EPAM CONTINUUM

FALL 2021

# Consumer Banking Report 2021

# Introduction

**Last year, in the first EPAM Continuum Consumer Banking Report, we surveyed 4,500 people across the United Kingdom, United States, Hong Kong and Singapore to learn about their financial needs, opinions and behaviors amidst the first few months of the COVID-19 pandemic.**

Just 12 months later, and the world feels like a much more complicated and less predictable place. As a result, this year's report is both broader in scale (we've added Canada, Germany and the Netherlands to the countries surveyed and increased the number of participants to over 21,000) and deeper in scope. As with last year's report, we have called upon a range of minds from our business, technology and experience consulting practices to get their takes on how these emerging trends, attitudes and behaviors might influence the future of banking. As well as a more detailed look at how the global pandemic has affected our relationship with financial institutions and services, this year's report:

- **maps the increasingly diversified and fragmented banking landscape from the customer's point of view**
- **takes an in-depth look at how younger consumers are navigating their finances and what that might mean for the future of banking**
- **explores the increasingly complex relationship between digital banking ecosystems and "real-world" environments**
- **cuts through the hype and headlines surrounding cryptocurrency and alternative investment to understand consumers' fears and hopes**

### WHO SHOULD READ THIS REPORT?

This report is for technologists, marketers, strategists and anyone interested in creating meaningful services and experiences for their bank's customers.

Whether you work for a traditional bank, FinTech startup or a third-party services firm, this report will allow you to see how customers' evolving attitudes and expectations are reshaping the industry, changing how banks compete and win in an increasingly crowded and competitive marketplace.

### WHY READ THIS REPORT?

Knowing what your customer wants—and what they need—is difficult in the best of times. Intuiting that when the landscape is changing at record pace and expanding in so many different directions makes it an almost impossible task.

This report aims to deliver a set of actionable insights and practical takeaways underpinned by quantitative, robust data points. It delivers a clear view of the most prominent challenges and most exciting opportunities in banking today to inform tomorrow's most compelling and innovative services and experiences.

# Contents

# Foreword

**What do bank customers really want?**
**Our research tells us human touch is not dead.**

**BY BALAZS FEJES**

Over the last 12 months, there has been no let up in the phenomenal rate of transformation across every part of the FinTech landscape, whether it's the ongoing tussle between the neobanks and the traditional incumbents, the continued interest (and hype) around cryptocurrencies, or the role of social media in consumer finance (and that's all before we start to gauge the impact that the global pandemic has had on the way we bank and spend).

Last year, in our first comprehensive look at banking consumer attitudes and behaviors, we surveyed 4,500 consumers across four countries to understand their beliefs. This year, we dug deeper, surveying more than 21,000 consumers across seven countries.

Last year, 82% of our respondents to our survey said they were happy with their banks, with this year's number dipping slightly to 77%. Even if they aren't happy with their current bank, only 8% of our survey participants said they would even consider switching banks in the next six months.

> **If we've learned anything from two years of studying consumers' attitudes toward banking, it's that people are *really* happy with their banks—and they *really* don't want to leave them.**
>
> **Balazs Fejes**
> **President of EU and APAC Markets**

While last year we argued that banks should focus on making it easier for customers to switch—as well as spend their capital attracting first-time account openers—this year we've learned that the opportunity now lies for financial services providers is in offering highly-specialized, personalized services to consumers. Much like the media and entertainment industry, consumers have become more comfortable with the idea of going to different providers for different needs. For instance, they are satisfied with depositing their paychecks at Bank X while using Bank Y to manage their cryptocurrency investments.

One area that consumers are longing for more support in was advice and education. Consumers—particularly those of the Gen-Z and millennial generations—are looking for real financial advice that goes beyond what can be offered on social media or via friends and family. In this year's survey, 38% of our Gen-Z respondents said they turn to YouTube, social media influencers or podcasts for financial education, but 61% said they want more advice from their bank on how to best manage their money. But how do banks offer that kind of advice at an approachable—yet profitable—price point (that's different enough from what's out there on social media)? Further, how do they offer this advice without defying regulators, especially in volatile environments like APAC? Our research highlights this as a real gap in the market that we think is worthy of banks' consideration. It also introduces the need for a new understanding of bank branches. Could repurposing them to give that human touch be an alternative to an ever-shrinking branch estate?

In addition to keeping up with trends across generations, we also elicited insights into regional trends. For instance, we found that our Singapore respondents tended to be quite different in many areas: 64% said they were willing to open an account with a bank they are not familiar with, compared to just 33% of our Dutch respondents. They also were much more comfortable with social media companies having access to their banking information while also feeling more strongly that banks should act more ethically and responsibly with their investments, even if it meant lower returns for them.

What's interesting about that is that it begs the question: is Singapore an anomaly or are they trendsetters?

In this report, we endeavor to expose insights that are sometimes counter-intuitive, unearthing what customers really think—rather than reinforcing what is assumed. With consumers' desire for more personalization combined with the emergence of more financial products, banks must explore building new business models. As the landscape becomes more complex, banks need to deliver more personalized services and advice, and, crucially, be able to monetize this all while remaining compliant. While that may seem daunting, it's a great opportunity for those willing to rise to the challenge.

I'm very proud of this report and the insights on which it shines a light. I'd love to hear what you think. Drop us a line to share your thoughts.

02

# At a Glance

## At a Glance

# Three Emerging Trends

**01**

### Consumers are responding positively to the “unbundling” of financial services

A new environment has emerged for banking consumers where they are free to atomize their financial tools and services. They’re now moving away from one central provider and instead creating their own banking system by choosing from an increasingly diverse selection of providers, channels and technologies—often using two or more overlapping services at the same time to find out which best suits their needs.

1/3

**More than one in three are happy to use a variety of financial companies for different needs.** More than half those banking with a neobank would rather use different companies for different needs.

While most customers might remain tethered to their primary bank, many are increasingly looking to specialized services delivered by standalone providers to meet more specific needs.

**02**

### Consumer thirst for information and support is growing—but are banks ready?

This year’s report identifies a huge opportunity in the areas surrounding consumer relationships that are based on education and support. When it comes to one-on-one customer support, our research shows that customers prefer a hybrid approach. For example, in more straight-forward situations, they are likely to use a chatbot for support, while in more complex ones, they are likely to go to a branch office for help.

2/5

**In the past year, 2 out of every 5 18–24-year-olds used their physical branch at least monthly.**

Customers have become more aware of the value of face-to-face interactions and the complex—and sometimes sensitive—financial asks that can only be solved through human conversation.

Over 1/3

**Over a third of people want more personal interactions with their finances after the pandemic.**

There is a parallel opportunity around the design of this new ecosystem and the fact that “personal touch” is not restricted to physical environments. As financial interactions become increasingly fragmented and complex, the real winners may be those who understand the emotions at play for customers and do their best to mitigate that stress.

## At a Glance

# Three Emerging Trends

03

**To drive behavior change, banks need to overcome consumer cynicism and incomprehension.**

Many of our respondents find themselves caught between wanting more from their financial service providers than they can give and not knowing which of the overwhelming number of new services can meet their needs or values.

28%

**28% could not say if digital or traditional banks were more likely to invest in sustainable sources.**

16%

**Only 16% believe new digital finance companies can keep their money safe.**

While consumers of all ages seem to be developing stronger opinions and beliefs about the kind of financial service provider they would prefer to engage with, it's clear that many are struggling to find the information and support they need to find that provider.

Over half

**Over half of 18-44-year-olds want better financial education from their banks.**

If banks are to reach these undecided and nervous consumers, they must be ready to invest in smarter and more targeted messaging, well-defined and stand-out market positioning, and improved onboarding experiences.

## At a Glance

# What’s Changed in the Last Year

| 2020 | 2021 | |
|---|---|---|

**Consumers who are happy with their banks.**

| 2020 | 2021 | |
|---|---|---|
| 82% | 77% | Consumer satisfaction with banks remains high, but a dent has been made in the past year. Some of this may be due to the 11% of respondents who think institutions did not handle the pandemic well or because of younger consumers’ declining trust in banks. |

**Consumers who would trust a social media account to be their bank.**

| 2020 | 2021 | |
|---|---|---|
| 32% | 20% | A 12% drop in openness to banking with social media companies suggests that, even with the impact of COVID-19 on consumers’ increased level of digital consumption, a lack of trust is creating barriers to the adoption of social banking. |

| **18-44-year-olds who would feel comfortable banking through voice technology.** | **18–44-year-olds who have used voice technology to bank in the past year.** | |
|---|---|---|
| 40% | 57% | The level of comfort with voice technology we saw last year has transformed into genuine adoption. |

These stats compare the four countries—the United Kingdom, United States, Hong Kong and Singapore—we surveyed in both 2020 and 2021. They do not include Canada, Germany and the Netherlands.

