# Technology and the new banking customer

Global view

FUJITSU

shaping tomorrow with you

# Contents



This survey of 22,640 consumers in Australia, Brazil, Canada, Germany, Japan, Mexico, New Zealand, Nordics, Ireland, Spain, the UK and the US was conducted by Censuswide in August. September and October 2019.

# Foreword

Disruption has been so commonplace in the last decade that – whether it's how we shop or how we travel – we almost take it for granted. But how we manage our money is undergoing one of the biggest transformations of all.

The way that banks service their customers has changed significantly over the last decade.

"Moving money" once meant a trip to a branch or ATM; now it's as simple as tapping on a smartwatch.

And where consumers once chose between high street providers, now swathes of challenger banks are becoming household names, using technology to offer inventive new services.

Although this transformation is taking place globally, the consequences for consumers around the world are actually very personal. People often have very strong views about how they manage their most valuable asset: their money.

Digital technology continues to evolve at pace – and we often assume that customers want to use as much technology, as quickly as possible.

But as privacy and security concerns grow, consumers' views on technology are becoming more sophisticated. It's critical for banks and insurers to understand how the public really feels about the seismic shifts taking place in financial services – and how sentiments vary around the world.

Are consumers prepared to abandon traditional high street banks for challengers – or is a trusted name more valuable than ever? Will we see digital-first banking become digital-only?

Are customers pleased at the possibilities of new technology – or worried about potential threats? And critically, are there innovations that consumers expect and others that put them off?

Featuring the views of over 22,000 consumers worldwide, this report will explore what customers really want from their financial services providers.

The findings paint a picture of a consumer that's more demanding, but also more discerning, when it comes to how technology is used in their banking and insurance experience. And while many trends are global in scope, consumers' views can vary significantly from country to country – making a nuanced approach critical.

It's clear that financial services has changed, and will change even further. Adaptability will remain critical for survival. But understanding what consumers want from banks and insurers today and in the future will help financial institutions to keep transforming for the better.

I hope you enjoy the report.

**Pascal Huijbers**

**CTO for Financial Services, North West Europe (NWE)**

# Chapter 1
# The financial services revolution

## A time of positive change

Consumers are fully aware of the level of change that financial services has undergone – and thankfully, most say that it's been for the better. The majority of consumers agree that their banking experience today is better than it was five years ago (59%), while a third say that their bank now understands what they need as customers (33%).

And encouragingly, people expect this improvement to continue; almost two thirds expect their banking experience to be even better in five years' time (64%). But is this change because services have improved – or because consumers have switched providers from traditional institutions, to new digitally-led challengers?

## Incumbents vs. upstarts

It's true that nearly one in ten consumers globally now deal solely with a challenger bank (9%). Speed is clearly an attraction; many say they enjoy how quickly challenger banks provide them with information about their finances (39%). Mexican consumers are the most likely to use a challenger bank for all of their financial needs (17%) – and are three times more likely to than their more reticent counterparts in Japan (5%) and Australia (5%).

Meanwhile, when it comes to age groups, millennial consumers are the most likely to use these new services (16% of 16-24 year olds and 12% of 25-34 year olds).
The vast majority of the public, however, still use traditional banks alone (71%) and consumers in Australasia appear to be the biggest traditionalists. In Australia, 84% of consumers bank with high street banks – followed closely by 83% in New Zealand.

A major shift is taking place, however, in the blurring of lines between institutions. A fifth of consumers now use a combination of a traditional bank and challenger bank (20%), rising to 27% in Brazil.

Many consumers appear to be "bankagnostic" – happy to pick and choose where they can get the best services.

## The growing challenge

Challenger banks certainly look set to gain ground in the coming years. Looking five years into the future:

- 16% will bank only with a challenger bank (from 9% at present).
- 33% will bank with a combination of challenger and traditional banks (from 20% at present).
- 51% will bank only with a traditional bank (from 71% at present).

Younger consumers will lead the charge into challenger-only banking, with nearly a fifth of 16-24 year olds (22%) and 25-34 year olds (22%) prepared to make the switch by 2024.

In keeping with current trends, Mexican consumers are the most likely to move to a challenger bank in the future (25%), while consumers in Brazil are most ready use a combination of both (42%).

There are measures that these newer banks could take to broaden out their appeal, particularly when it comes to their infrastructure. Consumers would be more likely to move to challenger-only banking if the bank card was accepted anywhere in the world (36%), the savings account had a competitive interest rate (35%) or the institution was significantly more secure than traditional banks (30%).

Notably, however, a quarter of consumers say that nothing would make them switch to using a challenger-only bank (27%). And in regions like the UK, despite the prevalence of new fintech firms, the majority of consumers plan to remain loyal to traditional banks alone (60%).

## Complexity replaces choice

Importantly, for some consumers the changes to the banking landscape are seen as a source of complexity, rather than choice. Two fifths of consumers say that they feel overwhelmed by the sheer number of banking solutions available on the market today (40%).

Perhaps as a result, nearly half of consumers say that in five years' time they plan to interact with one financial services provider (46%), rather than managing multiple accounts with multiple banks.

