

Accenture's Total Enterprise Reinvention research[4] found that a small group of companies are using technology and new ways of working to reach a new level of performance, and outperforming their peers.

Companies that use technology—including cloud, data and AI—along with new ways of working can build greater resilience and new paths for growth. Combining the power of technology and human ingenuity will enable them to reinvent how they go to market, operate, partner and create value to unlock a new performance frontier.

It goes without saying that this is a radical departure from traditional strategies and ways of working. It is less about what banks should do, and more about the kind of organization they should strive to become—one that can differentiate between the traditional strengths that will continue to empower them and those that will hold them back; one that moves away from industry benchmarks, which usually reinforce traditional paradigms, preferring to think afresh about how best to meet customers' needs. And one that embraces the art of the possible as it explores new ways to drive growth and optimize operations and experiences. The research[5] shows that organizations that reinvent themselves in this way outperform their industry peers in terms of 'experience' metrics by 31%.

In an industry such as banking, where competitive innovation is never-ending and switching is easier than ever, a critical part of enterprise reinvention is re-imagining customer relationships. Incremental progress is unlikely to be enough. Instead, leading banks will move away from focusing on customer journeys to understanding customer intent; from basic personalization to having meaningful personal conversations; and from siloed to holistic propositions.

This means connecting functions and data across the organization; creating new ways of operating, and of engaging with customers; asking new questions and finding new answers that drive decision-making and the development of new products and growth opportunities.

These changes will allow banks to become more than customer-centric—we call it life centricity[6]. It entails gaining a profound understanding of customers, being ultra-relevant, playing a more meaningful role in customers' lives, and helping them achieve their life aspirations by offering products and services through their preferred channels at a convenient time and place, and in ways that simplify their daily interactions.

The time to act is now. Just as broadcasting networks, device manufacturers and advertisers seized on the mass adoption of television in the 1950s, banks today have an opportunity to redefine what banking means for customers in the 2020s. This transformation is already underway, accelerated by the fintechs and bigtechs and given momentum by the more innovative incumbents. Every bank today has the choice either to help shape the future of its industry, or to find some way of thriving in a world designed by its competitors.

Chapter 1

Understanding the ever-changing customer

The first step in becoming life-centric is to understand customers' intent and life aspirations, as well as what they want from their bank, their perceptions of existing providers and their appetite for new services. Accenture's survey of 49,000 banking consumers around the world—the fourth edition of our alternate-yearly financial services consumer study—aims to help provide these insights.

Shallow satisfaction

NPSs are positive, but sentiment drops when customers are probed more deeply.

Fragmentation intensifies

The share of wallet of non-banking financial service providers is increasing.

Frustration is real

The ever-growing number of financial relationships is causing frustration among customers.

Digital channels are impersonal

Most consumers use digital for short, functional purposes only.

Long live the branch

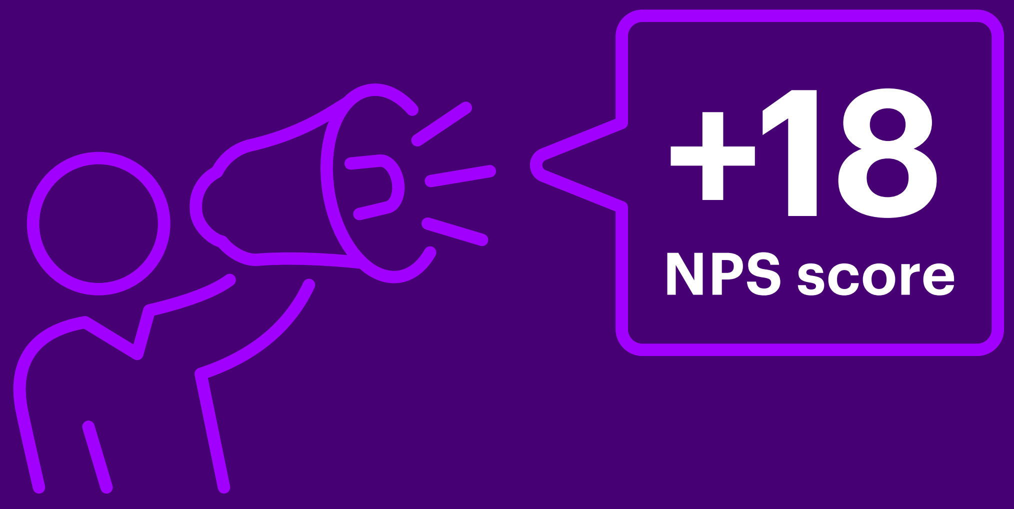
Branches are still seen as a symbol of stability and are used for high-value and complex activities.

Customer satisfaction: positive but shallow

More than four in ten consumers give their main bank a score of at least nine out of ten when asked about their likelihood of recommending it to a friend or colleague. This translates to an NPS of +24. Although positive, it is not an overwhelmingly enthusiastic assessment.

When probed about specific aspects of their bank's services and offerings, consumer sentiment drops significantly. For example, just 34% score their bank's mobile app at least nine out of ten and only 30% give their bank's customer service the same score. Similarly, only 23% rate their bank highly for its range of products and services and for the competency of its tailored financial advice.

Consumers aged over 65 gave their bank an NPS score of +18, significantly lower than the +29 score of those aged 25-34.



Consumers aged >65

Consumers aged 25-34

Fragmentation intensifies

Low levels of satisfaction contributed to consumers subscribing to financial services products from new providers. Consumers have an average of 6.3 financial products (see Figure 1 overleaf), but only half of these are from their main bank (the bank through which most daily transactions are made).

82% of consumers aged 18-24 acquired a financial services product from a new provider in the past 12 months, compared with 34% of those aged over 65.

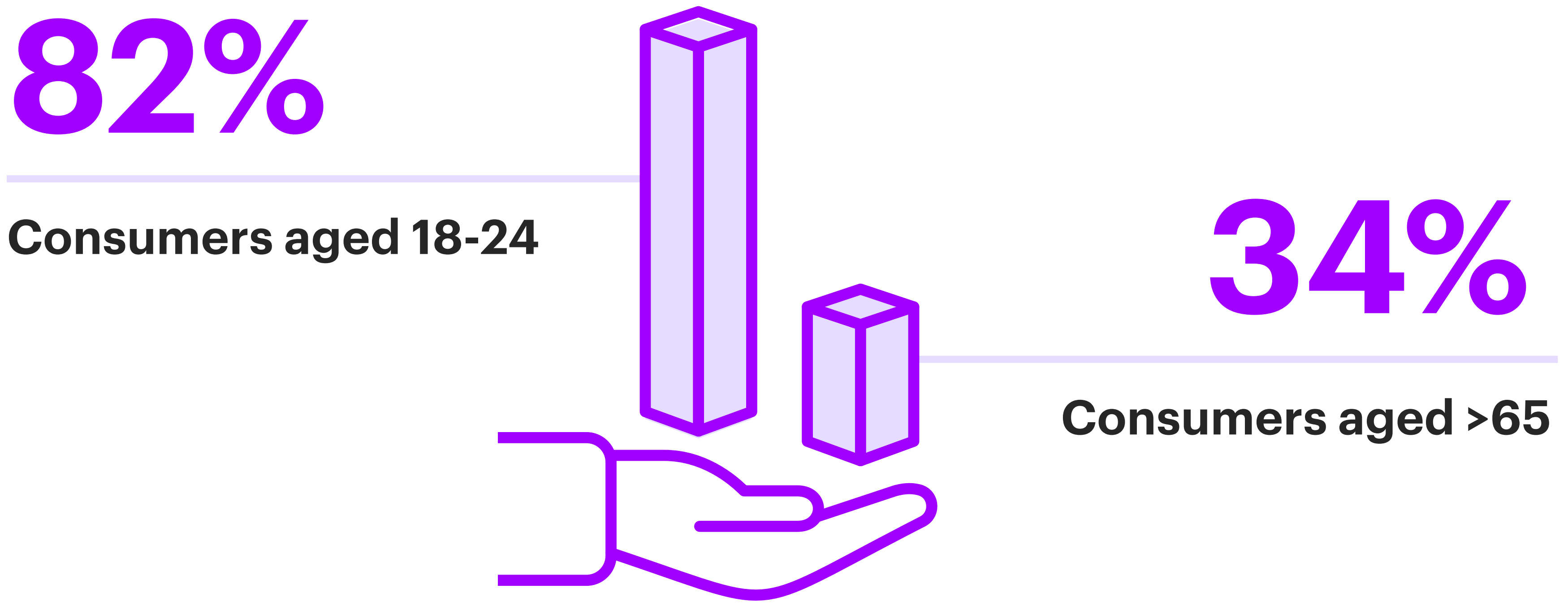
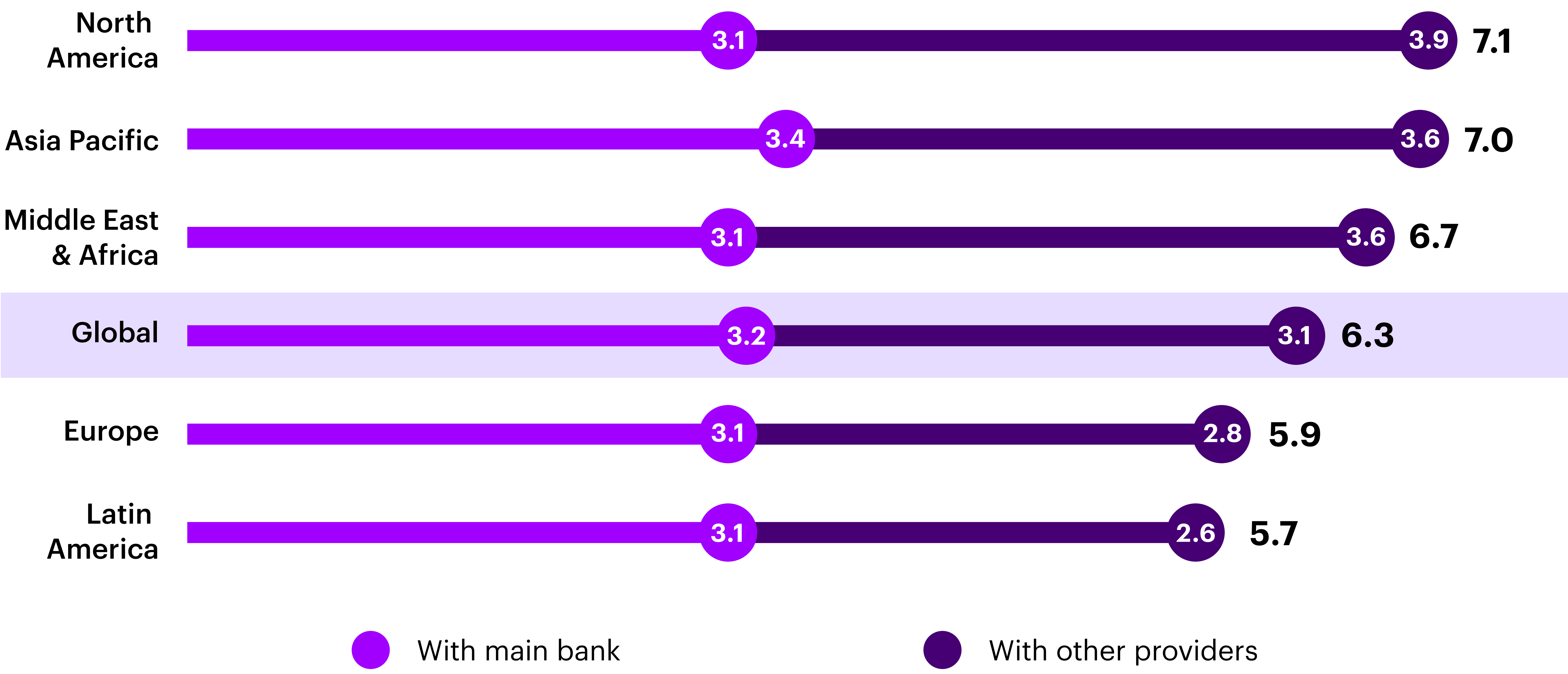