**At a Glance**

# Country Insights

**Consumers who have changed bank accounts in the last 10 years.**

* **29%**

19%

53%

**Consumers who have changed banks during the pandemic.**

**6%**

10%

3%

**Consumers who are looking to change accounts in the next six months.**

**8%**

12%

3%

**Consumers who are hoping to change banks in over six months time.**

**16%**

21%

11%

**Consumers who feel financial institutions have handled the pandemic well.**

**45%**

55%

39%

**Consumers who are willing to open an account with a bank they are not familiar with.**

**52%**

64%

33%

CA

DE

HK

NL

SG

UK

USA

GLOBAL

*Global average of all countries included in the survey

**Consumers who will visit their banks at least once per week after restrictions have lifted.**

**14%**

24%

7%

**Consumers who are comfortable with a social media company having access to their banking details.**

**23%**

32%

17%

**Consumers who value environmental and social causes above high returns—and vice-versa.**

**46%**

63%

29%

**Consumers who want to make sure their money is invested responsibly.**

**30%**

47%

8%

**Consumers who are happy for their favorite social media platform to be their bank.**

**17%**

26%

8%

**Consumers who are comfortable opening an account that has no physical branch at all, with all interactions coming through their most used social channels.**

**25%**

35%

15%

CA

DE

HK

NL

SG

UK

USA

GLOBAL

**Consumers who use an investment platform.**

**49%**

70%

26%

**Consumers who currently have investments in stocks and shares.**

**32%**

46%

22%

**Consumers who have investments in cryptocurrency.**

**8%**

11%

5%

CA

DE

HK

NL

SG

UK

USA

GLOBAL

03

# Key Findings

**Key Findings**

# Banking Unbundled: Customers Aren't Switching—They're Supplementing

In last year's report, we saw that 82% of consumers were happy with their current account. This year we expected that number to drop significantly as COVID-19 took its toll on people's behaviors and expectations. Overall, though, customer satisfaction dropped just 5%. While that number does show that consumers aren't looking to make a wholesale switch away from traditional banks, there is evidence that people are looking to supplement their primary bank account with specialized services for specific needs.

The greater choice and accessibility delivered by the diverse range of FinTech startups entering the market—combined with the accelerated effect of the pandemic and younger consumers opening accounts—has resulted in an increasing number of customers less willing to rely on a single provider for all their financial needs. Instead, these customers are handpicking from a range of services, creating a suite of products that meet their requirements and values.

There is still some work to be done to change hearts and minds, however. In the areas where we would expect digital disruptors to be making headway in consumer perception (transparency, personalization and sustainability, for example), they are still lagging behind the more traditional financial service providers—especially when it comes to convincing those over the age of 24.

**ARE YOU HAPPY WITH YOUR CURRENT BANK ACCOUNT?**

| EXTREMELY HAPPY | SLIGHTLY HAPPY | NEITHER HAPPY NOR UNHAPPY | SLIGHTLY UNHAPPY | EXTREMELY UNHAPPY |
|---|---|---|---|---|
| **41%** | 36% | 19% | 2% | 2% |

KEY OBSERVATIONS

## Trust and tradition remain big drivers.

Consumers choose their primary banking account at an early age. Close to two thirds of the people surveyed opened their primary bank account over a decade ago. Even 34% of Gen-Z respondents said their current account was opened in 2015 or earlier. It's not surprising, then, to know that this choice is based largely on familiarity or convenience.

40%

**40% said brand trust was a key factor in choosing their primary account.**

In addition, 32% said that the presence of a local branch affected their choice, and over a quarter of participants said that their family's choice of bank influenced their decision in choosing their primary bank. That number rises to 46% for 18-24-year-olds, showing that inheritance of banking behaviors is still extremely common.

In fact, of the top five reasons given for choosing a primary bank account, only one was based on a tangible benefit to the consumer.

### FIVE MOST POPULAR REASONS FOR CHOOSING A PRIMARY BANK ACCOUNT

| | TOTAL | 18-24 | 25-44 | 45-56 | 57-75 | 76+ |
|---|---|---|---|---|---|---|
| I TRUST THE BRAND. | 40% | 34% | 39% | 40% | **41%** | 36% |
| I HAVE A LOCAL BRANCH. | 32% | 22% | 28% | 32% | 39% | **40%** |
| MY FAMILY USES THEM. | 26% | **46%** | 30% | 24% | 16% | 10% |
| I RECOGNIZE THE BRAND. | 21% | 21% | **23%** | 21% | 17% | 16% |
| THEY PROVIDE GOOD BENEFITS. | 19% | 17% | **22%** | 18% | 17% | 13% |

## For current accounts, it's still a case of "better the bank you know."

As we saw last year, once a relationship is formed, it is extremely hard to disrupt. When asked if they would consider changing their main account to another bank, 44% said no while 32% said they hadn't thought about it. Of the 24% who said yes, only 8% said they would consider switching in the next six months.

# 80%

**Even if they were unhappy with their current bank, 80% of people could be deterred from switching by factors such as the perceived inconvenience or a sense of loyalty.**

Surprisingly, the most popular reasons for sticking with a bank were not related to tangible benefits. 28% stated that the hassle of changing would stop them from switching, 24% said they wouldn't change because of the level of trust in their current bank and 23% said they wouldn't change banks, even if they were unhappy with their current bank, simply because they preferred to stick with what they know.

The idea that switching banks is time-consuming, complex and possibly risky spans generations. More than a quarter of those aged between 18 and 24 and 30% of 25- to 44-year-olds cited the hassle of changing as a reason for not switching even if they were unhappy with their bank.

At a country level, it's clear to see that German consumers trust their banks the most, viewing the presence of a local branch as a key benefit. Germany is also the country least likely to see the hassle of changing as a reason not to switch, suggesting that loyalty here is rooted in a positive relationship and not a byproduct of negative perceptions around switching. In Hong Kong, however, switching hassle is seen as the biggest barrier, which may be related to viewing higher costs and fees with opening new bank accounts.

Overall, consumers' openness to switching checking accounts remains low. This inertia seems to indicate that neobanks hoping to steal consumers away wholesale from their traditional institutions face even larger obstacles than they might have anticipated—even incentives and benefits may not be enough to break the bond.

**FIVE MOST POPULAR REASONS FOR NOT SWITCHING TO A NEW BANK**
(EVEN IF UNHAPPY WITH CURRENT BANK)

| | TOTAL | HIGHEST | LOWEST |
|---|---|---|---|
| **TRUST CURRENT BANK** | 24% | **GERMANY** **31%** | **NETHERLANDS** 19% |
| **HASSLE OF CHANGING** | 28% | **HONG KONG** **39%** | **GERMANY** 18% |
| **MY BRANCH IS LOCAL** | 18% | **GERMANY** **27%** | **NETHERLANDS** 7% |
| **HIGHER COSTS AND CHARGES WITH NEW BANK*** | 22% | **CANADA** **28%** | **HONG KONG** 17% |
| **I PREFER TO STICK WITH WHAT I KNOW** | 23% | **UK, SG & CA** **26%** | **HONG KONG** 15% |

*(e.g., transactions, overdraft)

## The "COVID effect" hasn't damaged trust—but it has created new priorities.

Crucially, the pandemic hasn't seemed to have impacted people's perceptions of banks, with just 11% believing that banks did not handle the pandemic well. However, it should be noted that this number rises to 17% for Gen-Z consumers.

11%

**Just 11% believe that financial institutions did not handle the pandemic well.**

**I THINK FINANCIAL INSTITUTIONS HAVE HANDLED THE PANDEMIC WELL.**

| | USA | DE | SG | NE | UK | HK | CA | NET |
|---|---|---|---|---|---|---|---|---|
| **AGREE** | **55%** | 44% | 54% | 28% | 39% | 43% | 52 % | 45% |
| **DISAGREE** | 9% | **18%** | 8% | 15% | 10% | 10% | 10% | 11% |

**Nearly a third** of respondents said that access to better digital experiences from their bank had become more important to them over the last year—a number that rises to 43% when looking solely at those aged 18-44—while 23% of our respondents mentioned that the provision of investment services was more important to them now than it was a year ago. Could this be due to the rise in popularity of cryptocurrency and other alternative investments?

It seems many traditional financial institutions were able to pivot successfully to handle new requirements safely and quickly while also delivering necessary guidance and support throughout the pandemic. However, the accelerated emergence of new digital banking behaviors and customer demand for new, better online offerings means that traditional banks will have to continue to evolve and adapt at pace, as neobanks—less burdened by legacy systems and bloated infrastructure—will undoubtedly see this as an opportunity to impinge on their territory.

## Customers don't necessarily want these new needs to be met by their existing banks.

36%

**While many don't want to switch banks, they do want to *supplement* their current accounts. 36% would rather use different financial companies for different needs.**

That percentage goes up to 42% when those over the age of 44 are excluded from the data. When looking at the responses from those who are already banking with a neobank, **over half** said they would rather use different financial companies for specific needs.

## But banks still need to change perception and create trust.

Only 16% of those we spoke to said they saw new digital finance companies as being able to keep their money safe while 49% said they associated traditional banks with financial security. Only 23% of all respondents said they associated new digital financial companies with offering a personalized service (a number that drops to 16% in the Netherlands), suggesting that, despite promises of tailored and bespoke offerings, digital service providers still have some work to do to create a truly personal experience. These providers also lose out to traditional banks when it comes to investing in sustainable sources (23% vs 26%) and when it comes to perception around transparency of offering—or the proper disclosure of bank fees and interest rates.