Although nearly only one in ten customers have switched to challenger banks to date, if we look to other industries – such as retail and energy – we can see that customers will switch to new challengers over time. Essentially, loyalty can't last in the face of convenience, better value and reputation.

The actual time taken to switch to new providers is dependent on many factors. In the retail sector, it's a relatively easy switch: you choose a supplier with every daily purchase. For the energy sector, it's more complicated. You don't think about the best energy supplier whenever you turn on the kettle; that's why the energy market is only very slowly shifting towards challengers. It's the same for banking.

Probably the best evidence, however, that challenger banks are offering more attractive services is the fact that new consumers – the truly digitally native Generation Z – are selecting these suppliers when they first come into the market, without needing to worry about the incumbency of switching suppliers. This is a sign of a real movement towards the challengers, and it's a trend that should be worrying incumbent banks.

What we've seen in other industries is that where Gen Z – and their predecessors, millennials – go, other demographics will follow with time. Think of smartphones, social media, instant messaging services, internet shopping and budget airlines – all of which were first adopted by the younger generations, before the wider population. It's also fair to say that older generations wouldn't have predicted that they would have been using these new providers and services when their younger counterparts were first adopting them. The key question for the banking sector is can the challengers offer enough positive differentiation to pull existing customers away from their traditional banks before these incumbents transform themselves to be truly digital companies?

– **Ian Bradbury**
CTO Financial Services, UK & Ireland

# Chapter 2
# Trust and transparency

### Recovering public confidence

Trust has always been critical to customers' relationships with their banks, but it was a hard commodity to come by immediately following the financial crash of the late 2000s. Today, though, views of financial services firms appear to be broadly improving. A third of consumers say that they trust their bank more than they did five years ago (34%), compared to a fifth who trust their bank less (20%).

Consumer confidence, however, is largely influenced by the type of institution involved. A third of consumers say they trust traditional banks entirely (36%), compared to just 12% who don't trust them at all. Globally, Mexican consumers are the most trusting of high street banks (55%).

In comparison, challenger banks are struggling to secure consumer confidence. Only 15% of the public trust these newer institutions completely, while 30% have no trust in them whatsoever. In fact, the majority of Japanese consumers say that they don't trust challenger banks at all (56%).

It may be that building familiarity with an institution over the years breeds trust – and by contrast creates greater suspicion of newcomers. The oldest consumers are the least likely to trust newer institutions, with 38% of over 55s mistrusting challenger banks.

Either way, in a fast-moving world the longevity of the organisations appears to be an influential factor in securing trust for now. But how has the rapid rise of technology impacted the confidence of the public?

### New technology, new vulnerabilities?

Banks' digital competency is a relatively new, but growing, element of consumer trust. Although technology has created many opportunities for consumers, there is now increasing awareness of the potential security – and privacy – implications of new technology being in place.

More than half of consumers are worried that the use of new technology by banks will put their data at risk (59%), with the public in Mexico feeling the greatest concern (72%).
And when it comes to trusting banks with financial data, the type of institution matters. A greater number of consumers say that they don't trust challenger banks to keep their data safe (31%) than those that don't trust traditional banks to do the same (28%) – although the figures are fairly close.
Transparency is clearly an issue. Over a tenth of consumers say that their single biggest concern about their bank is not knowing how it uses their personal data (13%).

### Missing out on new services

The public's misgivings about the security of new technologies may stop them benefitting from further innovations.
Almost half of consumers say that their data security concerns will put them off adopting new digital banking services in the future (49%), with Australian customers expressing the most unease (60%).

In the EU and the UK, concerns that customers were too tied into their financial institutions led to the development of the Second Payment Services Directive (PSD2) and the new offer of Open Banking. But similarly, there are signs that suspicions about the security and privacy of their personal data are actually putting customers in these regions off realising these new services.
Two fifths of the public across the EU and the UK are worried about their bank sharing data with third party providers (40%), compared to just 16% that would be comfortable for their bank to share data in ways that might benefit them. Perhaps as a result, only 3% of customers report benefitting from Open Banking to date.

But nonetheless, convenience still wins out in some situations. Worldwide, 27% of consumers say that they prioritise speed over security when it comes to completing transactions or transfers.

### Trust in insurance

Public perceptions of insurance providers appear delicately balanced, as 18% of consumers report that they completely trust insurers – while 21% don't at all. Even amongst the younger, more trusting, consumers, only 24% are fully confident in their insurers.

Consumers are particularly sceptical about insurers using and protecting their personal data. A third don't trust insurers to keep their data safe (32%) at all. Meanwhile, almost half of the public worries that their insurer uses their data to inform their premiums (48%).

Currently, people seem sceptical about insurers' motivations when it comes to collecting and making use of data – and this could make it more difficult for insurance providers to develop new services in the future. But finding new ways to retain consumer loyalty will be critical, as 10% of consumers would consider switching to a challenger bank if they offered a competitive insurance policy.

