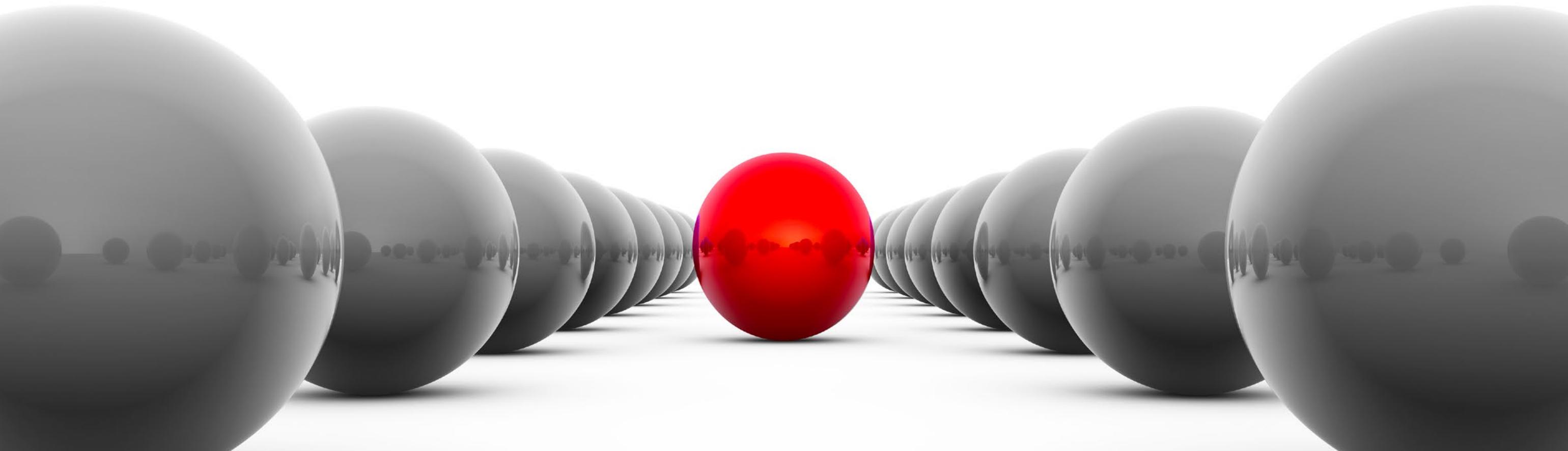


# BANKING ON VALUE

**ACHIEVE COMPETITIVE AGILITY**



**Digital challengers and non-traditional competitors are going after the bedrock of big banks: customers' core transactional accounts. Offering low to no-cost banking—including a free deposit account in many cases—new competitors are rewriting the customer value proposition.**

**This poses a huge threat for traditional banks. Global checking account revenue adds up to US\$200 billion. For a typical institution, up to 40 percent is at risk.<sup>1</sup>**

**Jaime Laguna**

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Jaime advises corporate executives within the Financial Services sector on how to define and implement effective growth strategies. With more than two decades of experience spanning the globe, he specializes in developing and implementing corporate strategies, merger and acquisition plans, operating models, and digital transformations. Jaime is based in Madrid.

**James Vogtle**

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James works with leaders in the Financial Services sector to develop client channels and experiences that drive growth. With over 20 years of experience in retail banking and strategy consulting, he specializes in digital transformation of the front-office, including value proposition design, distribution and marketing operating models, sales effectiveness, cost reduction and client satisfaction. James is based in Toronto.

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Jonathan helps leaders in the Financial Services sector define future growth strategies with a focus on optimizing customer experiences through digital transformation. With more than a decade of experience, he is particularly interested in designing human-centric strategies and operating models that bring his clients' digital agendas to life. Jonathan is based in Toronto.

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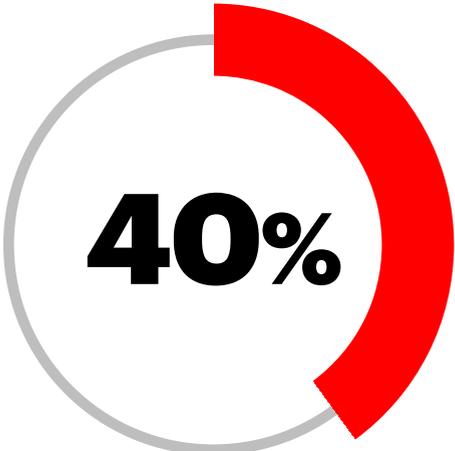
Jonathan works primarily with leaders in the Payments and Banking sector to develop and execute strategies that improve their marketplace competitiveness. He has nearly 20 years of consulting and Financial Services industry experience and specializes in payments and digital banking transformation. Jonathan is based in Toronto.