Figure 1. Total number of financial services products per customer.

Analysis based on responses to questions "Which of the following financial services and products do you currently have?" and "Whom did you acquire these from?"



Note: Financial services products and services include current accounts, savings accounts/term deposits, credit cards, personal loans, mortgages, home/property insurance, life insurance, auto insurance, investments, retirement products and crypto. "Other providers" include other banks, other financial services providers such as non-bank lenders or insurers, and non-financial services providers.

Source: Accenture Research analysis on Accenture Global Banking Consumer Study

This trend is accelerating: six in ten (59%) consumers acquired a financial services product from a new provider in the past 12 months. Younger consumers started relationships with new providers more than twice as frequently as those aged over 65, but a large minority of older customers also did so. Credit cards, current accounts and savings accounts were predominantly responsible for luring consumers to new providers.

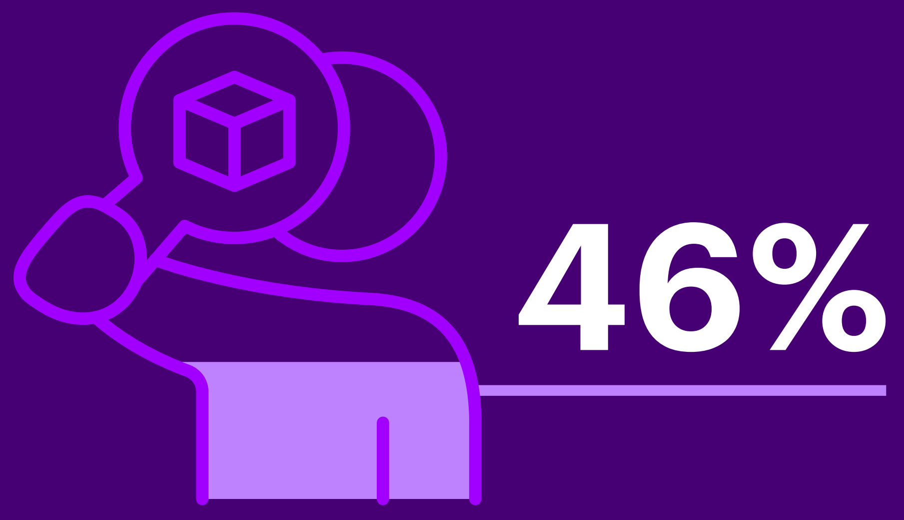
The emergence of digital-only banks[7] also contributed to fragmentation. More than half (52%) of consumers have a product or service with a digital-only bank, with uptake being much higher in Asia and Latin America than in Europe. The survey also found that 22% of consumers with a digital-only bank (equating to 11% of all consumers surveyed) receive their salary or benefits into their digital-only bank. Most use their digital-only bank for specific purposes, such as payments or foreign currency exchange.

Fragmentation leads to frustration

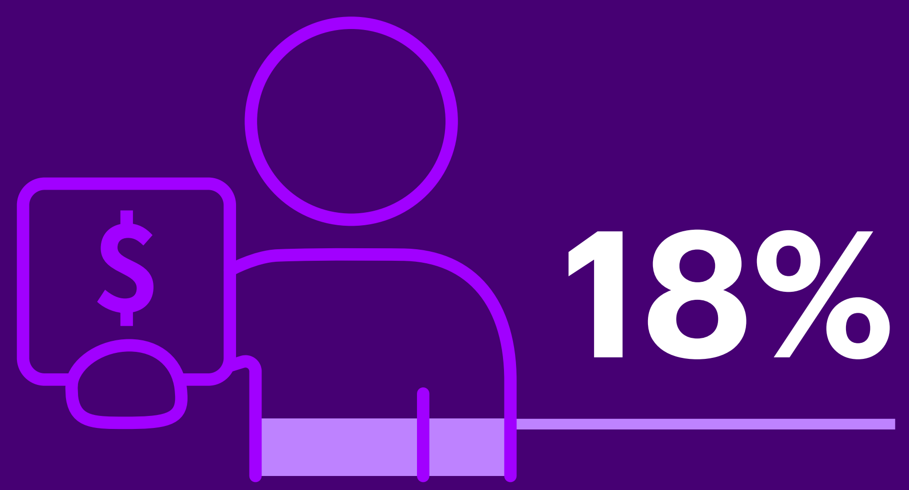
Some consumers find it difficult to manage their ever-growing number of financial services providers: 32% often lose track of their financial products and services. Younger consumers are twice as likely as older generations to feel this way.

This explains the strong demand for solutions that help consumers manage their financial relationships. More than half (55%) would use an app or service that offers a single aggregated view of all their financial products and services across different service providers. Furthermore, Accenture's Payments Survey found that 60% of consumers want a single app which tracks payments from all payment providers[8].

46% of consumers aged 18-24 often lose track of their financial products and services, compared with 18% of those aged over 65.



Consumers aged 18-24



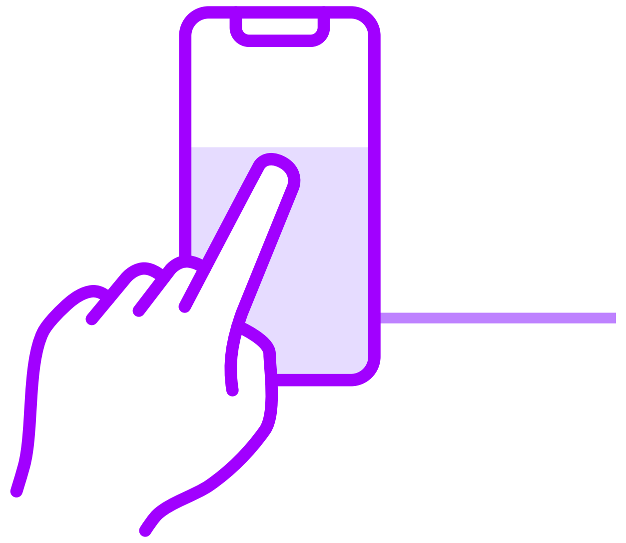
Consumers >65

Digital channels are impersonal

Our survey shows that most consumers use their bank's digital channels for quick functional tasks only. For example, nearly 63% said the majority of their mobile banking logins are simply to check their account balance. The data also illustrates how digitalization has reduced personal interaction between bank and customer: 44% of consumers aged 18-44 had difficulty getting human support when they needed it.

These findings suggest that digital channels are functionally correct but emotionally devoid. They do not help forge a personal connection between bank and customer that goes beyond a transactional relationship—only 25% said their bank performs 'extremely well' when it comes to being aware of important changes to their financial and personal situations.

This makes it difficult for banks to give meaningful advice and to sell complex banking products. As a result, they need to find ways to reignite these personal conversations with customers to successfully build relationships, increase loyalty and grow trust. Eventually, this will make it easier to up-sell and cross-sell.



Nearly

63%

said the majority of their mobile banking logins are simply to check their account balance.

Long live the branch

Between 2011 and 2021, US banks shuttered 17% of their domestic branches[9], while those in Europe closed 35%[10]. The shift toward digital banking has accelerated in recent years in response to pandemic-induced changes in consumer preferences, which helped drive the aforementioned 24% increase in banks' investment in IT between 2019 and 2021[11]. As a result, our research suggests that now just 3% of consumers' interactions with their bank happen face-to-face.

Yet consumers still value the branch. Two-thirds (67%) like seeing branches in their neighborhood as it portrays the stability and availability of their bank. Remarkably, consumers across all age groups feel this way. This sentiment is present in most countries: more than 50% of consumers in 29 of the 33 countries where the survey was conducted appreciate seeing branches in their neighborhood (Figure 2).

Two-thirds (67%) of consumers like seeing branches in their neighborhood as it portrays the stability and availability of their bank.