In every sector, as technology has become more widespread over the last ten years, consumers have gone from embracing the new services that companies offer to asking more searching questions about security and privacy – and financial services institutions are no different. The growing ease of interaction that customers have with these providers is going hand-in-hand with increasing questions around utilisation of personal data. Data and technology can be used to bring whole new offerings to consumers, across multiple providers, as well as to deliver greater security and transparency. This evolution will be particularly important for insurers, as technology provides the opportunity to evolve their interactions and relationships with consumers. Insurers can not only offer much more accurate and personalised plans, but even use data insights to help consumers reduce the likelihood of incidents – making a positive social, as well as financial, contribution.

But trust is the cornerstone of any relationship, including the relationship a customer has with their bank or insurance provider – and being able to use these new technologies depends on earning consumer trust. Financial institutions will need to prove their trustworthiness through watertight security and transparency on exactly how and why personal data is used.

In the future, we'll likely see regulation around the use and ownership of data mature – and individuals and corporations will own and trade their data. That will enable banks and insurers to continue to rebuild their reputations as long-term trusted partners to customers.

**- Wilhelm Petersmann**
**Head of Financial Services,**
**Germany, Switzerland & Austria**

# Chapter 3
# The balance of man and machine

## The draw of digital

Digital technology has become one of the most important differentiators in financial services. Access to good digital services is a key determinate of where consumers bank today, with 53% saying it is a high priority. This rises to four fifths of consumers in Brazil (80%).

Mobile banking particularly is valued by consumers, who want to take advantage of the service even more in the future – limiting their interactions with human staff. Almost half of consumers say that they are looking forward to doing all of their banking through mobile devices, without having to interact with a human (44%). Again, Brazilian consumers are the most enthusiastic about this prospect (77%), compared to 24% of those in Japan.

In fact, in five years' time almost half of consumers plan to do all of their banking through digital channels, on a mobile device (44%). So, are banks keeping up with these rising digital expectations and where does this leave physical operations, like branches, in the future?

## Keeping pace with consumers

With the rapid rise of personal technology, banks have been facing the challenge of keeping up with their customers – and this is something that's weighing on the public's minds. Three tenths of consumers believe that they as individuals are more tech-savvy than their bank (30%). Perhaps unsurprisingly, the youngest, digitally-native consumers are the most confident that their tech-savviness outstrips their bank – at 41% of 16-24 year olds and 43% of 25-34 year olds.

And this is driving a desire for change. Almost half of consumers want their bank to be more innovative in their use of technology (44%), rising to 80% of Brazilian consumers. But unfortunately, a quarter of all consumers believe that their bank simply lacks the technology and innovation to give them the services that they want (24%).

## Spotlight on security

The public's attitude towards new banking technology is also underpinned by caution, which becomes clear through consumers' main concerns about their banking experience. The most common fears are that banks don't have the right technology to keep their data safe (17%) and that customers don't know how banks are using their personal data (13%). Banks not being innovative enough in their use of technology then follows in third place (9%).

Consumers don't only want to see advances in the kinds of services they are offered, but the security that protects them. Over two thirds of consumers expect banks to have implemented new technology to keep their data safe in five years' time (71%).

When it comes to the security technology that is already in place, many consumers are in the dark. For example, artificial intelligence is frequently used to detect fraud and money laundering; however, only 40% of consumers understand how their bank is using AI to improve their banking experience – and 42% are concerned about the impact of AI and automation in the sector.

## Bots or branches

Amidst all of their interest in technology, consumers still expect humans to play a vital role in their banking services. The majority still prefer to deal with a person, rather than technology, when resolving an issue with their bank (59%). This rises to nearly three quarters of over 55s (71%) and is particularly important for Australian consumers (74%). Perhaps as a result, the existence of physical branches to compliment digital services is still important for many consumers. The majority of the public say that they are more likely to deal with a bank if it has a high street branch (56%); Mexican customers are particularly attracted to banks with this physical infrastructure in place (75%).

Half of consumers are worried about bank branches closing down in the next five years (49%), rising to 54% of Mexican and Brazilian consumers. Cash machines specifically are also important to consumers, with nearly three fifths concerned that they won't be able to easily access cash if banks shut their ATMs in the future (57%).

Once again, consumers want the best of both worlds – the physical and the digital – when it comes to their banking experience. Customers have benefitted from banks' digital advances to date – and are vocal in their concern that banks won't continue to innovate and match their needs. Adaptability will remain critical; high street banks will need to digitalise, simplify and rebuild their processes, to achieve the agility needed to keep up with the customer.

But at the same time, consumers have become acutely aware of the risks that technology and data can present. The public wants to see and understand how banks are using new tools to protect them – and be reassured that they're not taking advantage of their information. So, while challenger banks might find it easier to integrate new technology at first, building the rock-solid infrastructure and regulatory framework to support it will be key.

Importantly, it's not all about digital. Many consumers still value the option to speak to a human when needed, including within the walls of a branch and are concerned that these services could be lost.

Banks face a tough balancing act to please their highly demanding consumers. Success is likely to come down to offering customers choice on their preferred channel for the job – maintaining some physical services, while releasing innovative and secure solutions.