# Instead of joining the race to zero, can large banks make the case for value in a fragmented market?

We believe large banks can make the case for value, but they must begin now. It means turning their current model on its head, from expanding beyond banking products with the right ecosystem partners, to creating transparent, tiered levels of value and service which provides reciprocal benefits to customers.

Through deliberate, speedy action, traditional banks can retain and reclaim their customers—pivoting for success in the post-digital era.

For a typical large bank, up to **40 percent** of checking account revenue is at risk.



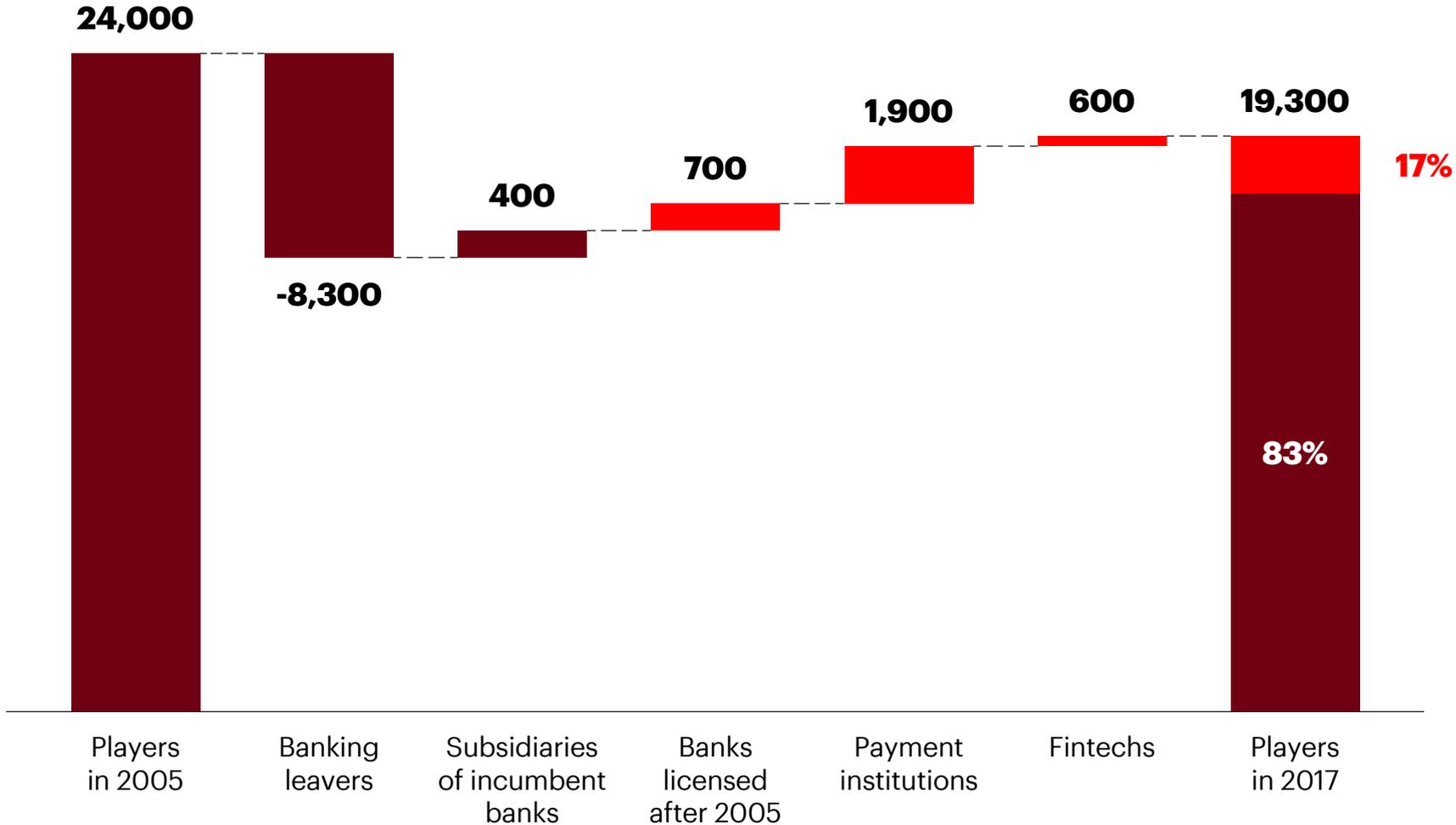
# A DELICATE BALANCE

**Most large banks have a purely transactional relationship with their customers, which puts them at higher risk for customer migration to competitors.**

Consumers now have a bevy of options to replicate or replace traditional banks. Accenture found that one in six players entered the Banking industry within the past 15 years.<sup>2</sup> Many of these entrants are digital payment and lending players. As a result, a material portion of payments and lending revenue is moving from incumbents to digital challengers.

