



Digital Banking: Singapore Customers Take Charge – Are You Ready?

Digital Banking Customer Survey




Why this survey?

PwC's Digital Banking Customer Survey was conducted to explore what customers in Asia have top of mind when they are thinking about the changing banking landscape, if/how/when they are likely to react, and potential implications for players in the banking industry, especially the new, digital players. These banks will need to know their customers better than ever before and work diligently to make it easier and safer for customers to use financial technology, while at the same time providing a personalised experience.

To help our clients have a better understanding of their customers, we interviewed over 4,500 bank account owners aged 18+ in Hong Kong, Singapore and Malaysia in early October 2019. 1,501 of these respondents were from Singapore. We asked questions to explore:

- What are the triggers and the barriers for customers to open accounts with digital banks?
- Which customer segments are mostly likely to defect to digital banks?
- Will digital bank accounts supplant or co-exist with legacy bank accounts?
- As a digital bank, what proposition should I bring to market to attract customers?





The next evolution of banking

Consumers in Asia are rapidly adopting digital technologies for their day-to-day lifestyle and financial needs. Recognising this, banking regulators across Asia, including the Monetary Authority of Singapore (MAS), have started to open up the banking markets with the granting of new banking licenses for digital-only banks.

The first digital banks are on track to launch in Hong Kong in early 2020, with Singapore and Malaysia to follow shortly after. The entrance of these new players, who are likely to be a mix of stand alone applicants and consortiums made up of financial and non-traditional players, is one of the biggest disruptions the market has seen in decades.

Multiple drivers have led to this banking revolution in Asia. First, the region is home to a burgeoning middle class and a significantly younger digitally savvy population. Second, daily digital penetration is high and continuing to grow. Third, the rise of super apps has created an increasing value chain of goods and services within just one platform.

Thus, it is critical for banks to be able to continuously evolve their business model that best fits their current customers needs, leverages the latest technology, and complies with the appropriate regulatory environment.

Key takeaways

PwC conducted interviews with over 4,500 bank account owners aged 18+ in Hong Kong, Singapore and Malaysia in early October 2019. 1,501 of these respondents were from Singapore.

- **68% of affluent/high-income customers are interested in digital banking services.** Customers earning at least SGD 10,000 per month are twice as likely to be interested than those earning SGD 2,500 or less.



- **34% of customers do not trust digital banks with their data.** One in three customers do not trust that digital banks will be financially stable.



- **A third of customers open their first account with their parents' bank.** A quarter are influenced by their employer on where to open their first bank account.



- **71% of customers have at least one issue with their bank today.** These include long queue and wait times, frustration over not being able to self-serve online, and lack of financial education.



- **99% of customers will keep their existing bank account upon opening a digital bank account.** 67% of these will continue to use their existing account as their primary account.



- **Customers still want a human touch.** Over 50% of customers prefer to deal with a human being for less transactional interactions such as wealth management, mortgages and insurance.



- **Better lending rates are the most important feature customers want in a digital bank.** 49% of customers want better rates on deposits and, 42% want fast and easy online customer service.



- **66% of customers want their digital bank to provide non-financial services.** e-Commerce, financial education and lifestyle services such as health, wellness and travel are the most popular.





6 key focus areas

Delivering a superior experience goes beyond simply offering digital products and services - it is about creating a proposition that speaks directly to the wants and needs of the customer. From our research, we uncovered six key areas for banks to consider in 2020:

1. **Awareness and Interest:** There is strong awareness and high interest in digital banks, particularly among the younger demographics, and the more affluent.¹
2. **Switching Propensity:** The majority of those who open an account with a digital bank will still keep their existing (traditional) account as their primary account.²
3. **Customer Satisfaction:** Some customers feel under-served by their existing bank and may consider opening a digital bank account to address service gaps.
4. **Shift to Self-Serve v the Human Touch:** Singapore customers are comfortable dealing with self-service channels for day-to-day transactions and in doing their own research for investment decisions. However, when it comes to higher value, more complex transactions, or emergency situations, customers want to interact with a human being.
5. **Evolving the Proposition:** Customers continue to place emphasis on features that provide them with monetary value-add such as better interest rates and promotional offers. They also want to see additional non-financial features, of which an integrated e-commerce platform and financial education are the most attractive for Singapore based customers.
6. **Data Security and Financial Security:** Customers are concerned with their data privacy and financial security, but less so for the younger and more affluent customers.