- **Mariana Mendoza Márquez**
  **Sales Specialist Retail & Banking**

**67%**
of consumers expect banks to have implemented new technology to keep their data safe in five years' time

# Chapter 4

# A new institution for a new future

## Banks built on digital

Customers want and expect to see technology underpin their banking experience even more in the future. Two thirds of consumers anticipate that technology will play a bigger role in how they pay for things, transfer money and save money in five years' time (66%).

The public is positive about these changes; in fact, almost half are excited about the potential of technology to change the way they bank (44%). The most enthusiastic customers are those based in Brazil (80%) and Mexico (75%). But how do consumers see the technologies that they use actually changing?

## Mobile comes first

Today, the most important technology-enabled banking services for consumers are mobile-banking (48%), biometric authentication (41%) and the technology that enables them to pay through different devices, like fitness trackers (26%). Looking five years into the future, consumers anticipate that these technologies will remain the three most important digital services provided by their bank. However, a quarter of consumers also want their banks to provide artificial intelligence and machine learning tools to keep track of their spending by then (23%).

## Attractive emerging technology

If consumers have fairly consistent views about the digital services that matter to them, they're much more split when it comes to the role of emerging technologies in the future of banking. The public appears to be comfortable with some tools, and much more sceptical about others.

Considering the technologies that they are comfortable with their bank using in the future,

- 54% said biometrics, to authenticate who they are using their unique physical characteristics.
- 50% said 5G technology, to dramatically improve their network connection.
- 47% said quantum computing, to process transactions, trades and other types of data as fast as possible.

Biometrics come out on top, which is perhaps unsurprising given consumers' concerns about the security of their money, followed by the better connectivity that could help to underpin quick and consistently available mobile banking.

## Divided views

When consumers consider the technologies that would most attract – and repel – them from financial services providers, however, the differences in views become clear. Again, biometrics (51%), 5G (47%) and quantum computing (44%) are the technologies most likely to attract future customers. But at the same time a large proportion of consumers say that the offer of cryptocurrencies (29%), artificial intelligence (27%) and biometrics (25%) would make them less likely to choose any given provider.

The mixed views on biometrics underline the importance of perceptions of technologies: consumers' understanding of what they do and visibility of how they're used. For example, in the case of biometrics, the desire for greater security may be offset by concerns about privacy and personal data. Likewise, although artificial intelligence can play a key role in preventing fraud and keeping money secure, consumers might be worried about the loss of human oversight.

Providers will need to explain precisely how they use technology and why to avoid inadvertently putting off consumers with services that are meant to attract them.

## Tech-driven choices

In spite of the variation in consumers' views on individual technologies, one thing is clear: how it's used will help to determine where consumers bank in the future – and in some cases, the very near future. Nearly a third of consumers plan to open an account with a bank that offers better digital services in the next 6 to 12 months (30%).

Some customers would even change the kind of financial institution that they use, in order to access better digital services. Nearly three tenths of consumers plan to switch to using solely a challenger bank in the next five years, unless traditional banks can provide the same level of service (28%).

Technology can, however, act as a deterrent as well as an advantage. Almost half of consumers will only bank with traditional banks, unless challenger banks can demonstrate that they have the right technology to keep their data safe (45%).

A third of consumers would be more likely to switch to a challenger bank if their friends and family were already using one (33%) – reflecting, perhaps, many consumers' unfamiliarity with these newer institutions and the need for confirmation from trusted sources.

But it's worth noting that, in this fast-moving industry, new competition could come from anywhere. In recent months, leading technology companies like Apple and Facebook have been making greater moves into financial services, and a quarter of consumers are actively planning to switch to these providers in the next five years (24%).

As the financial landscape continues to shift, consumers will have even more options to consider.

Consumers expect to see their financial institutions evolve to deliver even more personalised experiences in the future: this is particularly important for millennial and Generation Z consumers. The kind of digital experiences available – as well as relevant offers – will determine where they bank.

But the public's attitude towards individual technologies is nuanced. Many people are caught between chasing novel digital experiences and fears about the protection of their data. Paradoxically, technologies like biometrics could be as likely to discourage as to attract new customers.

Financial institutions may be creating a whole host of new services – internally or externally facing, and even using models like Open Banking or Banking as a Service (BaaS). But whatever those services look like, for them to succeed organisations must invest in their customer relationships. A process of education may be needed on how and why complex technologies like blockchain and artificial intelligence can deliver customer value securely. Every kind of financial institution has "strengths" and "weaknesses" in the eyes of the public.

Traditional banks will need to focus on keeping up with the pace of change driven by customer expectations and the drive to modernise their IT assets. Meanwhile challengers will feel a greater pressure to demonstrate the security that consumers demand. Offering the best combination of services, customer experience and data security will help to allay the threat of the tech giants.