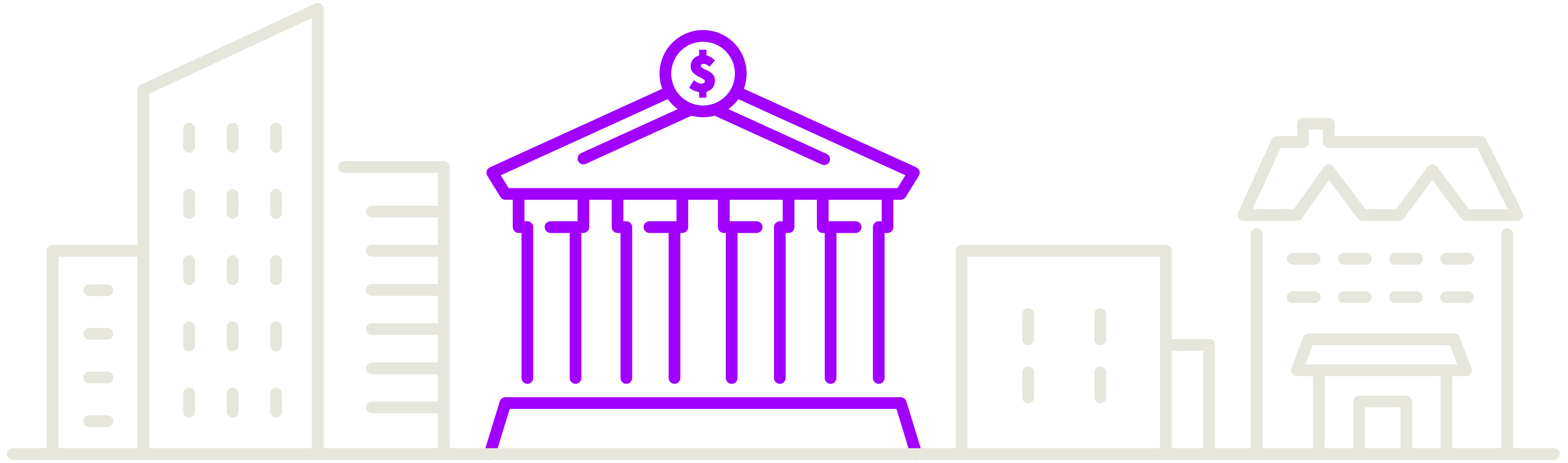
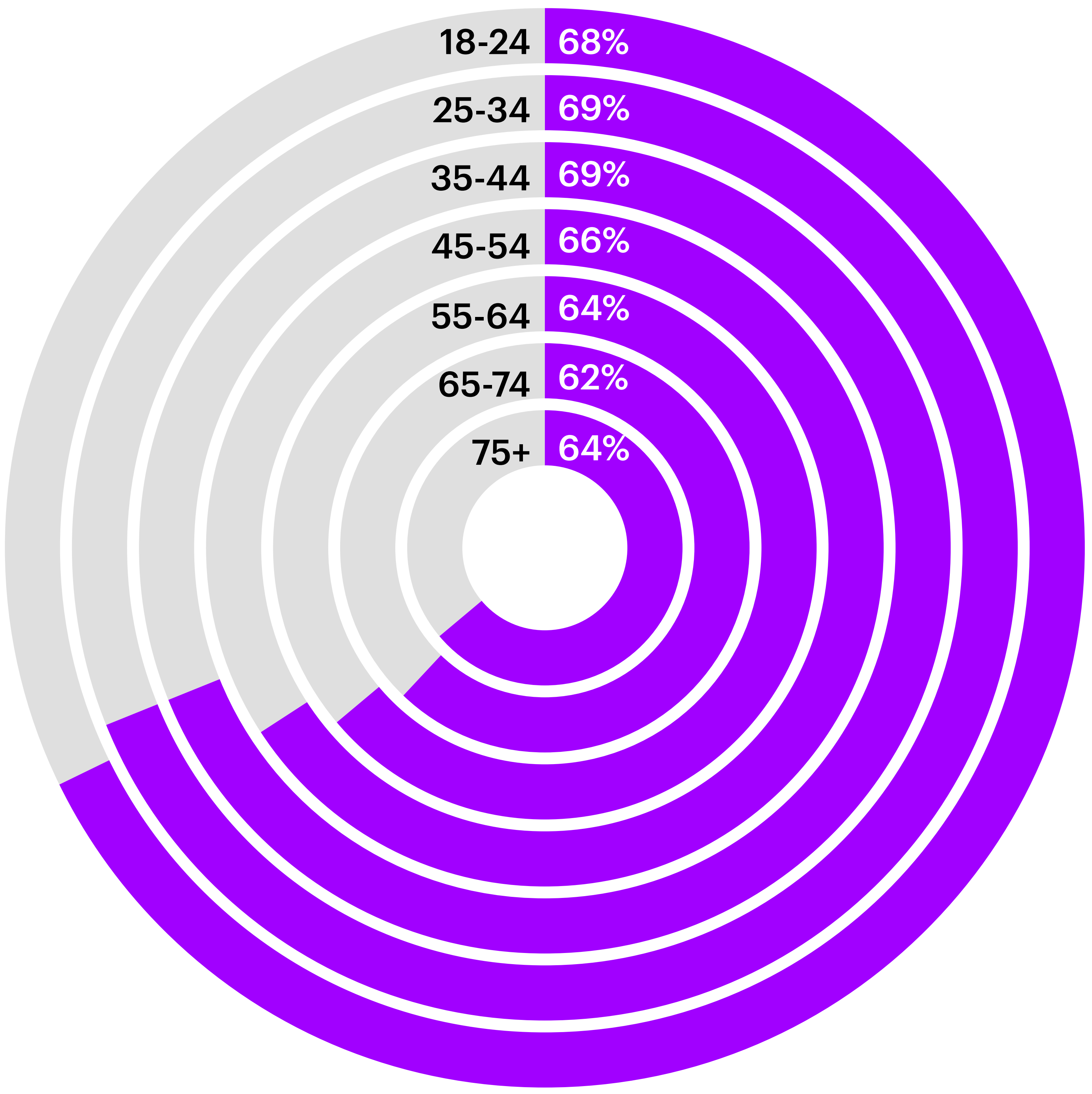


Figure 2. Consumers of every age like seeing branches in their neighborhood.

Q: Please indicate to what extent you agree or disagree with the following statements in relation to your bank(s)

"I like seeing branches in my neighborhood as it confirms to me the providers stability and availability". Percentages below are sum of Agree and Strongly Agree.



Source: Accenture Global Banking Consumer Study

In addition, consumers still rely on branches for specific but important transactions. In the past 12 months they used branches more than any other channel to open accounts, get advice and acquire new products. In addition, 63% turn to branches to solve specific and complicated problems. Higher interest rates will only increase the need to discuss complex financial issues in person: 43% said the rising cost of living had significantly impacted their ability to repay loans in the past 12 months.

Branches contribute to growing loyalty, facilitating connections and easing the need to compete on price. Many banks, in fact, are experimenting with new in-person concepts to capture the hearts and minds of customers. For example nbkc, a community bank in Kansas City, has partnered with local retailer Shop Local KC to create a unique blend of bank branch and retail shop that offers works of art and gifts created by local citizens[12]. In addition, C6, a digital bank in Brazil that serves 20 million clients, recently opened its first five branches with the express purpose of increasing engagement by delivering tailored advice to its high-income customers[13].

Whether it be accelerating fragmentation, dissatisfaction about specific aspects of banks' service, or the desire for personal interaction provided by branches, the changing consumer perceptions unearthed by our survey have created opportunities for banks to position themselves for success.

In the past 12 months consumers used branches more than any other channel to open accounts, get advice and acquire new products.

Chapter 2

Opportunities to boost relevance in customers' lives

To respond to these customer trends and boost their relevance in their customers' lives, banks need to rethink their approach to customer relationships by making three distinct but related pivots. Each helps to replicate what customers appreciated about visiting the branch: an opportunity to have a personal conversation, discuss their needs, and receive advice about products and services and ways to improve their finances.

1

From journey to intent

Until recently, most banks have focused on creating 'journeys' that enable frictionless customer acquisition and cross-selling. This resulted in the creation of experiences that banks believed customers wanted.

The reality is that few understood the underlying motivation for a particular customer to purchase a particular product. Their underlying aspiration—their intent—is much more important than their journey. Often, this relates not to a specific financial product but rather a desire to, for example, own their dream home, finance their children's college tuition or travel the world.

For banks to increase their relevance and effectiveness, they would need to shift from simply knowing basic demographic and financial information about a customer to comprehending their daily life, their aspirations and their intent behind obtaining certain financial products.

2

From basic personalization to personal conversations

In the past decade, banks have focused on mastering digital servicing. But this resulted in their primary channels becoming functionally correct but emotionally devoid.

Attempts at personalization were often simplistic—for example, periodically offering personal loans, simply based on demographic information. This left many customers feeling that every digital interaction with their bank might just as well have been their first.

Genuine conversations are those based on a deeper understanding of the customer's circumstances, enabling advice that is relevant to the customer's life. For example, a customer who regularly asks a chatbot about the interest rate on their deposit account almost certainly wants to maximize their return on savings. In response, the bank should not only display its savings rates more prominently on that customer's banking dashboard, but also propose ways to maximize returns.

Of course, it is not cost effective for a human bank employee to converse frequently with a customer. But harnessed correctly, advancements in generative AI will allow banks to do exactly this. For example, AI can integrate with existing banking systems to provide real-time updates and recommendations to customers through the most appropriate medium, whether that be text, audio or video. The technology will also allow banks to quickly react to events, news, and customer complaints with little or no supervision[14].

However, it is crucial to carefully assess the risk of generating false or misleading information, which can lead to brand distrust. The right balance must be struck between efficiency and accuracy.

3

From siloed offering to holistic proposition

The emergence of fintechs during the past decade has resulted in customers holding a greater variety of financial services with multiple different providers. For example, they might use one provider for buy now, pay later (BNPL) transactions, another to make regular purchases, and yet another to trade crypto currencies.

Banks' siloed approach to product development has also contributed to a sense amongst customers that their financial services are highly fragmented. An analysis by Accenture Research of leading banks across nine markets[15] shows that less than 15% of them provide comprehensive rewards for customers who increase the number of products and services they use or the transactions they conduct with the bank. Over 60% of the analyzed banks offer limited rewards, which may be linked solely to credit card transactions or only two product categories (such as waiving the credit card fee for customers who take out a mortgage loan).