The pool of disruptors has expanded with players focusing on the deposit business. This includes retailers like Starbucks, which holds more than US\$1.2B in prepaid funds across 23 million customers.<sup>3</sup> Or Walmart, which offers a menu of money services, and recently announced that its prepaid card and budgeting tool saved its customers US\$2B in the two years since it was introduced.<sup>4</sup> It also includes a number of startups focused on wrapping value-added services around the traditional checking account.

Figure 1: One in six players entered the Banking industry within the past 15 years.



Source: Accenture Research analysis on Central Banks, payment registries and CB Insight data, 2018.

The US\$200 billion at risk globally is a number with impact. But what's at stake becomes truly material when banks look at their own coffers. Roughly 20 to 30 percent of a bank's revenue comes from the deposit accounts disruptors are chasing.<sup>5</sup> Margin erosion and the potential restrictions it would place on lending, alone, could be disastrous for some banks.

Large banks are grappling with the challenge, but too many turn to traditional cost cutting as a solution. It only works temporarily. Banks that take a longer-term, more strategic view are adopting a zero-based mindset (ZBx), which involves redesigning spend from a blank sheet. Rather than looking at historical areas of investment, they map out investments that most align to where the bank needs to be. They map spend to strategy, using the cost savings generated to fuel new areas of growth.

Leading banks are also fighting back by continuing to add digital options to stay relevant, realizing that two out of three consumers now bank digitally.<sup>6</sup> But a fair number of consumers (40 percent) are banking "nomads," open to assembling their own suite of banking products.<sup>7</sup> They are a highly digital group, but digital options alone will not be enough to keep them. Banks will need to become more holistic in their offerings while adding tailored value to individual customers.

**Roughly 20–30 percent of a bank's revenue comes from deposit accounts disruptors are chasing.**

# EASY TO JOIN, WITH REASONS TO STAY

With an increasing number of banking customers acting as “nomads” and self-assembling their suite of products, banks who make it easy to stay with one provider—providing the right value proposition per customer—will have an advantage. To do this, they need to offer integrated value, combining products and services from financial providers and non-traditional sources.

Customers expect it. Half of banking and insurance consumers expect their financial providers to offer integrated value propositions to address their core needs. But only 30 percent say they are willing to pay for these services.<sup>8</sup> Banks may be able to increase that willingness across the board by offering tiers of value and tailored services to their customers.

Banks can also modernize their approach by becoming a living business, one that moves in sync with its customers through AI and advanced analytics. Living businesses are so in touch with customer needs that they provide an individualized real-time customer experience, basing it on the wealth of information customers provide through every interaction. Consumers are open to companies collecting the data that fuels those insights, if they get value in return. In fact, eight out of 10 consumers (79 percent) find it frustrating when companies fail to use personal information to make their offerings more relevant.<sup>9</sup> No industry exemplifies this more than banking, where incumbents sit on massive volumes of underutilized data. And six out of 10 banking customers would share more data with their bank in exchange for offers relevant to them.<sup>10</sup>

**Six out of 10 banking customers would share more data in exchange for offers tailored to them.**

Consumer insights can help increase new customers as well as share of wallet. RBC's AI-fueled virtual assistant, NOMI, provided 200 million insights to bank customers in its first eight months, leading to an increase of 20 percent in new savings accounts opened with the bank.<sup>11</sup>

Banks can also build on their advantages—scale and a trusted brand. In one of the markets most beleaguered by new competition, the United Kingdom, Accenture found consumer trust in 2018 to be at its highest level since 2012.<sup>12</sup> Protecting and capitalizing on this trust to offer customers a more tailored experience makes sense. Consumers trust banks on a transactional level, but financial institutions that can show they're working more broadly in customers' best interests could become trusted advisors. That moves trust from discrete transactions to relationships—and provides a competitive advantage.