When we focus just on Gen Z, however, we can see that they are far more likely to associate digital services with investing in sustainable sources (35% vs 22% for traditional banks). These 18–24-year-olds also see digital and traditional financial services as being equally transparent.

22%

**Many feel unable to make decisions based on sustainability and transparency. 22% said they did not feel they had enough information around banks' performance.**

What's striking about the responses to this year's survey is that there is still a degree of uncertainty on how traditional banks and digital banks stack up against each other in certain areas. For example, although **almost a third** of respondents said that making sure their finances are invested responsibly has become more important to them over the past year, a similar number (28%) said they did not know enough to say whether digital or traditional banks were more likely to invest in sustainable sources. Another 23% said they wouldn't associate traditional nor digital banks with sustainable investments. 22% said they did not have enough information around banks' performance or transparency of offering, while **one in five** said they were unsure how banks compared on the subject of digital advice.

These results show that financial service providers not only need to provide more clarity around their offerings—and fees associated with them—but also need to make their offerings more distinct and tangible to an overwhelmed audience.

### KEY TAKEAWAY

**Consumers are not necessarily looking to one bank for all their financial needs and services.**

Although the established trust and familiarity that consumers have built up with their everyday bank is tough to break, there are emerging needs and additional services that consumers are willing to try from specialized services providers. However, the sheer number of these services, combined with a lack of clearly-communicated benefits and propositions, means that there is still a delta between appetite and adoption of these services. And while the pandemic may have encouraged more people to handle their finances online, there is still evidence that people are cautious about using new and unfamiliar services.

**WOULD YOU ALIGN EACH OF THE FOLLOWING WITH TRADITIONAL FINANCIAL INSTITUTIONS OR NEW DIGITAL FINANCIAL COMPANIES?**

| | Will keep my money safe | Offer financial advice | Offer a personalized service |
|---|---|---|---|
| TRADITIONAL FINANCIAL COMPANIES | **49%** | **43%** | **40%** |
| NEW DIGITAL FINANCIAL COMPANIES | 16% | 18% | 23% |
| NEITHER OF THESE | 17% | 19% | 19% |
| I DON'T KNOW | 18% | 20% | 19% |

| | Is easy to manage my finances through | Are transparent in their offering | Invest in sustainable sources |
|---|---|---|---|
| TRADITIONAL FINANCIAL COMPANIES | **38%** | **34%** | 26% |
| NEW DIGITAL FINANCIAL COMPANIES | 28% | 21% | 23% |
| NEITHER OF THESE | 17% | 23% | 23% |
| I DON'T KNOW | 17% | 22% | **28%** |

## The View from EPAM:

# Panos Archondakis on FinTech Fragmentation

**Panos Archondakis**

**Global Head, Banking & Wealth Management**

Over the last few years, we have seen banking services steadily evolve away from monolithic, one-stop shops toward a more fragmented landscape of providers offering niche, specialized services, targeting particular customer segments and use cases. This transition has been enabled by rapid growth of cloud services driven by regulatory endorsement of the off-premise computing model in many jurisdictions along with active encouragement of these services with initiatives like Payments Services Directive 2 (PSD2), open banking and new digital banking licenses in APAC.

While the result has been to significantly lower the barriers to entry for new services, we also know that challengers and digital-only banks are struggling to develop stable and sustainable revenue streams. Even with the effect of the pandemic and widespread lockdowns, our research tells us that consumers still have high levels of trust for incumbent banks with relatively low adoption of challenger banking services, with **only 7% of consumers using a challenger bank as their sole bank and only 14% with challenger bank accounts**.

Building on our findings from 2020, our newest report tells us that there are a range of drivers cited by consumers considering switching, with only small variations by country. In general, access to branches, inconvenience of changing and trust are significant disincentives to switching banks.

However, there is a big caveat: while wholesale switching is not a priority, customers don't necessarily want to get all their services from one place. There is a clear appetite and willingness to consume a range of services from a range of providers. Access to a more diverse set of services is increasingly important, especially in the following areas:

- Investments and cryptocurrencies
- Money management and personal financial management
- Financial education and coaching

**The question of switching is therefore becoming redundant.** As services fragment and become better integrated and consumers become more familiar with the ubiquitous nature of financial services—including payments, investments, education and more—the answer is clear: they do not want or need to get everything in one place.

Consumers now have the luxury of choosing where to source specific services. But it is still critical to consider the importance of brand and trust.

While our data tells us that 77% of consumers are happy or very happy with their current bank, it is also clear that the pandemic and associated financial instability has created a climate of uncertainty and caution. This only emphasizes the need to minimize any event that could negatively impact trust. There has been a number of high-profile platform and data security issues that can rapidly hit customer confidence.

Looking to the future, we can envision a situation where fragmentation continues to the point where it becomes difficult for consumers to keep track of all the constituent parts of their financial landscape. While there may be no appetite to return to a monolithic provider model, this may, in turn, give rise to a new set of service providers who specialize in stitching together this patchwork of services, offering transparency and simplicity of control and continuing the evolution of banking.

## Key Findings

# Finance Everywhere: Ubiquitous Banking Comes of Age

While the COVID-19 pandemic has shifted consumers' financial priorities, the real impact seems to have been in accelerating the adoption of new technologies for accessing those services. This year's report shows a significant leap in the number of people using voice-activated personal assistants to access their financial services, as well as an increased adoption of social platforms in day-to-day financial activities.

These trends can of course be linked to lockdown behavior, but they are also evidence of the strong trust that consumers have in banks, as well as the increasing presence of finance in every element of our lives—splitting a restaurant bill, making a peer-to-peer payment, online lending and social commerce, to name a few.

However, it's also important to note that this apparent desire for a more cohesive, consistent and customized relationship with our finances is not translating to a move towards social banking. For example, last year's report showed that 29% of consumers would be comfortable with a social media company accessing their banking details to initiate transactions. In 2021, that number dropped to 23%. And while 25% of 18-44-year-olds told us that they would be comfortable with a social network acting as their bank, the average number across all age groups was just 17%, down 5% from last year.

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**KEY OBSERVATIONS**

### Banking-through-voice is becoming a mainstream channel.

More than 1/3

**More than one in three have used some kind of personal assistant for banking in the last year.**

Over a third of respondents said they used some kind of personal assistant (e.g., Alexa, Google Home, Siri) for banking during the last 12 months. As you might expect, Gen-Z and millennial respondents are leading the way here, **with almost a quarter of those aged between 18 and 45 using a personal assistant for banking at least once a month**. While geographically, Hong Kong and Singapore are leading the adoption of banking-by-voice, it's interesting to see that significantly more consumers in the US use this method regularly—with 12% of Americans using digital personal assistants daily and another 12% using them weekly.

### OVER THE PAST YEAR, HOW OFTEN HAVE YOU USED PERSONAL ASSISTANT BANKING SERVICES?

| | GLOBAL |
|---|---|
| DAILY | 6% |
| WEEKLY | 8% |
| MONTHLY | 6% |
| RARELY | 14% |
| NEVER | 65% |
| NET: USED | 35% |

| | 18-24 |
|---|---|
| DAILY | 10% |
| WEEKLY | 13% |
| MONTHLY | 11% |
| RARELY | 20% |
| NEVER | 45% |
| NET: USED | 55% |

### PERSONAL ASSISTANT BANKING USAGE BY COUNTRY:

| | UK | GERMANY | NETHER LANDS | US | CANADA | HONG KONG | SINGAPORE |
|---|---|---|---|---|---|---|---|
| DAILY | 4% | 5% | 2% | 12% | 6% | 5% | 8% |
| WEEKLY | 7% | 8% | 4% | 12% | 6% | 11% | 11% |
| MONTHLY | 4% | 6% | 3% | 6% | 4% | 11% | 9% |
| RARELY | 10% | 11% | 8% | 9% | 9% | 30% | 24% |
| NEVER | 74% | 71% | 83% | 62% | 76% | 44% | 49% |
| NET: USED | 26% | 29% | 17% | 38% | 24% | 56% | 51% |

**This acceptance of new paradigms does not seem to extend to social banking.**

While this year's survey shows that 37% of Gen Z would feel comfortable with a bank that operates through social media but isn't run by them, that number drops sharply to 22% for those aged 25-44.

Only one in four 18-24-year-olds would trust their favorite social media platform to be their bank, with Hong Kong, Singapore and the US having the most appetite for such a move. While 36% of 18-44-year-olds would be comfortable with a social media platform having access to their banking details, the average for all age groups is just 23%.

17%

**Just 17% would trust their favorite social media platform to act as their bank, down from 22% in 2020.**

While social media is increasingly seen as a space where consumers can find financial information and guidance, issues of data privacy and security have created a trust barrier when it comes to allowing social platforms full access to financial affairs. What's interesting about this year's findings is that the trust barrier does not extend to banking through mobile or voice-activated personal assistants. Consumers do not mistrust the technology itself, but they are aware of the track record of the companies who control them.