Today, banks have the opportunity to eradicate the silos that isolate their products and channels, allowing them to offer holistic propositions that combine credit, debit cards, mortgages and other products, through both physical and digital touchpoints. Think of the Amazon Prime proposition, which offers a range of interconnected products, with rewards for those most loyal who interact either digitally or via physical Amazon Go stores[16].

Data is the key to understanding intent

These three pivots represent a significant change in how customers are understood and catered for.

In this new approach, banks obtain, structure and use customer data in radically different ways. They build up a complete picture of each customer's attributes and interactions by combining their own data with that of partners and other sources. Their data is organized around intents, rather than kept in product silos. They create a digital memory of the customer, in the same way that a bank manager would, in the past, automatically remember the aspirations and individual characteristics of a regular customer when they walked into a branch. This data is available in real time, so that insights can be unlocked to improve interactions whenever they occur. This provides banks with the understanding they need to be truly relevant to their customers' current and future needs.

Banks can take inspiration from businesses in other industries that have completely rethought their customer relationships. Take Shiseido, a leading skincare and beauty company in Asia. It set itself the goal to become a personal beauty and wellness company by 2030 by creating curated health and beauty experiences for every customer. It uses customer profile data to deliver optimized content through social media and other channels. Customer histories such as online or in-store skin assessments are aggregated in a single database, which feeds an AI engine that creates personalized insights. This information should enable the business to send personal care packages to individual customers containing products selected not only to suit the individual's skin tone but also the occasion for which they would be used[17].

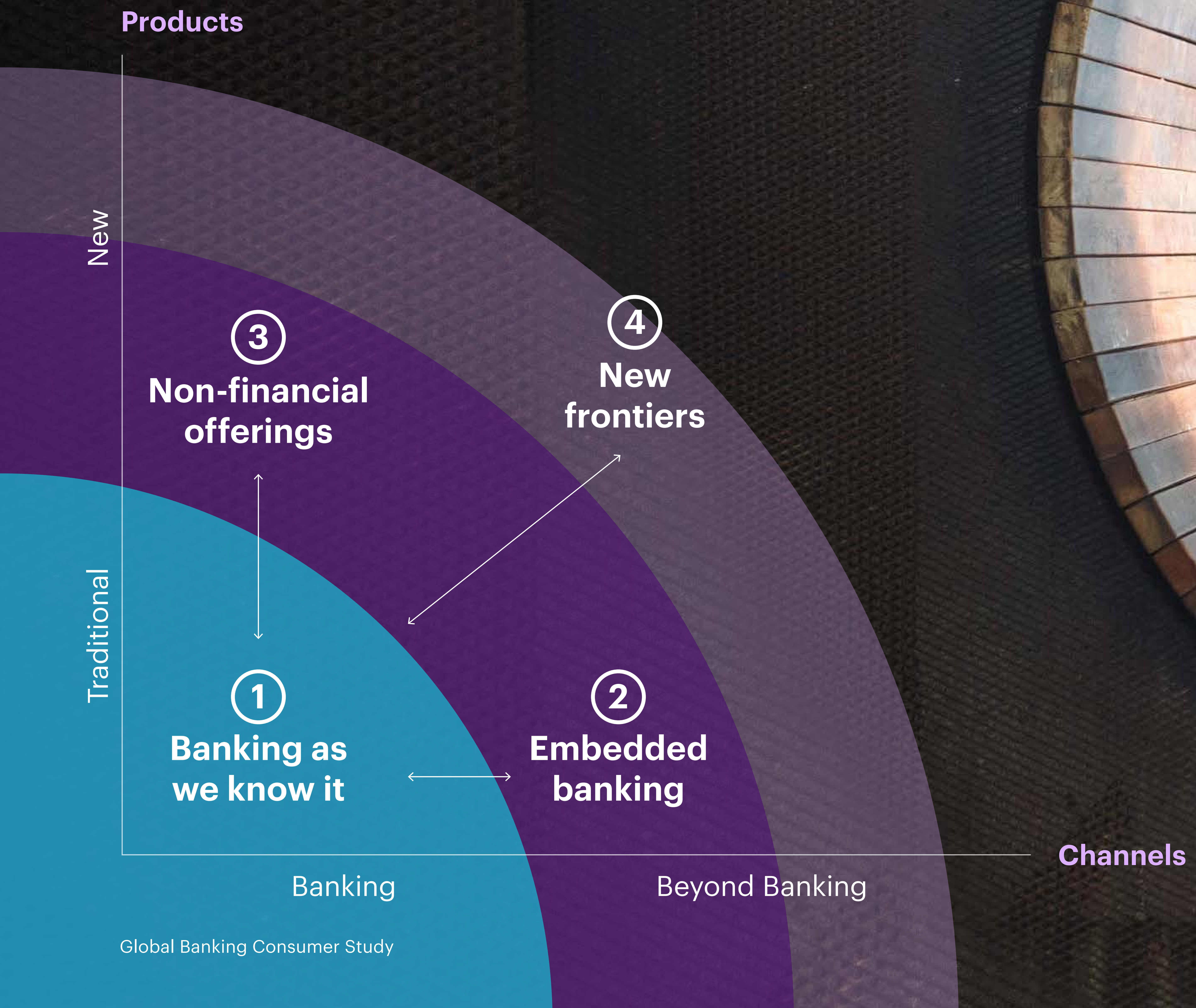
Four strategic plays for success

By adopting a fresh perspective on customer relationships with these three pivots, banks could unlock latent value from customer relationships. This would open the door to four strategic plays, each of which could contribute to reinvention of the enterprise:

1. **Improve banking as we know it: offer financial products and services to customers in ways that deepen relationships**
2. **Expand reach by incorporating banking into new channels**
3. **Offer non-financial products**
4. **Explore completely new frontiers in the mid-to-long term**

Going beyond the bank's traditional four walls—the blue portion in Figure 3—will not only generate new growth opportunities, but more importantly enable banks to gather more data about customers' financial and lifetime needs. Used correctly, this data can help banks deepen their customer relationships, offer more tailored traditional banking solutions, and power their core business. This is J.P. Morgan's rationale for building its travel booking offering, which has the explicit goal of fueling its banking business[18].

Figure 3. Four strategic plays for banks.



1 Improve banking as we know it

The greatest opportunity for banks lies in doing what they have been doing for centuries—selling traditional financial services to customers through established channels—but doing it a lot better. Across all their products and channels, banks need to create experiences that surprise and delight their customers. A number of leading banks are already driving this change in important ways:

Create lovable, dynamic digital experiences

While enabling customers to do everything online that they can do in the branch, banks should go beyond making digital journeys simple and intuitive. Experiences should change dynamically to suit customers' profiles and preferences, and be able to cater to customers' personal and business lives.

Bring branch-like conversations to digital

Make it easier to connect with human advisors or interact with the bank through chatbots with enhanced capabilities. Enable customers to make self-directed and assisted digital purchases. This is already a priority for some banks—for example Intesa Sanpaolo, Italy's largest bank, launched its 'AI Sales' program in 2020 to triple the volume of digital sales by 2023. Measures to support this goal include a new marketing and advertising platform that guarantees personalization at scale across the sales funnels, and the removal of silos to drive greater cooperation across functions (including compliance) and channels.

Tailor purpose-driven propositions to customer expectations

Bank of America is a good case in point—it uses customer intelligence to provide personalized collections of deposit and credit products. Its integrated loyalty program has also boosted customer satisfaction—it achieved a 99% retention rate and doubled the number of products held by each customer participating in the scheme[19].

Reimagine the role of the branch

Since customers still value branch interactions, banks should not only consider changing the format of their branches—for example, transforming them into advisory centers, self-service kiosks, etc. More importantly, they should leverage technology to offer all customers the personal touch and the kind of conversations which branch managers historically provided. It is essential that these new experiences are designed not in isolation, but as an integral part of the overall experience provided by the bank and its partners.

2 Embed banking in new channels

Today, banks already generate a substantial proportion of their revenues from non-banking channels. Accenture research[20] shows that at least 30% of banking industry revenues relating to traditional products such as payments, personal loans and credit cards are sourced through non-banking third parties, a figure which is expected to increase further.

This is driven in part by the move into banking by non-traditional players such as Amazon, Rakuten and Rappi. For example, Amazon UK and Barclays have partnered to offer a BNPL option for payments above £100. Launched in 2021, the solution allows customers to spread payments across three to 48 months.

This is a major opportunity because the use of non-traditional distribution channels can increase the overall volume of sales. The majority of respondents to a survey of experts[21] on this topic said they expect non-banking distribution to increase the 'size of the pie', leading to a 1-4% yearly rise in sales of traditional banking products. This would require a distribution strategy that goes beyond banks' traditional boundaries.

The good news for banks is that a large proportion of consumers are willing to purchase traditional banking products such as loans (43%) or bank accounts (31%) from non financial services providers, but around three quarters of this group would do so only if the products were managed in collaboration with a bank (Figure 4).

Regardless of age, consumers are approximately 2.5 times more likely to purchase banking products embedded in non-bank channels if the product is managed in partnership with a bank.

For such offerings to be successful, customers need absolute clarity about the respective roles of the bank and the third party. If, for example, a customer is considering opening a savings account with a bank through a technology company, they will need certainty about whom to contact should an issue arise.

Some banks think their role in this area could be limited to providing the back-end financial 'plumbing', but this is unlikely. Banks also have an opportunity to provide more value to the customer despite not originating the sale. They could do this by building a more comprehensive picture of the customer's goals and aspirations, enabling them to offer more personalized advice and solutions.