**– Romain Briard**
Banking & Financial Services Industry Executive

# Country and regional trends

## Australia

Only a third of Australian consumers are confident that their bank understands what they need as consumers. But nonetheless, the Australian public remains the most loyal to traditional banks of all those surveyed, with 84% using a high street provider. By contrast, only one in twenty use a challenger bank – again, making them the most reluctant to embrace these new institutions.

This might reflect Australian consumers' relative lack of interest in technology. Only one in ten thinks that their bank isn't innovative enough to give them the services that they want, compared to the global average of 24%, and just 10% feel that they as individuals are more tech-savvy than their bank. The human touch is particularly important for consumers, as three quarters prefer to deal with a human, rather than technology, when resolving an issue with their bank.

Nonetheless, it's not all smooth sailing for traditional Australian banks, especially when it comes to consumer trust. Only 17% of consumers trust their bank more than they did five years ago – and 34% say they trust their bank less. Concerns about security are high, with two thirds of the public worried that new technology will put their data at risk.

Going forward, Australians do want to see new digital services from their banks. A quarter of consumers will do all of their banking on a mobile device by 2024, rising to half of those aged 16 to 24. But at the same time, more than three quarters expect new technology to keep their data safe – and this will be a key influence on where they bank.

## Brazil

Brazilian consumers expect a lot when it comes to their digital banking services. Four in five want banks to be more innovative – and the same proportion say that access to good digital services determines where they bank.

Moreover, Brazilian consumers are prepared to go to multiple providers to get the best. Although two thirds are still using traditional banks, a quarter now use a combination of high street providers and challengers, the most of any country. They are also the most likely to switch accounts to take advantage of better digital offerings.

When it comes to specific services, seven in ten consumers want to use biometrics to protect their money, while three quarters are looking forward to doing all their banking via mobiles. Nonetheless, physical branches are an important part of the banking landscape. Three quarters of consumers are more likely to do business with a bank if it has a high street branch – and two thirds are concerned about a lack of access to cash if ATMs are closed in the future.

Across the board, Brazilian consumers are overwhelmingly positive about the changes that technology has brought to banking, with 80% excited about the further change to come. But it's worth sounding one note of caution. Three quarters of consumers admit to feeling overwhelmed by the complexity of the landscape, and 70% plan to interact with one provider in the future.

Equally, data security is a key concern, with 57% of people prepared to forego digital services in the future to protect it. Providing services that are advanced, but simple and secure, alongside the choice of human interaction will help banks to stand out from their peers.

## Canada

Canadian consumers remain traditionalists at heart when it comes to managing their finances. Three quarters of the public only use a traditional bank for financial services, with just 8% tempted by a challenger bank. Right now, a quarter of consumers say nothing would make them switch to a digital-only provider – and even in five years' time, over half will use a traditional bank alone.

This partly reflects Canadians' positive view of traditional banks. Over two fifths of people trust traditional banks completely, while just 7% don't trust them at all. In addition, the vast majority of consumers are confident that their bank has the technology and innovation to give them the services that they want.

Nonetheless, security remains a prevalent source of anxiety. Consumers' biggest concern about their banking experience is that their provider doesn't have the right technology in place to keep their data out of the hands of hackers – and three

quarters expect banks to implement new technology in the next five years to keep them safe.

But Canadians are confident that their banks will deliver. Two thirds believe that by 2024 their banking experience will be even better – with the younger millennial consumers even more optimistic.

### Germany

Compared to their European counterparts, German consumers have been more prepared to choose challenger banks for their financial needs; 14% rely solely on a challenger bank, while a quarter use a combination of these newer institutions and high street banks – the highest of any country surveyed.

Speed has been a major attraction, as 42% of consumers report enjoying how quickly challenger banks provide them with information about their finances. And challenger banks have proved so appealing that, in five years' time, less than half of consumers plan to use a traditional bank alone.

German consumers do have concerns about digital services, though, and particularly when it comes to data protection. More than half are worried that the use of new technology will put their data at risk (52%), while a third are worried about their bank sharing their data with third parties – and are missing out on Open Banking services as a result (29%).

Going forward, most consumers in Germany still want the opportunity to speak with a human, rather than technology, to resolve issues with their banks (60%). But most consumers expect that technology will play a greater role in their banking experience (55%). Biometric authentication is the service most likely to attract German consumers (44%), while many have concerns about uses of artificial intelligence (36%).

### Japan

Japanese consumers are amongst the least open globally to using challenger banks. Currently, just 5% say they bank solely with a challenger institution, compared to 70% that only use a traditional bank. Even amongst the normally adventurous millennial consumers, only 8% rely on challenger services – and across every age group, half say that nothing would tempt them to use a challenger only bank.

But this loyalty doesn't appear to stem from great service. In fact, only a quarter of consumers in Japan say that their banking service is better than it was five years ago – and a quarter say their bank doesn't understand what they need. In fact, Japanese consumers seem to have mixed feelings about the growing role of technology in banking. Only a quarter of people are looking forward to doing all of their banking via mobile, compared to 44% globally; by contrast, 42% of people in Japan are concerned that the use of new digital services will put their data at risk. In fact, only 17% are excited about the potential of technology to change the way that they bank. Nonetheless, there are digital services that Japanese consumers want to see. More than half are keen to use biometric authentication to secure their accounts and payments, while a third want high speed mobile banking, available any time and anywhere. By showing that they're putting technology to good use – and continuing to provide human services – banks can improve the sentiment of consumers in Japan.