**HOW MUCH DO YOU AGREE WITH THE FOLLOWING STATEMENTS?**

**I would be comfortable with a social media platform having access to my banking details and being able to initiate transactions for me.**

| | GLOBAL | 18-24 | 25-44 | 45-56 | 57-75 |
|---|---|---|---|---|---|
| AGREE | **23%** | 36% | 36% | 21% | 6% |

**I would trust my favorite social media platform to be my bank, e.g., Facebook bank.**

| | GLOBAL | 18-24 | 25-44 | 45-56 | 57-75 |
|---|---|---|---|---|---|
| AGREE | **17%** | 25% | 27% | 15% | 4% |

**I would feel comfortable with a bank that operates through social media but isn't run by them.**

| | GLOBAL | 18-24 | 25-44 | 45-56 | 57-75 |
|---|---|---|---|---|---|
| AGREE | **25%** | 37% | 22% | 30% | 6% |

## Personal banking doesn't necessarily mean personalized banking.

The impact of the pandemic has undoubtedly changed the way people expect to access financial services. Over a third of respondents said they are looking for a more personal experience with their finances after the pandemic. That statistic shoots up to 45% when you exclude those over the age of 45. There are some distinct geographical differences here though. The highest number, at 51%, seeking a personal interaction from their bank is in Singapore, while the lowest is in the Netherlands, at just 19%.

34%

**34% are looking for a more personal interaction with their finances after the pandemic.**

14%

**But just 14% of UK respondents said they would be happy for their bank to share their details if it helped them provide a more personalized service.**

The introduction of more intuitive services across every element of our daily lives means consumers expect a tailored experience when they engage with their favorite brands and organizations.

While 39% of people aged between 18 and 44 said they would be happy for their bank to share their details with other companies if it meant they got a more personalized service, that number drops considerably to 26% when older age brackets are included. The number of people responding positively to this question in the UK and Netherlands is even lower, at just 19% and 14% respectively.

When the question is framed in a way that removes the issue of data privacy, the response is more positive.

### KEY TAKEAWAY

**There is an undoubted appetite for a more personalized and tailored banking experience, but the data privacy and security issues that consumers associate with many social networks and other digital platforms means that there are significant barriers to personalization driven by third-party data.**

Indeed, when we talk to consumers about their banking experience becoming more "personal" they seem to interpret that as a more "human" and empathetic experience. This desire for a more supportive model of user experience is borne out by other findings from this year's report.

### Always-on banking is about more than 24/7 access.

Not only does this year's report highlight the increased adoption of innovative technologies, it also shows how much more often consumers are using existing technologies. Over half of those we spoke to used their bank's mobile app at least once a week, with almost a quarter of them using it every day.

56%

**56% use their bank's mobile app at least once a week.**

24%

**24% use their bank's mobile app every day.**

In the Gen-Z and millennial age brackets, the number of daily users rises to almost a third (32% and 31% respectively). For those who bank with a neobank, the number of daily app users is over a third: 38% compared to 25% of traditional bank consumers.

**OVER THE PAST YEAR, HOW OFTEN HAVE YOU USED YOUR BANK'S MOBILE APP?**

| | 18-24 | 25-44 | 45-56 | 57-75 |
|---|---|---|---|---|
| DAILY | **32%** | 31% | 24% | 16% |
| WEEKLY | 32% | **38%** | **36%** | 25% |
| MONTHLY | 16% | 15% | 14% | 10% |
| RARELY | 8% | 7% | 8% | 10% |
| NEVER | 12% | 9% | 19% | **40%** |

**KEY TAKEAWAY**

**These findings suggest that mobile apps are no longer seen as simply portable versions of a bank's website, only to be used when performing a specific action.**

On the contrary, the scope of banking apps has widened to include features such as smart nudges, educational content, activity feeds and other elements borrowed from social platform design. This reflects consumers' changing attitudes towards their finances and their increasing expectations—especially when it comes to younger consumers—of a more proactive and always-on service from their banks.

**The View from EPAM:**

# Tom Moran on Opportunities and Challenges in Ubiquitous Banking

**Tom Moran**

**Director, Experience Design**

Digital services across the board are becoming ever more intelligent, with increasing levels of personalization and assistive intelligence introduced in multiple sectors. From fashion brand recommendations to fitness workout regimes, services are being rebuilt around the individual in order to meet customer needs as well as commercial margins.

Personalization at its core is about assistance: helping users find products or providing the right information at the right time. As more services become digital and connected to an ecosystem of devices, users require more assistance to help cut through the noise in their digital lives. The great opportunity—and the great challenge—of ubiquitous systems will be to enable users to connect to this array of digital services seamlessly. Regardless of channel, the digital service must be available and ready for any request.

Financial services providers are uniquely positioned at the crossroads between ubiquitous smart technology and assistive intelligence, with finance being the one thing that touches almost all services we use and the one area where users have been offered very little personalized assistance in the past. The fact that 39% of 18-44-year-olds we spoke to for this year's survey told us that they would be happy for their bank to share their details with other companies in return for a more personalized service shows there is a market for users who want their banks to engage with them. The real desire seems to be for banks to engage not simply as a service but on a human-to-human, conversational level—proactively helping, supporting and advising them. It's time for banks and FinTechs to step up and start creating services that work at a highly-personalized and assistive level.

As technology and security have progressed, we've seen the barriers to engage with our finances lowered. What was once a trip to the bank when absolutely needed became logging on with security fobs on payday; and now we're seeing regular check-ins via apps and voice to simply monitor and manage. Our research shows that 56% of people are using their bank's mobile app once a week and 24% are using them daily. This is an encouraging and important trend that provides exciting opportunities as we move from passive monitoring to predictive forecasting, with our banks coming to us regularly with new and exciting insights. This should, in turn, create better spending habits, with automated budgets or saving targets helping users to avoid debt.

The rise of social media as a financial platform remains uncertain. While 26% of 18-44-year-olds say they would trust their favorite social media platform to act as their bank, this number may be vulnerable to fluctuations and public perception as social media platforms continue to battle privacy issues on the global stage.

It is also unsurprising to see the trend for social banking being driven from countries in Asia. As Mike Jessick points out later on in his analysis, the region has embraced social media for eCommerce and finance in a way that western countries are yet to replicate, with many using social chat channels for everything from booking a flight to organizing a date. It is still to be seen if they are ahead of the curve and the west will catch up, or if the legislative hangover the region is now experiencing will act as a warning signal to other countries.

As social media companies hone in on eCommerce and finance, it is worth noting the trend of social communities being the go-to place for financial information and advice. Robinhood is just one example of how democratization of financial services can disrupt the traditional financial sector in exciting and volatile ways. With banks and financial services firms restricted in their ability to provide advice to customers, the communities on social platforms may be the ace-card in augmenting financial facts with spending advice. Although, as we've seen, trust is a huge factor when it comes to financial services. While "finfluencers" may have created a degree of trust with their audience, the platforms they use to reach those audiences are increasingly at risk of being exploited by bad actors—or of running into the same legislative hurdles as the banks.

AI bots and ubiquitous banking are undeniably exciting developments in finance, but as we enter an age of smart digital assistance, we must also ensure we do not create a social divide among those who can afford to gain access to this technology and those who cannot—and may need it the most. Ensuring digital services work on older devices with low-data internet, providing accessible phone-support and, most importantly, making branches accessible will all be critical in making sure these transformative services are available to everyone *equally*.

As finance becomes ubiquitous and assistive, the challenge of ensuring the same quality of service, security and tone of voice—regardless of channel or device—drastically increases. Banks and financial services will have to move faster than ever before to keep up with the demand for always available, accessible-anywhere services.

## Key Findings

# When Is a Branch Not a Branch? Why Banks Must Radically Evolve Their Physical Spaces

Over the last 18 months or so, brick-and-mortar businesses have obviously taken a hit—and bank branches would seem to be no exception. However, our research shows that the global pandemic may ultimately have served to make people more aware of the importance of the unique level of support and service that can only come from real-world interactions.

While many basic financial services can be handled through digital interfaces, there is no replacement for a face-to-face conversation when it comes to very personal and potentially complex or delicate conversations around money—and this seems to have only become more obvious to consumers over the past year. This doesn't mean however that the bank branch will be safe from expulsion in the post-pandemic environment. It's clear from this year's report that the modern consumer expects their branch to evolve with their needs. With digital technologies fulfilling so many everyday requirements, the new consumer is looking to lean on the branch's strengths in times of need.

**KEY OBSERVATIONS**

### The bank branch has weathered the pandemic.

With many parts of the world in lockdown for much of the last year—and consumer behaviors shifting to more digital channels—we expected the need for physical branches to have diminished considerably since last year.