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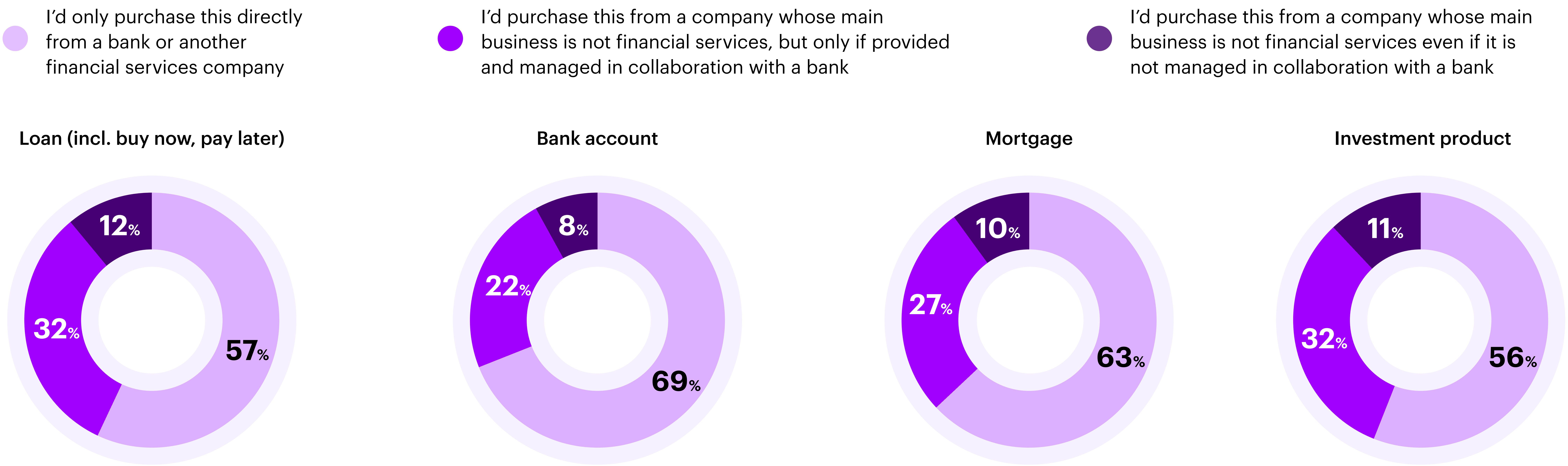
Figure 4. Consumers want banks in the loop when purchasing financial products.

Q: If the need arose, which of the following best describes your attitude to purchasing each of the following banking products through a company whose main business is not financial services, such as a retailer, broadband provider or technology company?



Source: Accenture Research based on Accenture Global Banking Consumer Study

3 Offer non-financial products

Industry convergence is taking place in all sectors. For example, leading Middle East telco provider Etisalat has partnered with health and wellness platform Vitality Global to enter the consumer lifestyle sector. Launched in November 2022, the partnership increases customer engagement and expands the range of products offered, creating up-selling and cross-selling opportunities and new potential revenue streams.

Banking is no exception, and many banks already provide services that are completely unrelated to finance, such as housing, travel and e-commerce. Accenture's analysis of the non-financial service initiatives of 36 banks globally shows that the focus differs across markets, depending on customer preferences. European banks focus more on mobility services such as facilitating highway payments or car sales and rentals, those in Asia Pacific and Latin America focus on providing e-commerce services, particularly for consumer goods, and banks in North America—the least active in this regard—provide mainly home buying referrals to partners such as real-estate agents (Figure 5).

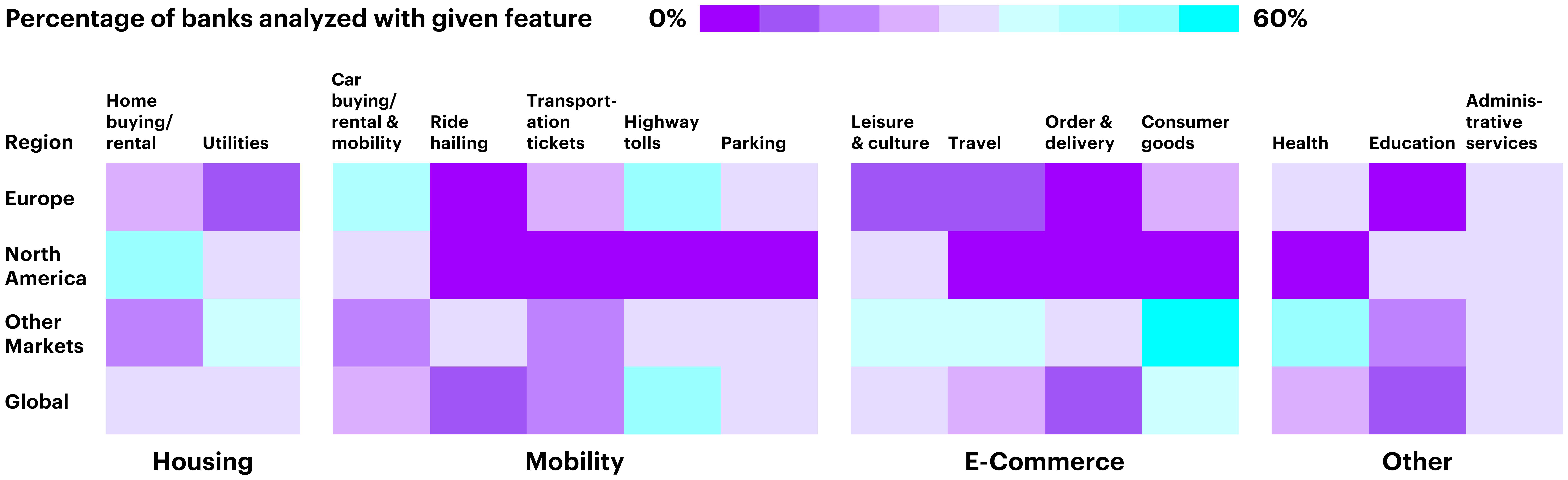
But these non-traditional products are rarely marketed and sold through banks' core platforms. Just 32% of the non-financial products and services offered by these 36 banks are integrated into their primary mobile app, while 8% are available through a dedicated app and 60% through other channels such as the website of a third party that is not integrated with the mobile app.

For example, the Belgian bank and insurer KBC offers mobility services, food delivery and event tickets through its main banking app. Meanwhile, Singaporean bank DBS offers a variety of non-banking solutions such as car purchases and sales, real estate, travel and hotel bookings through a dedicated website, DBS Marketplace.

Our survey data indicates that there is consumer appetite for non-financial products: around one-third would purchase big-ticket non-financial products from or through a bank, such as properties (36%), cars (32%) and travel (20%), without necessarily including the associated finance.

Figure 5. Analysis of non-financial-services initiatives of thirty-six leading global banks.

Leading global banks: Top three banks by assets in six European countries (Germany, France, Italy, Poland, Spain, United Kingdom), two countries in North America (Canada, USA) and four countries in “Other markets” (Australia, Brazil, Indonesia, Singapore)



4 Explore new frontiers

The final category of opportunity for banks involves boldly transforming their customer relationships by engaging with them in completely new channels, such as the metaverse, and providing completely new products such as NFTs.

The survey data indicates that consumers are open to experimenting with new ways of interacting with their bank: 56% (rising to 66% of those aged 18-24) want their bank to offer the possibility of interacting in a virtual branch or office.

Some banks already do so. J.P. Morgan was an early pioneer with its virtual branches in India and Indonesia and has created a very basic version of a branch in the metaverse, called Onyx Lounge. Meanwhile, HSBC has purchased a plot of land in The Sandbox, the gaming-centered virtual world, as a means to engage with the gaming community.

The metaverse is a major force of change across all industries, including banking. While no one is forecasting it will transform the sector in the short term, it has sufficient potential to insist that it not be ignored[22]. We believe most banks will approach the opportunity with a strategy that targets four key goals: enabling interactions with customers in richer environments; putting humanity back into banking by facilitating more personal conversations in new ways; reinventing payment channels; and creating currently unimaginable opportunities. For example, as customers start to show an interest in buying virtual real estate in the metaverse, for significant amounts, should banks provide loans to enable these transactions?

The new formula for success

The four strategic plays, underpinned by the three pivots outlined earlier, enable banks to unlock latent value from their relationships with customers by activating what we call the 'multiplier effect'.

This requires banks to move from... → **to...**

Products + Channels

Banking as we know it

Siloed: Lack of integration among products and among channels contributes to a sense among customers that their relationship with banks is highly fragmented. For example, banks often have products and services that suit their needs, yet customers are unaware of them.

Emotionally-devoid: A focus on digitizing customers' banking journeys has led to a significant number of interactions being functionally correct but lacking in the human touch. This makes interactions with customers less meaningful.

↓

Simple sum effect: Customers and banks are not maximizing the value of their relationships.