## Mexico

Mexican consumers are leading the way when it comes to the adoption of challenger banks. Nearly a fifth of consumers now bank solely with a challenger institution, compared to 62% using just traditional banks. And while it's true that millennials are more likely to use these providers at present, in the future over half of consumers over 35 say they'll use a combination of traditional and challenger services.

The desire for digital appears to be behind this trend. Three quarters of consumers in Mexico say that good digital services are a high priority when choosing a bank, while 60% of consumers say they plan to open an account with a bank that offers them better digital services in the next six to 12 months. Speed of service is also a major attraction; in fact, 54% of Mexican consumers would prioritise speed over security in their transactions, which is double the global average. But perhaps unsurprisingly as a result, nine in ten want banks to implement new technology to their keep data safe by 2024.

But challenger banks still face key hurdles. As well as great digital services, consumers in Mexico are the most likely to choose a bank that has a high street branch (75%). Mexican

consumers are also twice as trusting of traditional banks than challengers. And with the sheer choice on offer creating too much complexity for many consumers, it may be that the traditional banks – that offer innovative services with physical branches – win back consumers in the end.

## New Zealand

Alongside their Australian counterparts, New Zealanders are the consumers most loyal to traditional banking institutions. Over eight in ten people bank solely with traditional providers, while only 8% use challengers. Even using a combination of traditional and challenger banks, which is more popular in other countries, only appeals to 8% of people in New Zealand. That is in part because the vast majority of consumers are confident that their bank has the technology to deliver the services that they want. Only a quarter say they'd like their provider to be more innovative, compared to 44% worldwide. Branches still play an important role in the banking mix. Half of consumers are more likely to do business with a bank if it has a high street branch, while two thirds prefer to deal with a person, rather than technology, when they're resolving an issue.

Overall, it's security where consumers would really like to see improvements. The majority of New Zealanders say that data security concerns will be the main reason they don't adopt digital banking services in the future. More than three quarters say that, in five years' time, they expect banks to have implemented new technology to help keep their data safe, while biometrics are the most appealing new service. If New Zealand consumers are to embrace new digital offerings, banks will need to increase confidence in their security credentials.

## Nordics

Currently traditional banks still lead the way in the Nordics, with two thirds of consumers banking solely with these institutions (67%) – and just one in ten relying only on a challenger (11%). But there's a growing movement towards a combined approach, as a quarter of consumers use a combination of these providers, to get the best of both worlds (22%).

This might reflect the high levels of trust that Nordic consumers feel towards both newer and older financial institutions; these customers are the most likely to trust traditional banks (93%), challenger banks (79%) and insurers (89%). However, there are concerns about how these institutions might use their data, as just 16% are happy for banks to share their data so that they can benefit from new services.

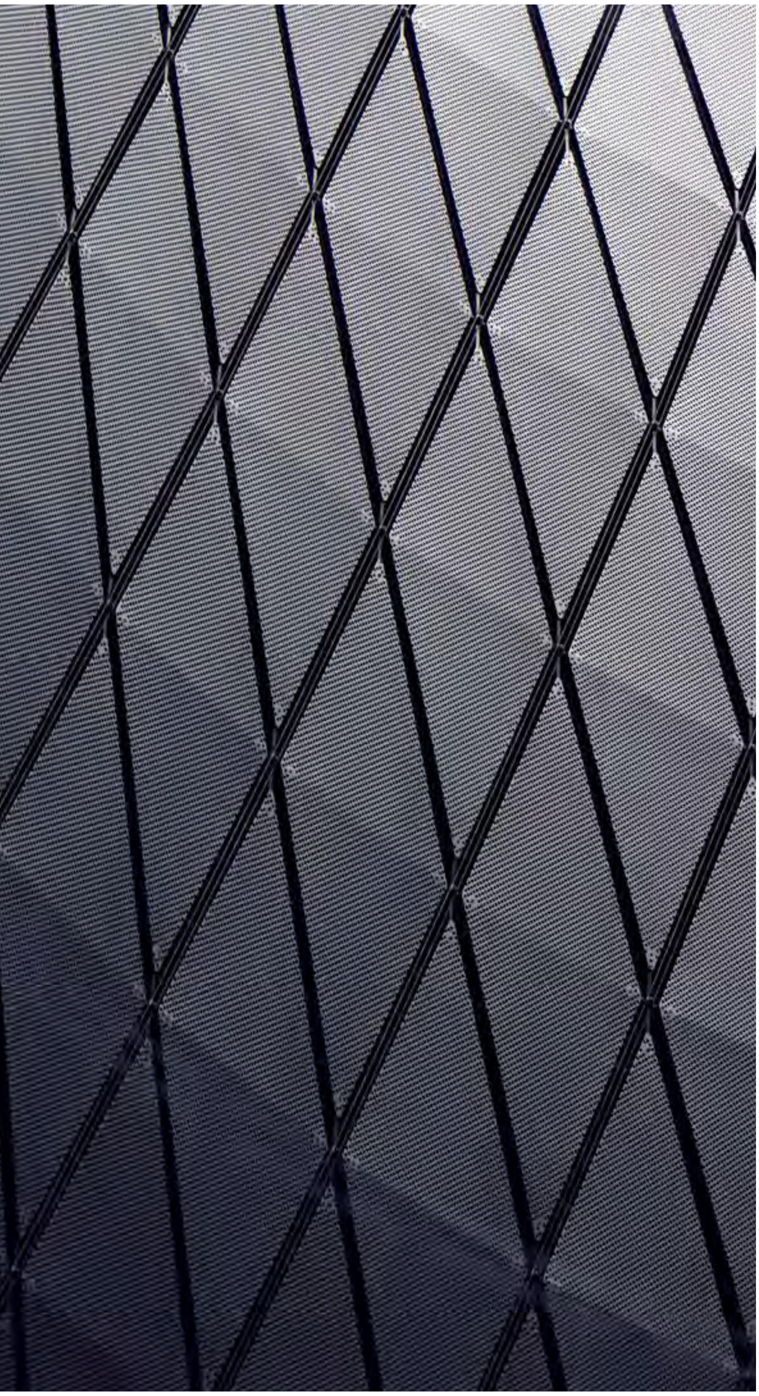
Consumers in the Nordics are divided as to the importance of traditional banking channels; half say that they are more likely to do business with a bank if it has a high street branch, while half prefer to deal with a human, than technology, when resolving issues. However, access to good digital services is a priority for the majority of consumers (63%), including the implementation of new technology to keep their data safe. People in the Nordics are optimistic about the future, as two thirds expect their banking experience to be better than it is today by 2024 – and half are excited about the potential of technology to further change the way they bank.