**PEOPLE STILL NEED A PHYSICAL BRANCH.**

79% 

**79% used a physical branch in the last year.**

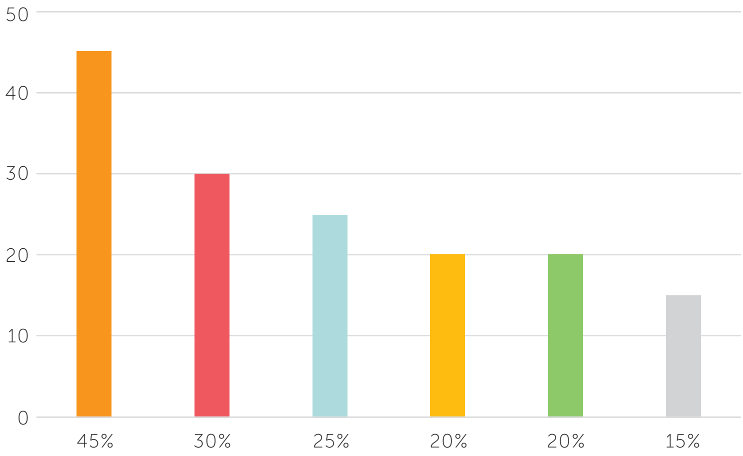
35% 

**35% use a bank branch at least monthly.**

Although the number of respondents visiting their branch on a weekly basis has halved from 20% last year to 10% this year, the number of people visiting monthly stayed relatively consistent at 21% (down just 3% from 2020).

In total, 79% of respondents used a physical branch in the last year, with 35% doing so at least monthly. In the US, that number rises to 51%.

THE MAIN USES FOR PHYSICAL BRANCHES




| | |
|---|---|
| **WITHDRAWING CASH** | 45% |
| **MEETING WITH ADVISORS** | 30% |
| **PAYING IN CASH** | 25% |
| **PAYING IN CHECKS** | 20% |
| **MAKING CHANGES TO PERSONAL INFORMATION** | 20% |
| **CONVERTING CURRENCY** | 15% |

### Consumers don’t want to abandon branches despite adopting new digital behaviors during lockdown.

When asked how often they visited a branch before the pandemic and how often they expected to visit afterwards, the average only fell from 30 times a year pre-pandemic to 25 times a year going forward. Those in the US visit their branch most frequently, expecting to do so more than 40 times per year going forward, compared to those in the Netherlands who expect to do so 15 times annually in the future.

#### KEY TAKEAWAY

**Although many new digital behaviors were instilled by the COVID-19 crisis, many consumers are more cognizant of the value of one-on-one interactions.**

While there are more prosaic reasons for the resilience of physical branches (for example, the handling of cash), the fact that an interaction that could be handled by phone is the second most popular reason for visiting a branch shows that the face-to-face element is especially important in this sector.

## Younger generations don't want the branch to disappear. They want it to evolve.

A whopping 40% of the 18–24-year-olds we surveyed told us that they had used their physical branch at least monthly in the past year. For millennials, that number was 41%. In fact, these age groups were the most frequent users of branches in the last year, with only 31% of 45–56-year-olds regularly visiting a physical bank.

Even more surprisingly, 30% of 18–24-year-olds said that access to a physical branch had become more important to them over the past year, the highest of all the age groups.

Only 15% of Gen-Z respondents said the branch had become less important, suggesting that, if anything, the effects of the pandemic have highlighted the importance of in-person interactions.

The 18-24-year-olds who we spoke to for this year's report told us that they would be more likely to use their bank's physical branch if they were more experiential—that is if they were able to offer services, such as financial education, talks by financial influencers and interactive tools.

And 40% of Gen-Z respondents would be more likely to use a branch if it acted like a Financial Experience Center—a place where consumers could use interactive tools providing financial advice or talks by financial influencers—versus just 17% of those aged 55 or older. Additionally, 40% of 18-24-year-olds and 39% of 25-44-year-olds want to see more financial education sessions in their branches. 44% of Gen-Z respondents would also like to see advice drop-in services at their branch, along with 42% of millennials.

30%

**30% of Gen-Z respondents said access to a physical branch had become *more* important to them in the past year.**

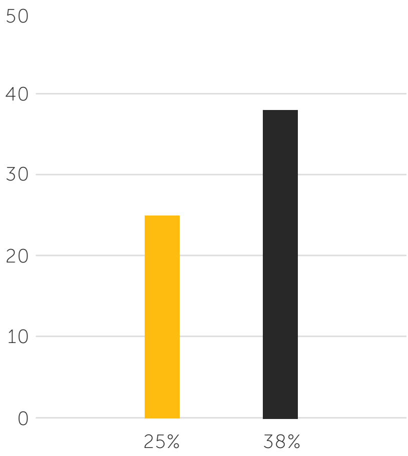
### KEY TAKEAWAY

**While at first glance it may be surprising to see 18-24-year-olds expressing the greatest interest in physical branches, it's important to see this appetite for in-person banking as part of a more general trend among Gen Z.**

Recent research has pointed to younger employees preferring face-to-face interactions in the workplace as well as a preference for a more hybrid approach to retail than their millennial counterparts. Judging by the response to our survey, this attitude also seems to extend to financial services. When that trend is combined with their desire for a more additive and supportive relationship with their financial services providers (as described in the next section), it's clear to see that, for younger consumers, the physical branch is synonymous with one-on-one service and support. How much longer that synonym is able to survive is, however, another question.

## HOW LIKELY WOULD YOU BE TO USE A PHYSICAL BANK BRANCH IF THEY OFFERED THE FOLLOWING SERVICES?

### COMMUNITY HUB



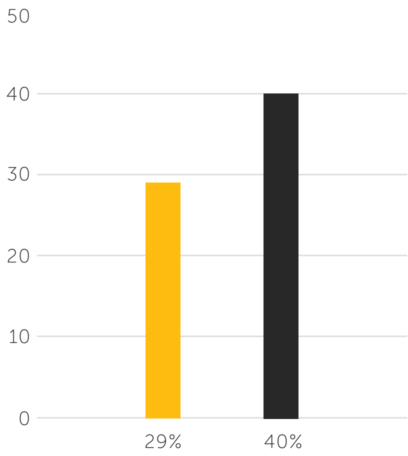

**MORE LIKELY OVERALL**

• 25%

**MORE LIKELY AMONG GEN Z**

• 38%

### FINANCIAL EDUCATION SESSIONS



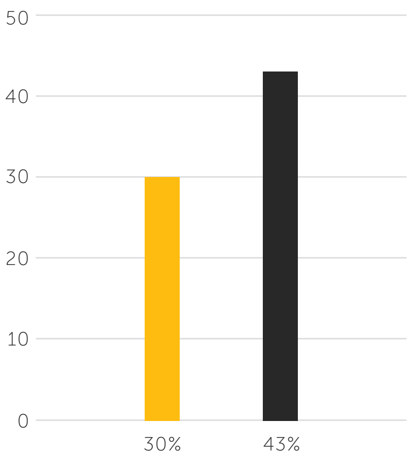

**MORE LIKELY OVERALL**

• 29%

**MORE LIKELY AMONG GEN Z**

• 40%

### FINANCIAL EXPERIENCE CENTER



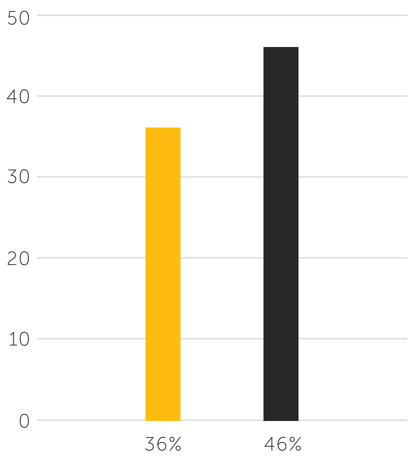

**MORE LIKELY OVERALL**

• 30%

**MORE LIKELY AMONG GEN Z**

• 43%

### ADVICE DROP-INS



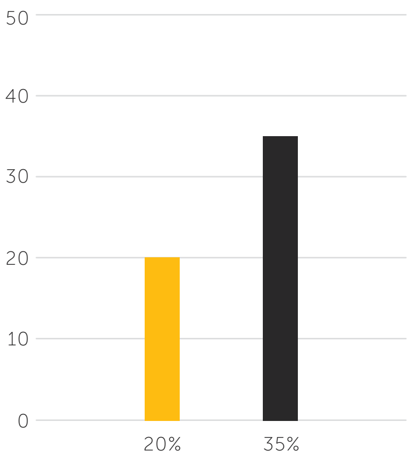

**MORE LIKELY OVERALL**

• 36%

**MORE LIKELY AMONG GEN Z**

• 46%

### WORKING SPACE



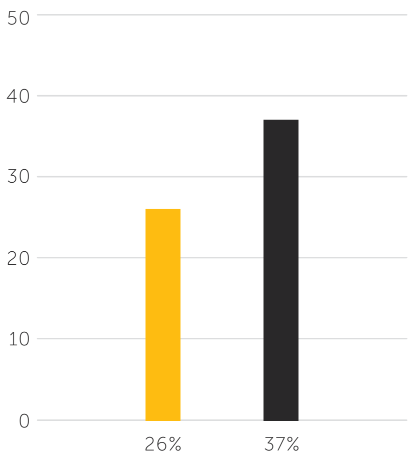

**MORE LIKELY OVERALL**

• 20%

**MORE LIKELY AMONG GEN Z**

• 35%

### COFFEE/CAFÉ




**MORE LIKELY OVERALL**

• 26%

**MORE LIKELY AMONG GEN Z**

• 37%

**The View from EPAM:**

# Erica Moreti on The New (Old) Role of Branches

**Erica Moreti**

Senior Director, Innovation Consulting

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Traditionally the major drivers for using a bank branch have revolved around the handling of physical currency and more personal, valued-added services. The branch was a place for specific tasks that couldn't be executed digitally due to legacy or technological barriers—like converting currency and signing documentation for opening an account, for example—and a space for consulting services, a one-on-one conversation about investments, property or financial education.