**8 out of 10 consumers find it frustrating when companies fail to use personal information to make their offerings more relevant.**

# PARTNER UP

**Becoming an inclusive, holistic advisor is a tall order. Some banks have tried to go it alone but soon realize it's a group activity. Challenger banks in Europe are already starting to establish themselves as ecosystem coordinators.**

Digital bank Revolut partners with multiple companies in an ecosystem, allowing customers to buy partner services directly through its app. As Dan Westgarth, head of Revolut's North America expansion, explained at a recent conference: "If a customer enters an airport geolocation, we might offer them travel insurance. Similarly, if they break their phone and change SIM cards, we can push them mobile [phone] insurance."<sup>13</sup>

Establishing similar partnerships as the orchestrator of an ecosystem is a natural move for large banks. It would allow them to bring higher day-to-day value to their clients, deepening an existing trusted relationship. For example, close to five percent of CaixaBank's addressable customer base has subscribed to a non-financial services product.<sup>14</sup> Banco Santander provides customers a comprehensive view of their finances through its MoneyPlan app, by allowing them to aggregate information from other financial services providers.<sup>15</sup> Similarly, HSBC launched an app that helps multi-banked customers better understand their holistic finances, which generated more than 300,000 users in year one.<sup>16</sup>

Becoming a data aggregator, versus just monetizing data, is key to banks becoming the beating heart of any new financial ecosystem. BBVA uses data to develop client targets for its Valora and Baby Planner digital solutions, which capture "moments that matter" in clients' lives. Valora helps clients with home buying and renting decisions, while Baby Planner helps guide budgeting for family expansion.<sup>17</sup> BBVA acts as the ecosystem integrator with partners to provide value-add services for customers for these life events and more.

Partnering well also allows banks to take advantage of new regulations to disrupt and innovate in key markets—launching digital businesses to meet needs stemming from new requirements. For example, Bizum and Paym are mobile payment systems provided by financial institutions in Spain and the United Kingdom, respectively, which promote convenient payments where the only identification required for the recipient is their mobile phone number.<sup>18</sup>

# CREATING A LEDGER YOU CAN LOVE

**If banks reimagine their value proposition, capitalizing on the trust and data they share with their customers, it's a far wiser move than racing to zero against digital competitors with little overhead.**

As we work with financial institutions around the world, we find keeping a few things in mind helps set a path in the right direction:

## **REIMAGINE YOUR VALUE PROPOSITION PER CUSTOMER**

To avoid disintermediation, large banks must rethink their deposit account proposition, looking at consumers' adjacent service needs. They are best placed to do this because they already have consumer trust on funds banked. Using AI and advanced analytics, they can make adjacent services situationally relevant for each customer—adding value where they previously could not.

## **OPEN ARMS TO OPEN BANKING**

To diversify revenue and protect core banking's relevance, large banks can allow access to open banking players. This route helps them offer their customers complementary services and new value.

## **STRUCTURE TO SURVIVE AND THRIVE**

Rather than playing the reduced-price game, forward-looking banks will change the game. Avoiding temporary fixes such as traditional cost-cutting or one-off digital solutions, these banks will structure the entire organization and its offerings to deliver superior value and personalized service that customers are willing to pay for.

**When faced with the reduced-price game, banks need to change the game—offering value and personalized service their customers will pay for.**

**Banks who blaze a new trail could not only protect the bedrock of their business, but also create new growth. Incumbent banks can use their scale and brand to their advantage.**

**Partnering with companies who can help them better create situationally relevant, real-time customer experiences, these banks can rewrite the rules of the game to favor their strengths.**

## ABOUT ACCENTURE

Accenture is a leading global professional services company, providing a broad range of services and solutions in strategy, consulting, digital, technology and operations. Combining unmatched experience and specialized skills across more than 40 industries and all business functions—underpinned by the world’s largest delivery network—Accenture works at the intersection of business and technology to help clients improve their performance and create sustainable value for their stakeholders. With approximately 477,000 people serving clients in more than 120 countries, Accenture drives innovation to improve the way the world works and lives. Visit us at [www.accenture.com](http://www.accenture.com).

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Accenture Strategy combines deep industry expertise, advanced analytics capabilities and human-led design methodologies that enable clients to act with speed and confidence. By identifying clear, actionable paths to accelerate competitive agility, Accenture Strategy helps leaders in the C-suite envision and execute strategies that drive growth in the face of digital transformation. For more information, follow [@AccentureStrat](https://twitter.com/AccentureStrat) or visit [www.accenture.com/strategy](http://www.accenture.com/strategy).

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