## Republic of Ireland

Alongside their Brazilian and Mexican counterparts, consumers in Ireland are particularly pleased with how banking has changed over the last five years, with more than two thirds reporting an improvement. Today, high street banks still dominate the landscape, with three quarters of Irish customers banking with a traditional institution.

But nearly three in ten Irish consumers plan to switch to using a challenger bank – or combination of newer and older banks – in the next five years. And customers report that greater acceptance of challenger bank cards around the world, as well as competitive savings rates, would further fuel this move. Trust is a particularly important issue for Irish banking customers, especially when it comes to data security. More than half of Irish consumers say that data security concerns will prevent them from adopting digital banking services in the future – with many doubting the ability of challenger banks (37%), traditional banks (33%) and insurers (37%) to keep their information safe.

Nonetheless, most Irish consumers want to see more innovation from their banks (59%), with contactless payments, biometrics and 5G to support mobile banking named as the most appealing services. But physical branches will remain important as well as banks' digital offerings, as seven in ten



Irish consumers are more likely to do business with a bank if it has a high street branch.

### Spain

Spanish consumers are very positive about how their banking experience has changed over the past five years, with two thirds reporting that their services are better and nearly three quarters confident of further improvements. Currently, most Spanish consumers bank with traditional high street providers (63%), but in the future that looks set to change.

Looking ahead to 2024, Spanish consumers are the most likely of any surveyed to bank solely with a challenger (22%). Half say that, by then, they will interact with only one financial services provider, rather than managing multiple accounts (53%) – so there could be significant opportunities for digitally-led banks in the market.

Unlike many of their European counterparts, Spanish consumers are as likely to distrust high street banks and challenger banks when it comes to keeping their data safe – with one in three concerned about their security. In Spain, consumers are worried about how insurers in particular use their data, with 60% worried about how it informs their premiums.

Digital services are extremely important to Spanish consumers; nearly six in ten want their banks to be more innovative in their uses of technology, compared to less than half of other consumers. Two thirds expect technology to play a bigger role in their banking in future, with high speed mobile banking and paying through multiple devices the most valuable services. But nonetheless, cash will remain a key option – as two thirds of Spanish customers are concerned about the closure of ATMs.

### United Kingdom

Like their international counterparts, the majority of UK consumers believe that their banking experience has improved over the last five years (59%). But in the case of British consumers, most of those services are still coming from traditional financial high street providers.
Three quarters of British consumers use a traditional bank (77%), with just 9% banking solely with a challenger – despite the success of fintech companies in the UK. And going forward, three fifths of consumers will stay loyal to these providers:

perhaps because 40% of people say that don't trust challenger banks at all.

British consumers are also particularly attached to traditional banking channels, as two thirds prefer institutions with a physical branch and 60% prefer to speak with a person to resolve an issue. Technology, however, is important, with half of consumers choosing banks based on their digital offering (47%).

In the future, two thirds of UK consumers expect technology to play a larger role in their banking experience, although uses of cryptocurrencies (30%) and artificial intelligence (30%) may actually dissuade some customers. Implementing technology that keeps customer data safe will be a key draw for two thirds of these traditionalist banking customers (68%).