Over the past few years, we've witnessed a trend towards transforming branches into multi-functional hybrid environments that could offer these traditional transactional services alongside self-service options and more communal experiences, such as co-working spaces, cafes and even startup incubators. But in the last 18 months, this trend was upended as banks were forced to adopt a more efficient and focused approach to face-to-face needs, reducing the amount of investment and personnel in branches and introducing new ways of engaging remotely with customers.

Now, as banks start to think about how best to serve this "new normal," they may be tempted to return to that pre-pandemic hybrid model.

But, as we've seen from this year's report, consumers are clearly looking for more support, guidance and education from their bank, and the pandemic has greatly accelerated acceptance of new models for accessing that information.

If we consider the branch as another node in the FinTech ecosystem, it's clear that the evolving role of the branch lies beyond simply offering the services that a digital platform cannot (alongside a good cup of coffee). A brick-and-mortar space should extend the digital experience into the physical world, creating highly-valuable and unique interactions, which, in turn, improve the digital experience.

If we take the rise in popularity of alternative investments as just one example, it's clear that the every-day transactional and data-driven requirements arising from these behaviors can largely live in a virtual offering. But the equally-necessary parallel set of services based on guidance, education and support must be delivered in a more empathetic way and in a more personal environment. Currently, there are very few services that can connect those emotionally-driven, truly-tailored interactions to the everyday transactional needs of their users. Instead, personal touch is too often left behind as soon as the customer leaves the branch.

This is no small ask for traditional banks, who have been battling complicated legislative environments and legacy systems for years in their efforts to digitally transform their operations—and are now having to adapt to many of their workforce operating remotely.

But, for the neobanks, where there is undoubtedly less historical baggage, the question becomes one of imagining what the bank branch means to an audience for whom the border between digital and the physical is becoming increasingly murky.

As physical and digital strategies become increasingly synonymous, environments and experiences are not built to be "omnichannel" or "hybrid." They are designed to be synchronous, seamless extensions of a cohesive ecosystem.

**Key Findings**

# Gen Z Is Watching: How to Convince the Attention Generation

Possibly the most disruptive force in consumer banking is the wave of new consumers entering the market. Gen Z came of age during the banking crisis. Some of them might even have received their first paycheck during the COVID-induced recession. As a result, they have a significantly different set of values and needs from consumers who came before them, which might have a sizable impact on the decisions they make when looking for financial services.

The focus on sustainable practices and social responsibility that was ushered in by millennials is still very present. What's even more interesting is that these ethical concerns and expectations of responsibility and transparency aren't just being passed to the younger generations; they also now seem to be becoming increasingly important to older generations.

But the most striking aspect of the Gen-Z response to our survey is the level of conscientiousness dedicated to their finances and how this impacts their desire to receive personalized and intelligent information and guidance, not just from their banks, but from a diverse and ever-growing set of resources.

**KEY OBSERVATIONS**

### Accountability is still very much a factor when choosing a bank account.

Of our Gen-Z participants, 40% told us that having their money invested responsibly has become more important to them during the COVID-19 crisis, compared to just 20% of those aged 57 or above.

Over half of Gen-Z participants agreed that it was important that their bank demonstrates strong social responsibility through its management and environmental practices. But this was also true for the other age groups we spoke to, with 51% of those aged over 57 also saying it was important that their banks demonstrated social responsibility. The most marked difference for this question was a geographical one, with 63% of those in Singapore agreeing with the statement versus 46% in Germany.

53% 

**53% of 18-24-year-olds want their bank to demonstrate strong social responsibility.**

**IT'S IMPORTANT TO ME THAT MY BANK DEMONSTRATES STRONG SOCIAL RESPONSIBILITY THROUGH ITS MANAGEMENT AND ENVIRONMENTAL PRACTICES.**

| | UK | GERMANY | NETHER LANDS | US | CANADA | HONG KONG | SINGAPORE |
|---|---|---|---|---|---|---|---|
| **AGREE** | 54% | 46% | 50% | 48% | 53% | 50% | **63%** |
| **DISAGREE** | 12% | **20%** | 16% | 16% | 12% | 8% | 8% |

A quarter of 18-24-year-olds said they would be happy if their banks introduced proactive policies to reduce their carbon footprint even if it meant they received a lower return on investment. This number doubled when asked if they would only want their bank to invest in sustainable and responsible causes if it didn't impact their returns.

Again, this wasn't confined to Gen Z alone—the results from millennials were very similar. Of those aged 25-44, 24% agreed that they would accept lower returns if it meant a reduced carbon footprint (although that number dropped by almost a quarter for those aged 45 to 56). Of all respondents, 53% want their banks to invest in responsible causes if their returns weren't negatively affected.

However, when they were asked which banking features and services were most important to them, only 12% of 18-24-year-olds chose carbon footprint tracking (i.e., the ability to see how your spending impacts the environment) as an important feature. Although this was still higher than the 8% of 35-54-year-olds whom felt this way, it suggests that Gen Z is more interested in the ethical activities of the brands they interact with than they are in the ethics of their own activities.

**KEY TAKEAWAY**

**The emphasis on ethical banking is no longer solely the preserve of the younger consumer.**

What might have begun as a stereotypically millennial concern has now become a much more common and widespread factor, with both older and younger generations expressing their interest in social responsibility. This may be an indication that younger consumers simply have certain baseline expectations when it comes to responsible behavior from the brands they interact with and no longer view ethical policies as an added bonus.

### When it comes to managing money, Gen Z is looking for more than just a current account.

Of our Gen-Z respondents, 40% said that flexibility around payments has become more important to them during the COVID-19 crisis, while 43% stated that access to better digital experiences was now more of a priority to them.

As we'll see in the next section, there is a growing appetite for investment services for many consumers, but it's especially important to 18-24-year-olds, with almost one in three Gen-Z respondents agreeing that access to investment services has become more important to them over the past year. Indeed, 56% of 18–24-year-olds told us that they were already using an investment platform of some kind.

This trend is replicated when asked about cryptocurrencies, with over a third (36%) of these younger consumers stating that they would want their bank to offer cryptocurrency investment options.

56% 

**56% of 18-24-year-olds are already using an investment platform of some kind.**

36% 

**36% of Gen Z want their bank to offer cryptocurrency investment options.**

---

### What's Gen Z looking for? Education, education, education.

Advice, education and support is where we saw the biggest spike in interest from those aged 24 and under. As we've already seen with branches, today's consumer is increasingly looking for guidance from their banks. Of all respondents to this year's report, 21% stated that access to financial education had become more important in the last 12 months. But when looking at just Gen-Z and millennial consumers, that number rises significantly to 32% and 31% respectively.

Unsurprisingly, 36% of Gen-Z respondents said that advice around money management has become more important to them during the COVID-19 crisis—a significantly higher amount than the 27% of 35-54-year-olds. This confirms that Gen Z is, broadly speaking, more conscientious and concerned about their money, which translates into an expectation that banks will help them navigate and manage their financial affairs.

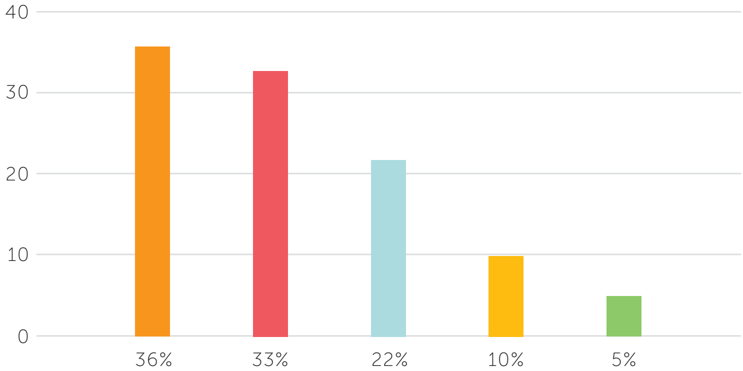
32% 

**32% of Gen Z said access to financial education has become more important to them in last 12 months.**

61% 

**61% of Gen Z would like their bank to give them advice on how to manage their money.**

## DURING COVID-19, SUPPORT WITH MONEY MANAGEMENT HAS BECOME MORE IMPORTANT TO ME.




| AGREE | |
|---|---|
| **18-24** | 36% |
| **25-44** | 33% |
| **45-56** | 22% |
| **57-75** | 10% |
| **76+** | 5% |

Of our 18-24-year-old age bracket, 61% of respondents said they would like their bank to give them advice on how best to manage their money—as opposed to 51% of those aged 35-54. And while nearly half of all respondents said they would like their bank to provide better financial education, that number rises another 10% when you exclude those above the age of 44.

