



News release

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Digital banking to be the norm by 2015 – PwC report

London, 16 Jan 2012 -- Digital banking is set to overtake branch networks as the main way customers interact with their bank by 2015. This is according to a new PwC report ‘The new digital tipping point’, which suggests that banks are missing a vital new source of revenue growth as they have been too slow to respond to the digital innovations that have radically changed business models and redefined customer experience. This is despite strong demand for digital banking products from consumers and the fact they are willing to pay for these.

PwC conducted research with over 3,000 banking customers across nine developed and emerging markets and found that most consumers are willing to pay up to £10 a month for digital banking services if they believe they offer convenience and value. The research reveals that there is customer demand for innovative digital offerings such as social media notifications, an electronic wallet for loyalty cards and financial tools provided by banks and that these are the products consumers are most willing to pay for. In the UK, almost two thirds (65%) of respondents said they are willing to pay just over £4 a month for their bank to store loyalty card information and convert accumulated points into cash. This amounts to an annual fee income for banks of approximately £50 per customer.

Stephen Whitehouse, retail and commercial banking partner at PwC, said:

“Banks have generally been slow to embrace the digital innovation customers now expect from other industries, such as retail or travel. This needs to improve if banks are to hold on to their existing customers and attract the next generation, as the quality of a bank’s digital offering will become an increasingly important factor for consumers.

“Despite customers’ appetite for new and innovative digital banking offerings, and the fact they are willing to pay for these, the majority of banks still only provide basic mobile and internet banking services. Banks are clearly missing a trick if they don’t start to invest in their digital offerings and only see digital as a way to reduce costs.



“The lack of investment is perhaps even more surprising considering banks are struggling to grow revenues at a time of increased regulation and a difficult economic environment. Digital products are a significant opportunity for banks to grow revenues and serve their customers in a way that they want.”

The research reveals that more and more consumers are using online and mobile channels to access financial products. 69% of those surveyed said they currently use the internet to purchase financial products. While a lower number of respondents (33%) currently use mobile to purchase financial products, mobile banking is expected to follow a similar usage curve to internet banking, with China, India and the United Arab Emirates currently leading its adoption.¹ In terms of customer profile, it is not surprising that Generation Y² leads the way, with 67% of respondents saying they currently use or are considering using mobile channels for banking.

Matt Hobbs, retail and commercial banking partner at PwC, said:

“To grow revenues and combat high customer inertia, banks need to focus on attracting the next generation of customers – which will be largely made up of Generation Y and the unbanked population. For these customers, a bank’s digital services will be more central to their decision-making process than branch location or even brand.

“Generation Y are now choosing their main banking provider and represent an important source of future value for banks. Banks need to take their digital products to the next level if they want to secure these customers as they expect a rich digital experience that is both mobile and social and integrates their banking needs with their digital lives. If banks are too slow off the mark, they risk being overtaken by new entrants or non-traditional financial services providers, who already place digital at the heart of their offerings.”

Despite new technology opening up banking to a number of new players, there is little evidence to suggest that they will be successful in taking over the entire customer relationship from banks. The survey reveals that the majority of respondents (61%) still trust their banks over other providers to provide their current account. However, the report suggests that new entrants, such as mobile payment providers, will continue to act as a catalyst for change in the retail banking space. Banks may also need to partner with technology, mobile and other non-traditional banking providers in order to deliver the digital experience customers now expect.

Matt Hobbs, retail and commercial banking partner at PwC, said:

“The growth of digital has removed key barriers to market entry, including the need for large branch networks, customer inertia and brand trust. Because of this, banks need to consider strategic acquisitions or partnerships with digital innovators to secure their long-term position and market share. Incumbents in developing markets, where there is a larger share of unbanked consumers, will experience the greatest threat from new players if they do not improve their digital offerings.

¹ 56% of respondents in India, 48% of respondents in China and 42% of respondents in the United Arab Emirates said they currently use mobiles to purchase financial products.

² Generation Y refers to people born in the 1980s and 1990s.



Stephen Whitehouse, retail and commercial banking partner at PwC, said:

“The banks that provide a differentiated digital experience, with advice and relationship management elements tailored to the individual customer, will secure deeper engagement and more profitable relationships with their customers.”

Notes to editor:

1. PwC conducted research with over 3,000 banking customers across nine developed and emerging markets in May and June 2011. Participants were from Canada, China, France, Hong Kong, India, Mexico, Poland, the UAE and UK.
2. The full report ‘The new digital tipping point’ can be downloaded at www.pwc.com/digitaltippingpoint or via amy.tiernan@uk.pwc.com
3. Stephen Whitehouse and Matt Hobbs are available for embargoed interviews. Please contact Amy Tiernan on 0207 804 0556 to arrange.

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