$(\text{Products x Channels})^{\text{Purpose}}$

Banking with transformed customer relationships

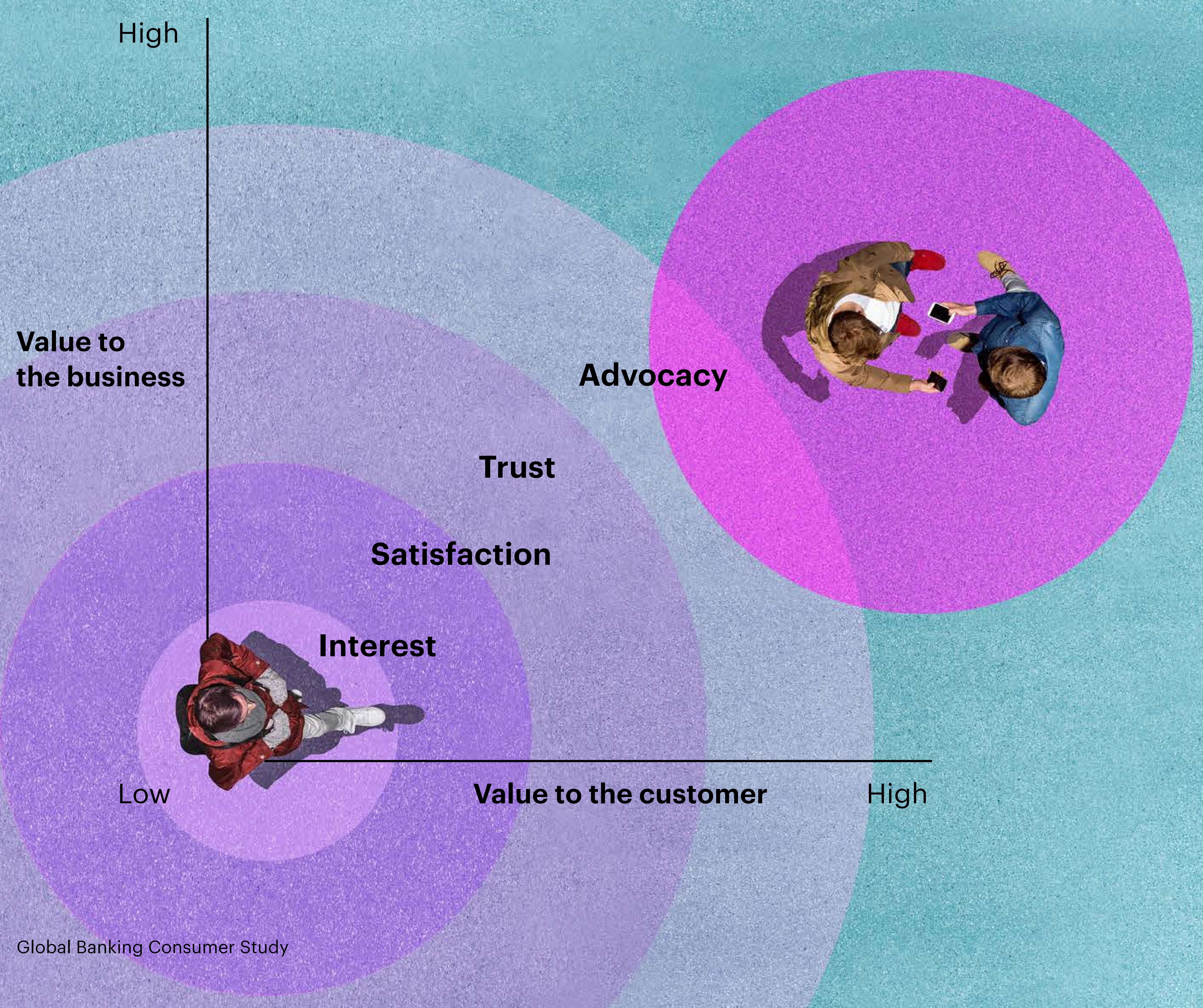
Holistic: An elevated understanding of customers' circumstances and aspirations allows banks to offer holistic propositions through both physical and digital touchpoints, tailored to customers' needs.

Amplified by the power of purpose: Banks have a strong mandate to partner with customers as they seek to realize their life aspirations. These banks are life-centric rather than utility providers of financial products.

↓

Multiplier effect: Customers and banks maximize the power of their relationships. Customers become advocates while banks achieve top-line growth.

Figure 6. The Four stages of customer loyalty.



By activating the multiplier effect, banks can move from their current position of providing satisfactory services, but not being fully trusted by consumers to look after their long-term financial wellbeing, to creating the lasting loyalty that turns customers into advocates (Figure 6). This results in customers that are less willing to switch to other providers and prefer to exclusively use, and proactively advocate, the products and services of their main bank.

However, loyalty is not granted forever. Businesses that have mastered customer retention recognize that loyalty must be earned and nurtured every day by constantly delighting their customers. This means offering the predictability, familiarity and convenience that makes customers return. It also means having personal conversations instead of employing basic personalization.

Apparel company Lululemon has done exactly this. It is considered by customers as more than just a provider of clothes; it is a healthy-living, mindfulness-promoting organization that has created a community of advocates and ambassadors. As stated on its website, this community drives Lululemon's growth: "Everything we do starts with authentic relationships. That's why each ambassadorship begins locally, in our stores. When you're an ambassador, you're not just a partner, you're an extension of our brand and an inspiration to our guests[23]."

With so many strategic product and channel options for banks to pursue, deciding the best course of action is daunting. To help chart a course for success, banks should consider both the size of the opportunity and their 'right to win' with respect to each strategic option. This entails evaluating key capabilities such as the customer experience, digital marketing and partnership management, and the bank's points of differentiation, which may include brand strength, corporate culture and intellectual property. The next steps would be to think through how to orientate the organization around the desired destination, and start running pilots before scaling for success.

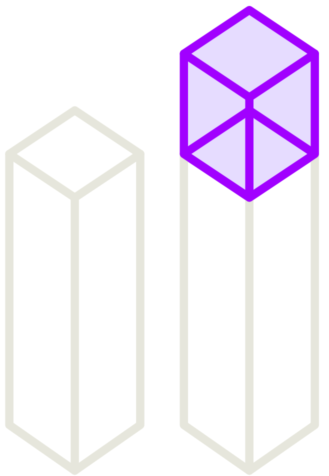
Chapter 3

Quantifying the value at stake

Activating the multiplier effect by integrating products and channels while creating a powerful sense of purpose allows banks to turn customers into advocates. But what, in hard dollars, are the benefits for banks?

We focused our analysis on nine countries and found that, in total, banks could increase their revenues from primary customers by upwards of 20%, or nearly $400 per customer per year, depending on the market (Figure 8). The value at stake is huge; in the US alone, this translates to around $100bn in retail banking revenue that is up for grabs.

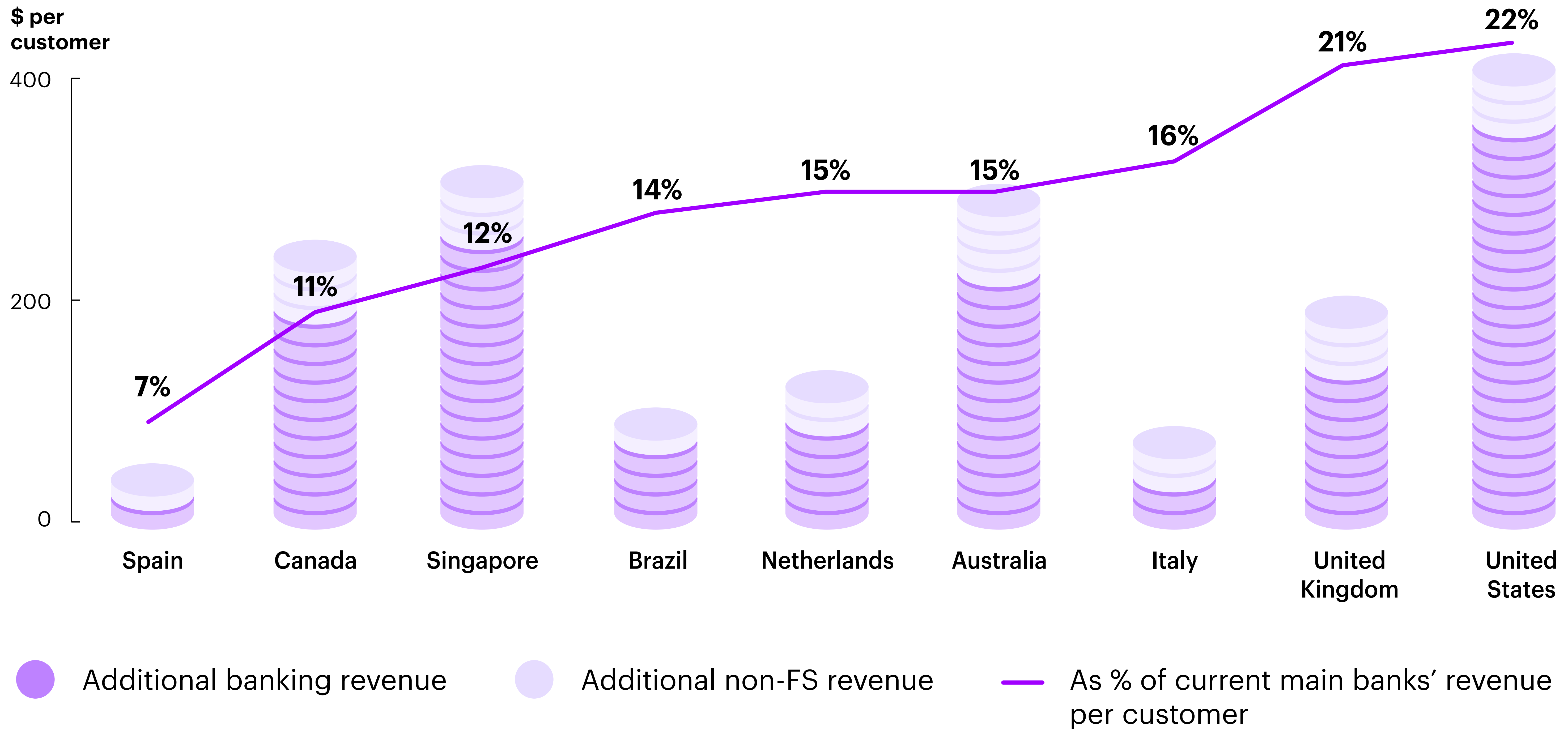
The size of the prize varies significantly from country to country. It is greatest in markets that are currently highly fragmented (Figure 9)—where main banks capture only around half of the banking revenue generated per customer—and where there are large opportunities to move into non-banking. This includes countries such as the US and the UK.



±20%

The uplift of banking revenue from primary customers achieved by unlocking the multiplier effect between products and channels.

Figure 8. Potential annual increase in main banks' revenue per customer by activating the 'multiplier effect'.

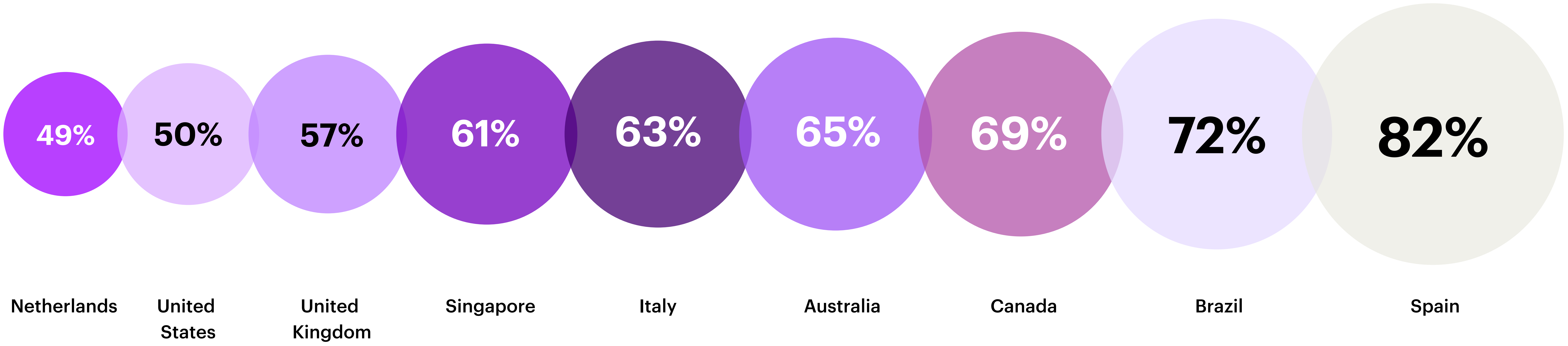


Notes: Main bank defined as the provider of the account from which customers make the majority of payments, such as everyday spending, bills, transfers, etc.