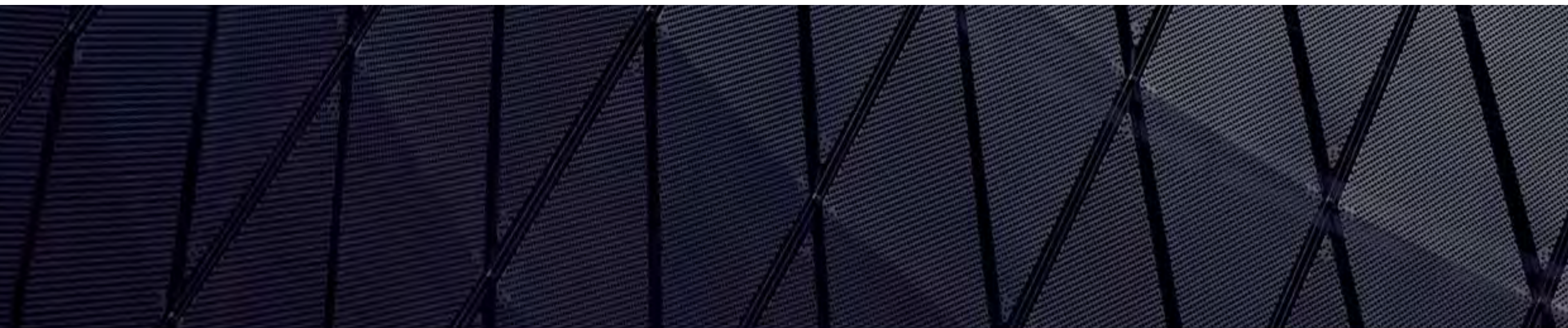
### United States

In the United States, very few consumers have embraced the option of using a challenger bank alone for their financial services. While 73% use traditional banks, just 7% have opted for these new providers. Challenger banks could attract more customers by providing a better interest rate on savings accounts; however, even so, only one in ten envisage making the switch to challengers alone by 2024.

Trust appears to be a major hurdle for challenger banks in the US. American consumers are the most sceptical of challenger banks worldwide, with only 7% fully trusting these newer institutions. By contrast, nearly a third admit full confidence in traditional banks (30%) – except when it comes to data security.

Security is high on the agenda. US consumers say that their biggest concern about their banking experience is that banks don't have the right technology in place to keep their data secure and out of the hands of hackers – and the majority say this will put them off adopting further banking services in the future (57%).

Nonetheless, two-thirds of consumers expect technology to play a bigger role in how they pay for things, transfer money and save money (66%) – and the majority think that their bank will be able to deliver the services they want (59%). But as in other countries, there are certain technologies that consumers will not welcome, with cryptocurrencies and artificial intelligence the most likely to put US customers off.



# Keeping up with the new banking customer

Customers' banking experience has changed radically in the last five years thanks to technology – and technology will underpin further changes to come.

But attitudes to this transformation are highly nuanced and vary significantly between countries.

It's reassuring that on the whole consumers welcome the innovations that have been introduced to date. But while consumers remain digitally demanding, they are also more discerning than ever before.

Customers are concerned about the privacy of their data, the security of their money and how and why certain technologies are used.

And while digital services are important, many elements of the traditional banking experience still matter. Members of the public value the option to go into physical branches, easily withdraw cash and importantly to talk to real people about their needs.

Going forward, many consumers want to consolidate their banking services, possibly by using one main provider and other "add on" services as needed.

High street banks, as well as challengers, can find a place in this new financial landscape. But it will be vital for every institution to play to their strengths – and shore up their weaknesses.

High street banks already have the stability and trustworthiness that many consumers crave, but they will need to digitalise and streamline their existing processes, ensuring that they have the agility to respond to new consumer needs and create new services. Maintaining a degree of physical infrastructure and face to face interactions will provide consumers with choice in the future.

For challenger banks, it will be important to work out the specialism that sets them apart from other providers – and perfect that offering. Creating a solid infrastructure, underpinned by security and transparency, will help to reassure consumers that can be nervous about their stability. Integrating with other providers will be important to reach as wide a base as possible.

Insurers have the opportunity to use data to create a whole new kind of offering, based on personalised policies – and even helping customers to prevent incidents, rather than just responding to them. But that will depend on creating solid consumer trust, based on security and transparency.

The financial services sector continues to move at speed, and it's still incredibly difficult to predict where the next wave of disruption could come from. With huge companies like Apple and Facebook eyeing up the sector, a whole new breed of challenger could emerge in the years ahead.

To survive, banks and insurers will need to match their offering to consumers that are both demanding and discerning. Taking a highly localised approach will enable providers to meet the preferences of consumers in every region. Using the latest technology in the right way will be key to thriving through the new age of banking.

Customers are concerned about the privacy of their data, the security of their money and how and why certain technologies are used.

## The race is on to meet banking customers' rapidly changing expectations.

Get in touch to find out how our co-creation approach can help your organisation radically transform.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