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World Retail Banking Report 2018: Banks must respond to soaring customer expectations as non-traditional competition looms

Customers are increasingly open to non-FS and BigTech¹ alternatives; retail banks need to collaborate with the competition and personalize customer experience

PARIS, September 20, 2018 – In addition to traditional challenges, retail banks globally are now facing high-impact new forms of competition: the open banking ecosystem, emerging technologies, and soaring customer expectations. This is according to the [World Retail Banking Report 2018](#) (WRBR 2018) launched today from [Capgemini](#) and Efma.

The report finds that:

- **Satisfaction is low:** Barely half of customers say their experience across different bank channels was positive (51.1 percent in branch, 46.9 percent on mobile and 51.7 percent on internet banking), despite continued bank investment.
- **Consumers are open to BigTech:** Nearly a third of customers (32.3 percent) might consider BigTechs for financial products and services (that includes 43.0 percent of Gen Y² respondents, 53.0 percent of tech-savvy consumers³ and 70.2 percent of those already likely to switch their primary provider).
- **Personalization is key:** Satisfaction was notably higher among those customers who had been offered personalized digital experiences proactively (49.1 percent) than those who had not (39.5 percent).

The report also surveyed banking executives about the main causes of industry disruption. The most-cited factor was rising customer expectations, with nearly three out of four executives (70.8 percent) stating that positive experiences in other sectors mean customers now expect more from their banking provider. A majority of executives (58.3 percent) also said that regulatory pressure was a cause of disruption, while 54.2 percent identified the increasing demand for digital channels as a factor. As lines between traditionally different industries now start to blur, banks now face increasing competition from non-traditional firms who are targeting niche areas of the banking value chain. Also, increasing digitization and explosion of new technologies are rapidly changing the banks' ways of working.

¹ BigTechs are large, multinational technology firms such as Google, Amazon, Facebook, Apple, Alibaba, Tencent, etc.

² Gen Y customers are categorized as individuals aged 18 to 34.

³ Customers that use online and mobile channels frequently to conduct transactions such as purchasing electronics, clothes, food and groceries, paying bills, etc. are categorized as tech-savvy. Tech-savvy consumers cross all generations.

"With FinTechs, BigTechs, and other non-FS firms finding their place in the market, retail banking today is all about the customer experience when interacting with their financial institution," said Anirban Bose, CEO of Capgemini's Financial Services Strategic Business Unit. "As a new, open ecosystem - comprised of customers, traditional banks, non-traditional firms, regulators, and developers - takes shape, there is now a clear opportunity for banks to leverage digital transformation to retain customer relationships by re-inventing the customer journey and creating new revenue streams."

Despite the reality of growing regulation, non-traditional competition, emerging technologies, and customer expectations, banks are not powerless to use change to their advantage. A significant majority of banking executives (70.8 percent) think they can 'generate non-traditional revenue' via collaboration with FinTech and BigTech providers, whether to develop a new service or distribute third-party products via a marketplace platform. Most banks believe there are untapped opportunities to make more strategic use of data to improve the customer experience: executives said they plan to use customer data to create smoother customer journeys (87.5 percent), develop relationship-based pricing (75.0 percent), build personalized loyalty rewards (58.3 percent) and create lifecycle-stage products and services (54.2 percent).

"The retail banking industry is at an inflection point and needs to determine its role going forward in the open banking ecosystem. There is opportunity to innovate through collaboration as well as reinvention. It is an exciting time to be in banking as regulation, innovation, competition and collaboration merge to form the bank of the future," said Vincent Bastid, Secretary General of Efma.

Report methodology

This year's World Retail Banking Report charts the current perspectives and potential evolution of traditional banks amid the continued emergence of BigTech and FinTech players in the financial services space. It features data from a global survey of more than 10,000 retail banking customers in 20 countries, and interviews with 60 senior banking executives across 23 markets.

For more information, please visit www.worldretailbankingreport.com.

About Capgemini

A global leader in consulting, technology services and digital transformation, Capgemini is at the forefront of innovation to address the entire breadth of clients' opportunities in the evolving world of cloud, digital and platforms. Building on its strong 50-year heritage and deep industry-specific expertise, Capgemini enables organizations to realize their business ambitions through an array of services from strategy to operations. Capgemini is driven by the conviction that the business value of technology comes from and through people. It is a multicultural company of 200,000 team members in over 40 countries. The Group reported 2017 global revenues of EUR 12.8 billion.

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About Efma

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