Retail banking revenue defined as the average of 2021 and 2022 retail banking revenues which include the following products: current accounts, credit cards, savings account & term deposits, investments, mortgage and personal loans. Additional banking revenues are based on the assumption that main banks increase share of wallet across existing banking products and increase product adoption among clients who do not have given products (e.g. personal loans, investments). Additional non-financial services revenues are based on the assumption that main banks will offer their clients certain non-financial services like real estate transactions, used car transactions or travel bookings.

Source: Accenture Research Banking Revenue model, Accenture Global Banking Consumer Study, Accenture Research analysis

Figure 9. Main banks' current share of total retail banking revenue.



Notes: Main bank defined as the provider of the account from which customers make the majority of payments, such as everyday spending, bills, transfers, etc.

Retail banking revenues defined as the average of 2021 and 2022 retail banking revenues which include the following products: current accounts, credit cards, savings account & term deposits, investments, mortgage and personal loans.

Source: Accenture Research Banking Revenue model, Accenture Global Banking Consumer Study, Accenture Research analysis

Providing non-financial services

Let's start with offerings that are adjacent to, but beyond, the traditional scope of financial services. The survey reveals that there is a considerable group of consumers who want banks to provide these services.

The additional revenue comes from two sources: the provision of non-financial services and the ramping up of sales of traditional banking products.

Across the nine countries analyzed, the data indicates that the three services which represent the greatest opportunity potential for banks are:

Home buying: This is a huge opportunity, as these transactions exceed 10% of GDP ($3.8 trillion) across the nine countries which we analyzed.

Used-car purchases: Although considerably smaller than real estate, we estimate that this market exceeds $1 trillion in yearly transaction value across the countries analyzed.

Leisure travel: With $1.5 trillion in spending across the nine countries, leisure travel represents a larger opportunity than used-car buying.

These services have a close association with core financial products such as mortgages, car loans and payments. Banks will need to capitalize on their pre-existing credibility, relationships and trust with consumers to leap into such adjacent markets.

A bank that competed successfully in all three of these segments could benefit substantially, capturing additional income that could increase the average revenue generated by primary customers by as much as 7%—as is the case in Italy. However, the size of the opportunity in adjacent markets could vary if additional factors are in play. Competitive dynamics that are specific to individual markets could influence the uplift that a bank might achieve, especially if large specialized players with strong brands are present. Business models are also a factor to be considered.

By developing their capabilities in-house, banks could retain most of the margin from these transactions—but would have to bear the greatest share of risks and costs. On the other hand, white-labeling the solutions of other specialists would limit risks and costs, but also the share of revenue.

Ramping up sales of traditional banking products

A much larger revenue opportunity lies in convincing primary customers to switch the majority of their banking products to their main bank[24].

Our research indicates that this opportunity is twice as large as that associated with offering non-financial services. This could be achieved by increasing the quality of everyday interactions between bank and customer, especially through banks' own digital channels and those of their partners.

Strategies would have to differ from country to country due to differences in how consumers use banking products. For example, in Australia and the US, investments are typically made with secondary or tertiary providers. In contrast, mortgages are much more likely to be obtained from consumers' primary bank. According to our survey, only one-third of US consumers obtained their mortgage through their main bank, while almost two-thirds did so in Australia.

Banks can further grow revenue by increasing their primary customers' adoption of certain products[25]. For example, by international standards, the use of investments is low in countries such as the Netherlands and Spain, while the use of mortgages is particularly low in Brazil. Consumers may be more inclined to purchase these products from an organization that already meets many of their financial requirements.

Conclusion

Capturing the value by reconnecting with customers

Our survey reveals that consumers are not overwhelmingly happy with specific aspects of their bank's service, that fragmentation is accelerating, and that the desire for physical branches remains strong. Across every age group, they yearn for a personal human touch that was once provided by their branch but cannot be replicated by the digital channels they now prefer.

Banks have an opportunity to re-establish enduring relationships that are rewarding for them and their customers alike. These relationships can serve as a solid foundation for future relevance and growth, as they will unlock significant latent value while creating the potential for entirely new value. But to achieve this they need to be the fruits of an authentic life centricity, where the bank considers and responds to all of the factors affecting the individual customer's needs and aspirations.

It is also not enough to attempt to improve relationships in isolation. At a time when sustainable, high-impact growth has become imperative, the time for banks to move forward and continuously reinvent is now. Reinvention goes beyond traditional benchmarks and embraces the art of the possible through technology and new ways of working to set a new performance frontier. It will demand an outside-in perspective that connects what happens in the bank with what's happening in the world. This new perspective is essential if banks aim to deliver what we call 360° value. This entails looking beyond short-term financials to understand what creates long-term, sustainable value in a world where customers are more empowered than ever to choose the companies with whom they engage.

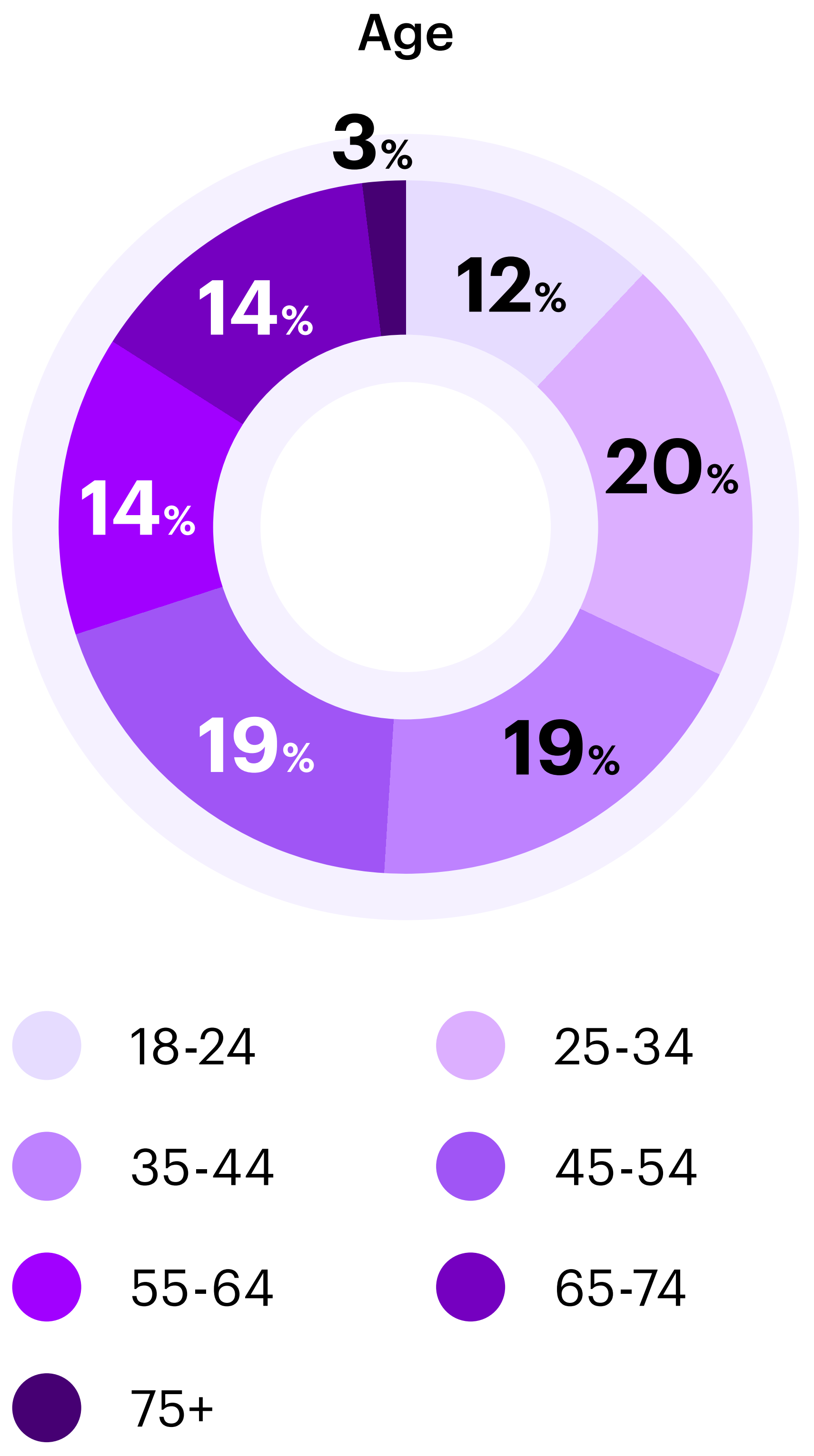
Banks can learn a lot from the businesses that first capitalized on the rapid adoption of television in the last century. Many fortunes were and continue to be made, even as the product and its consumption underwent fundamental changes. Like the news and entertainment industries, banking has an imperative to capture the opportunity created by a confluence of powerful forces. But to do so, banks will need to get a lot closer to their customers—and that will take a commitment to constant, far-reaching change.