Crucially, as we saw earlier, many consumers (20% globally) are unable to make a clear judgment on which banks offer financial advice. While this number reduces slightly for Gen Z (17%), it is still indicative of the education piece that has to be done around the provision of financial education.

### KEY TAKEAWAY

**The trends we've seen elsewhere in this year's survey are only more pronounced when focusing on Gen-Z consumers, and this throws up some interesting dichotomies.**

Of all the age groups we surveyed, Gen Z is perhaps the most fearless when it comes to trying new services and experimenting with new ways of saving and investing. They are, after all, highly-discerning digital natives comfortable trying out multiple providers in order to find the ones that best suit them. But, at the same time, this is also the demographic most hungry for education and support—it is within this contradiction that the real opportunities lie when it comes to courting younger banking consumers.

## Gen Z doesn't see their banks as the sole providers of financial education.

As we've already seen, younger consumers do want education and advice to come from their banks. When asked if they would like their bank branch to provide them with financial education sessions, 40% of those under 24 responded positively, while 46% said they wanted to see advice drop-ins at their branch.

Beyond branches, we saw 60% of 18-24-year-olds tell us that they would like their bank to give them advice on how best to manage their money, while almost a third (29%) said that access to personal advice had become more important to them over the past year. But they're also looking to other places for information and guidance. Of our Gen-Z respondents, 38% said they turned to YouTube, social media influencers or podcasts when they needed financial education compared to 27% of those between the ages of 35 and 54.

Interestingly, the most trusted source of financial advice for younger consumers was the family (43%) with only one in every three 18-24-year-olds saying they turned to banks for financial education. Almost a quarter said they would ask friends for advice, and just 12% said they turned to more traditional financial media. Interestingly, out of all the age groups we spoke to, the 18–24-year-olds were the least likely to not look for any type of financial advice.

### WHICH SOURCES DO YOU TURN TO WHEN YOU'RE IN NEED OF FINANCIAL EDUCATION?

| | |
|---|---|
| MY FAMILY | **43%** |
| MY BANK | 33% |
| SEARCH ENGINE | 26% |
| MY FRIENDS | 24% |
| YOUTUBE | 23% |
| FINANCE WEBSITES (E.G MONEY SAVING EXPERT OR FORBES) | 18% |
| MY FINANCIAL ADVISOR | 18% |
| FINANCIAL MEDIA E.G. FINANCIAL TIMES | 12% |
| N/A – I DO NOT LOOK FOR FINANCIAL ADVICE | 10% |
| FINANCIAL INFLUENCERS ON SOCIAL PLATFORMS | 8% |
| PODCASTS | 7% |

### KEY TAKEAWAY

**An already conscientious generation has only been made more so by the effects of the pandemic.**

These consumers are looking for guidance that is derived from experience and couched in personality and narrative. They are looking to create a connection with the brands they invest in (both literally and figuratively) and those connections cannot be made with generic advice and faceless top-down messaging. Gen Z may have a reputation as fickle consumers, but they can also be deeply loyal when they create a connection with a brand. There is an opportunity for banks to create those long-term relationships with Gen Z, but they must be built on guidance and education that go far beyond existing conceptions of what currently constitutes customer support.

## Key Findings

# Alternative Goes Mainstream: Investments Demystified and Democratized

Alternative investment platforms are now mainstream. Millennials and even Gen-Z consumers are accessing alternative investments like art and cryptocurrencies that they would not have previously considered. The introduction of tokenization and fractionalization means that practically anyone can invest, no matter what their budget. New platforms, tools, communities and influencers means that information and guidance (of varying worth) is only a few keystrokes away. The GameStop saga and the arrival of "meme stocks" only served to thrust this point into the headlines.

Crypto is no longer "niche," of course. It is making headlines (both good and bad) on a weekly basis, and an increasing number of services are springing up to facilitate the widespread interest. As access grows, so, too, does understanding and, eventually, trust—although cryptocurrency's inherent volatility does not help.

It's important to note that this is not a sign of millennials and Gen Z recklessly experimenting with the latest FinTech trends. As we've seen, these generations are more likely to research their investment options carefully and are more conscientious with their investments. They want ownership and autonomy over their finances as well as real-time constant engagement from the services they choose to manage those investments.

**KEY OBSERVATIONS**

### What does an investor look like in this democratized and atomized world?

There was almost a 50/50 split across this year's respondents as to those who were currently using some kind of investment platform and those who weren't. Geographical differences for investment platform use were quite marked, ranging from just 26% in the UK up to 70% in Hong Kong. Germany comes second after Hong Kong, with 65% of respondents there using an investment platform.

**INVESTMENT BEHAVIORS VARY FROM REGION TO REGION.**

26% 

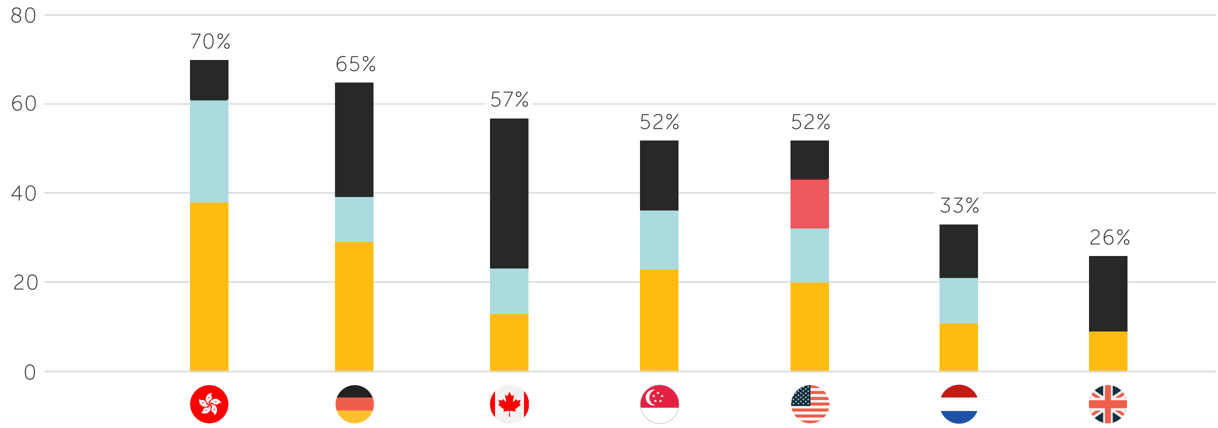
**26% of adults in the UK are using an investment platform.**

70% 

**70% of adults in Hong Kong are using an investment platform.**

These numbers might be affected by the fact that the most commonly used investment platforms in both Hong Kong and Germany are traditional and longstanding banking institutions. However, it's also clear to see the impact of digital-only investment services on these numbers, with 23% of those in Hong Kong using the Chinese platform Futu, and Robinhood going from zero to 12% of investors in the US in just eight years.

## PERCENTAGE USING AN INVESTMENT PLATFORM AND MOST POPULAR PLATFORMS IN EACH COUNTRY




**HK**

- **Futu** 23%
- **HSBC** 38%
- **Other** 9%

**USA**

- **Charles Schwab** 11%
- **Robinhood** 12%
- **Fidelity** 20%
- **Other** 9%

**DE**

- **Deutsche Bank** 10%
- **Sparkassen** 29%
- **Other** 26%

**NL**

- **Rabobank** 10%
- **ING** 11%
- **Other** 12%

**CA**

- **RBC Direct Investing** 10%
- **TD Direct Investing** 13%
- **Other** 34%

**UK**

- **Hargreaves Lansdown** 9%
- **Other** 17%

**SG**

- **Interactive Brokers** 13%
- **Phillip Capital** 23%
- **Other** 16%

## INVESTMENT IS NO LONGER THE PRESERVE OF THE WEALTHY.

18%

**18% of those currently investing in stocks and shares earn less than $40,000 a year.**

Of the 32% of respondents who told us that they currently have money invested in stocks and shares, 6% of those come from the 18-24-year-old age group, 14% of whom are full-time students, working part-time or unemployed. 18% of those currently investing in stocks and shares earn less than $40,000. The barriers to entry for investments, be they based on affordability or accessibility, have been significantly eroded.

**KEY TAKEAWAY**

**There have long been a number of barriers to investment: high investment thresholds, a lack of transparency and the specialized knowledge required to effectively assess and navigate the opportunities.**

But a new breed of digital platforms has democratized both the tools needed and the knowledge required to wield those tools, allowing individuals access to the kinds of investments that were previously only available to a select few. This creates a feedback loop, where increased interest has generated more information sources, driving wider adoption and creating new business models.

## Cryptocuriosity: Headline hype translates to genuine interest (if not mass adoption).

Of this year's respondents, 8% currently hold investments in cryptocurrency, with an additional 3% having previously held investments. While 9% told us they know a lot about crypto but haven't invested in it, 34% say they know just a little about it. Our largest group (37%) have heard about it in name only, and 9% haven't even heard of it before.

When we break this down by country, our largest number of crypto investors reside in Singapore (12%). Surprisingly, given the more conservative responses in other areas, the Netherlands has the second highest number of crypto investors at 11%. The US and the UK were at the opposite end of the spectrum, with 11% of US residents and 10% of UK residents having never heard of cryptocurrency before at all.