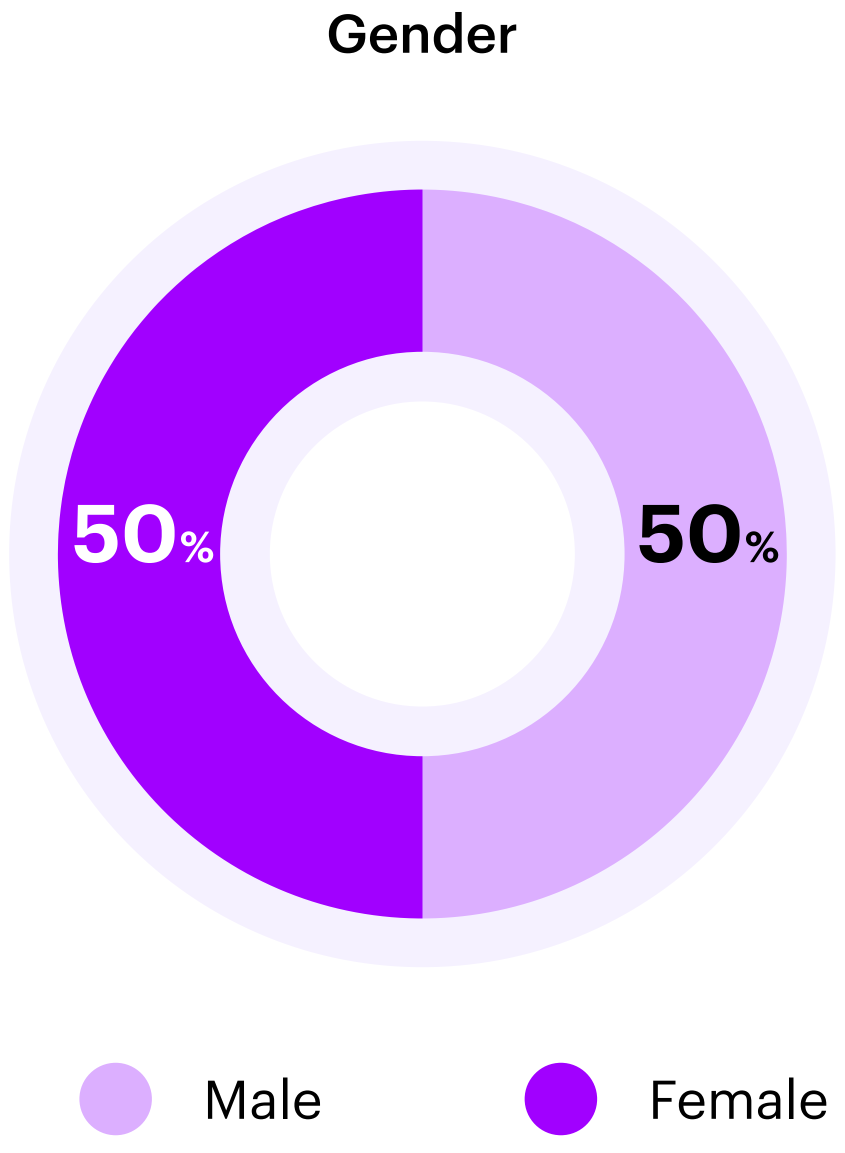
About the research

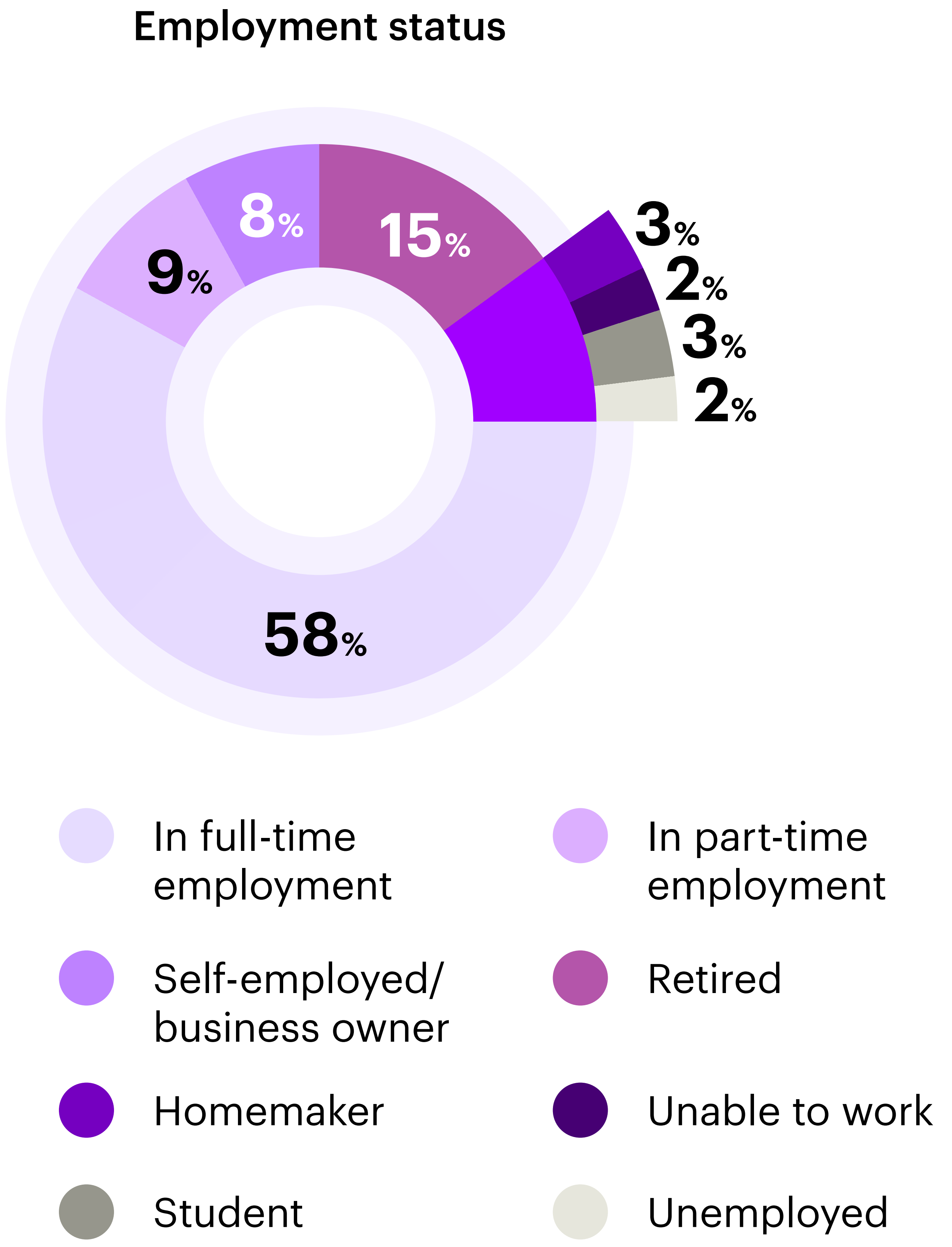
Financial Services Global Consumer Study

The findings of our Financial Services Global Consumer Study are based on an online survey of 49,000 consumers around the world. Conducted in July and August 2022, the survey included a balanced representation of consumers with respect to age, gender, employment status and income.

The survey was conducted online. Therefore, it is important when interpreting the results to consider that a large number of the respondents are digitally-savvy. This is especially relevant when it comes to the use of digital banking channels and digital-only banks.







Consumers were surveyed in 33 countries:

North America	Europe/Mid-East/Africa	Latin America	Asia-Pacific
USA	Belgium	Brazil	China
Canada	Denmark	Chile	India
	Finland	Colombia	Japan
	France	Mexico	Singapore
	Germany		Australia
	Greece		Indonesia
	Ireland		Malaysia
	Israel		New Zealand
	Italy		Thailand
	Netherlands		
	Norway		
	Poland		
	Portugal		
	South Africa		
	Spain		
	Sweden		
	Switzerland		
	UK		

Value model

Accenture's proprietary Banking Revenue Model and findings from the Global Banking Consumer Study were used to estimate the current retail banking revenue pool in each of the nine markets analyzed: the US, Canada, Brazil, the UK, Netherlands, Italy, Spain, Singapore and Australia. We also estimated the average revenue per banked adult in 2021-2022 and the share of wallet and associated revenue held by main banks (each customer can have only one main bank, which they use for the majority of their daily transactions).

The potential revenue increase for main banks was calculated based on the following elements:

Increase in banking revenue

- Increase in share of wallet. Based on the survey findings we were able to identify the banks which are market leaders (positioned in the top quartile) when it comes to share of wallet among their primary customers. We then modelled the potential increase for all main banks based on the assumption that the gap between them and the top-quartile leaders would be closed.
- Overall product adoption. Based on the survey findings we were able to understand the markets in which overall product adoption is low. We modelled that across selected categories (personal loans, investments, mortgages) in which the adoption rate would grow if all these customers were to get these products from their main banks.

Increase in non-financial-services revenue

- Based on the Global Banking Consumer Study findings we identified the non-FS areas where banking consumers are most likely to use banks —with real estate, car transactions and travel booking being the most popular categories. Using this data together with the estimated size of each segment and the potential revenue margin rates, we estimated the size of the revenue opportunity for banks if they were to enter any of those non-financial-services segments.

Accenture Banking Experts Survey

In October and November 2022, Accenture conducted a survey of 176 banking product and service specialists based in the following countries: Australia, Brazil, Canada, China, France, Germany, Italy, Japan, Netherlands, Poland, Spain, Sweden, the UK, and the US.

The aim was to understand the specialists' views on the current and future importance of non-bank channels in the distribution of banking products and services, and their current and prospective weightings with regard to banking revenues. The products and services surveyed were mortgage lending, retail accounts and deposits, retail payments (i.e. debit cards, bank/wire transfers, P2P transfers), consumer finance (including credit cards and credit at POS/BNPL but excluding auto lending), and auto lending.

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25. In some countries, products such as personal loans or investments have limited penetration across the entire banked population. We assumed that banks with primary relationships with customers are most likely to increase this penetration.

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Accenture Research creates thought leadership about the most pressing business issues organizations face. Combining innovative research techniques, such as data science led analysis, with a deep understanding of industry and technology, our team of 300 researchers in 20 countries publish hundreds of reports, articles and points of view every year. Our thought-provoking research developed with world leading organizations helps our clients embrace change, create value, and deliver on the power of technology and human ingenuity.

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