### WHICH OF THE FOLLOWING BEST DESCRIBES YOUR KNOWLEDGE OF CRYPTOCURRENCY?

| | TOTAL |
|---|---|
| I HAVE NEVER HEARD OF IT BEFORE TODAY. | 9% |
| I HAVE HEARD OF IT BUT DON'T KNOW ANYTHING ABOUT IT. | **37%** |
| I KNOW A LITTLE ABOUT IT, BUT HAVE NEVER HAD ANY INVESTMENTS. | 34% |
| I KNOW A LOT ABOUT IT, BUT HAVE NEVER HAD ANY INVESTMENTS. | 9% |
| I HAVE HELD INVESTMENTS PREVIOUSLY BUT NO LONGER DO. | 3% |
| I CURRENTLY HOLD INVESTMENTS. | 8% |

It seems that there is a latent interest for crypto investment as almost two fifths of those who don't currently hold cryptocurrency investments told us they would consider doing so, with particular appetite in Singapore (56%) and Hong Kong (48%).

There is more interest from Gen Z, with 64% of 18-24-year-olds willing to consider crypto and 55% of millennials. The reasons given for that interest include wanting to understand how it works (17%), believing that crypto is the future of finances (10%) and thinking it will offer better returns (9%).

### THERE ARE STILL SIGNIFICANT BARRIERS TO MAINSTREAM CRYPTO INVESTMENTS.

62%

**62% don't trust cryptocurrency providers to keep their money safe.**

However, there are some significant barriers to entry remaining in this area. The majority of those who would not consider investing (62%) don't trust cryptocurrency providers to keep their money safe, while two fifths simply don't understand how it works. An additional 13% have heard stories of losses, and 9% are concerned about the environmental impact.

Almost a quarter of the people we spoke to expressed an interest in their bank offering cryptocurrency investment options, although there was a striking geographical division, with the least appetite in the Netherlands (10%) and the UK (17%) and the highest in Hong Kong (37%) and Singapore (36%). There was a significant difference in age groups also, with 36% of Gen-Z respondents and 37% of millennials responding positively.

### KEY TAKEAWAY

**As we've seen elsewhere in this year's report, Gen Z and younger millennials are inherently cautious and conscientious when it comes to their finances, but they are also seeking non-traditional ways of investing.**

They feel more comfortable investing in something grounded in technology, something they can research and discover outside of traditional financial institutions. Crucially, many of these avenues of research and education are enmeshed in community platforms that create confidence and loyalty, a trend that can also be seen in the rise of democratized ownership and tokenization. We have seen how traditional institutions have navigated this landscape in Asia, as well as the impact of new legislation in those regions, but we are yet to see incumbents tackle this in Europe and the US (or even if they have the appetite to tackle it).

**The View from EPAM:**

# Mike Jessick on the Clash of Innovation and Regulation in APAC

**Mike Jessick**

**Senior Director, Experience Consulting**

Across APAC, customers are increasingly open to adopting non-traditional ways of managing their money. It's worth noting that Hong Kong and Singapore have the highest percentage of respondents who said that access to better digital experiences had become more important to them over the last year—51% and 47% respectively. Compare this to the United Kingdom's 25%, and it's clear that there is greater demand in APAC for banking to innovate proactively.

Fortunately, digital banking has a strong foundation in APAC. Non-banking payment and e-wallet platforms are already commonplace, such as Alipay and WeChat. Governments actively incentivize and enable the wider adoption of e-payments. In Singapore, **the central bank opened its retail payments infrastructure to non-banks** in early 2021, simplifying e-payments for consumers and businesses; while Hong Kong's HK$36 billion **voucher scheme for COVID-19 relief** is partly rolled-out through e-payment platforms like Octopus, a move that is intended to push residents toward embracing electronic payments.

The pandemic has only accelerated the move toward digital banking. More money is being moved across borders as people send funds to support their families in other countries; and there is a heavy reliance on digital methods, as cross-border travel in APAC is tightly restricted. We're also seeing more expatriates leave Hong Kong, and it's this group that is moving larger sums of money. With this increase, we're seeing more foreign exchange conversions for larger lump sums, and as such, there's more consumer sensitivity about forex fees and rates. Consumers are hunting for new service providers who can offer the best rates, beating out what their primary banks can offer.

In stark juxtaposition to this level of innovation in Asia, there is some worry about China's recent crackdown on Big Tech and the uncertainty it casts over FinTech in Asia. Accelerated innovation is hitting a legislative wall in China with negative effects on neighboring regions. While this brings new complexities to navigate, financial service providers can take the opportunity to identify market gaps and be prudent in adapting to regulatory changes.

Today's trends and fluid regulatory landscape are **driving** the demands from people in Singapore and Hong Kong for better digital experiences, greater flexibility of payments and more social responsibility from banks. They are also more willing to try other services, especially outside of traditional banking offerings, and are more likely to align digital financial companies with providing a personalized service.

What's interesting is that out of all countries, Hong Kong and Singapore stand out in the areas of financial education and advice. There is a higher percentage of people who desire these services, and for their banks' branches to offer financial education sessions, as well as interactive tools providing financial advice and talks by financial influencers.

APAC remains the frontrunner for banking's future, a potential model of change for Europe and North America. We envision a global landscape where banking becomes not just a simple utility to be accessed when needed, but a social, educational experience that integrates into customers' everyday lifestyle, surfacing at the point of consumption.

04

# Practical Steps

# Practical Steps

**Below you'll find essential next steps in helping to retain and attract new customers no matter what segment they fall into.**

**01**

### BECOME AN ESSENTIAL PART OF THE ECOSYSTEM

The job of stealing customers away from their day-to-day bank is an extremely difficult one. Even capturing new consumers early is a huge ask if you are attempting to own the entirety of their banking experience. Modern consumers have a variety of needs and are looking to build a suite of separate providers who can meet those requirements. Gaining traction with this audience means focusing on one vertical and nailing every interaction at every touchpoint, especially if the traditional incumbents have no interest in building that capability themselves.

**02**

### GENERATE TRUST AND LOYALTY THROUGH EDUCATION AND SUPPORT

Financial education is probably the biggest opportunity for consumer banks right now. Of course, there's a reason for that: legislation can make things very tricky and cumbersome, and consumers don't expect to pay for support. But a service provider who can productize education will be able to loosen some of those legislative shackles and cater to a huge emerging need arising for Gen-Z and millennial consumers.

**03**

### CLARIFY YOUR PROPOSITION AND WRAP IT IN A NARRATIVE

It doesn't matter how good your product is or how much guidance you provide if your audience doesn't know it exists or why they need it. Consumers are struggling to understand and differentiate between financial services as well as the brands that provide them. In order to close that loop between product, brand proposition and customer support, financial service providers must be able to tell an engaging and empathetic story confidently and across multiple channels.

**04**

### CREATE CHANNEL-AGNOSTIC BANKING EXPERIENCES

Consumers still want a human interaction with their bank, but that doesn't necessarily mean they are looking for a "real-world" interaction. Today's banking customer is looking for a consistent, personalized experience, whether they're logging on to an app or walking into a building. The constituent parts of a bank's ecosystem should not be defined by their form, but by their purpose; and the pathways between those parts must be so seamless that they are almost invisible. Banks should not be setting out to reinvent the branch but rather to replicate the value of the branch experience across their networks.

**05**

### LEVERAGE THIRD-PARTY PLATFORMS, BUT DON'T RELY ON THEM

With consumers increasingly looking to social platforms for financial information and advice, it's not surprising that service providers are utilizing those platforms to create communities, drive innovation and boost their reach and authority. But as we've seen in APAC, legislation can dismantle much of that reach and authority overnight; and there's a growing mistrust of social channels in younger audiences. Instead of outsourcing their capabilities to third-party platforms wholesale, financial services firms need to build tools and services that draw on the unique capabilities of the social web while retaining ownership of the data, insights, communities and engagement it can help create.

05

# Methodology

# Methodology

The data published in this report is based on a survey of **21,028** adults aged 18+ in the UK, US, Canada, Netherlands, Germany, Hong Kong and Singapore.

The survey was conducted between June 25 and July 5, 2021. Survey data was collected in partnership with Opinium Research. Data analysis was conducted by EPAM consultants, undertaking cluster analysis to construct needs and attitudes-based segmentation of the audience, analyzing variations in motivation, attitudes, needs and expectations between each segment.

| UK | GERMANY | NETHER LANDS | US | CANADA | HONG KONG | SINGAPORE |
|---|---|---|---|---|---|---|
| 3,001 | 3,000 | 3,003 | 3,006 | 3,003 | 3,001 | 3,014 |

| MALE | FEMALE |
|---|---|
| 9,937 | 11,026 |

| 18-24 | 25-44 | 45-56 | 35-54 | 57-75 | 76+ |
|---|---|---|---|---|---|
| 1,769 | 8,205 | 4,429 | 8,256 | 5,901 | 724 |

06

# Get in Touch

Whether you're interested in discussing future plans or a demo of our model bank, we would be happy to hear from you.

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**We fuse integrated consulting with EPAM's engineering expertise to accelerate breakthrough thinking into meaningful impact.**

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