¹ Income classification for Singapore
Low: Below SGD 2,000 per month
Mid: SGD 2,000 - 5,000 per month
High: More than SGD 5,000 per month

² A Primary Bank is defined as the bank where a customer performs the majority of their banking transactions

1 Awareness and Interest

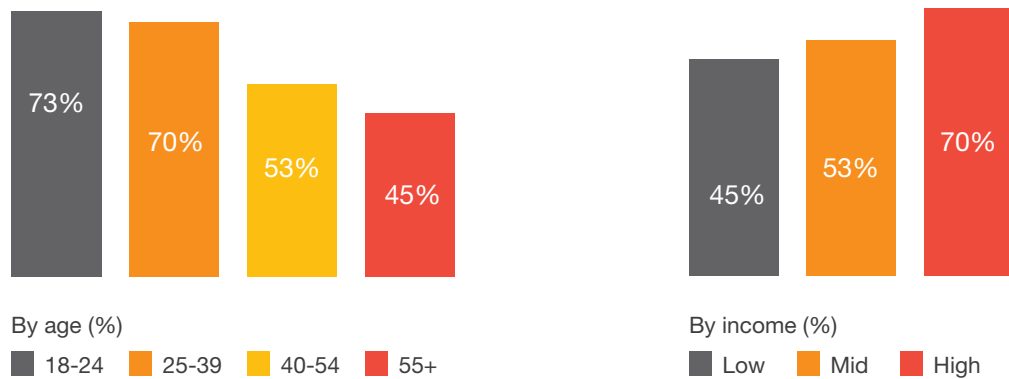
Digital banks are a relatively new concept in Asia's banking landscape, with the first digital bank in Hong Kong set to launch early this year, followed by Malaysia and Singapore. Despite this, customers in all three markets show a high level of awareness of the digital banking concept, with more than three in every four customers in each region saying that they are aware of the upcoming digital banks. In addition to high awareness, there is a growing interest in digital banks, indicating that customers are ready for this new banking revolution to take place.

In Singapore, those who are interested in digital banking are primarily the more affluent group and those aged 18-39. The 25-39 age group in particular will be a key target for new players as they make up more than half of those who said they are "very interested" in digital banking.

Younger customers, who already conduct much of their daily lives via screens are a natural fit for digital banks; while the more affluent - those who have more investable assets and own a wider array of financial products - are also seeking better and easier ways to manage their money.

Bank customers with an eWallet also indicate a significantly higher interest in digital banks compared to those without an eWallet. In Singapore, 84% of bank customers own at least one eWallet, therefore making this a large addressable market for digital banks.

Figure 1: Profile of early adopters ("Interested" and "Very interested")



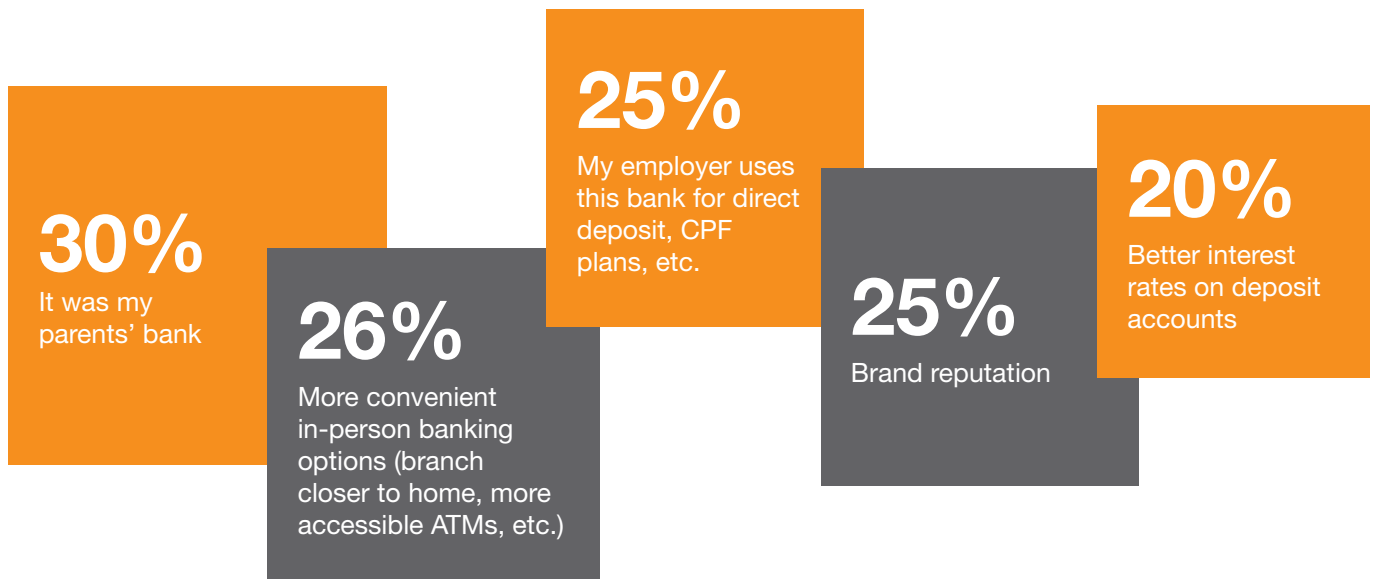
2 Switching Propensity

Our research found that customers are primarily motivated to choose their first account based on their parents' bank, followed by which bank provides convenient in-person banking options and banks recommended by their employer.

motivations aren't necessarily able to be directly controlled by banks. Banks will need to consider how to influence these other entities, that in turn would influence their target customers.

These results indicate that the primary

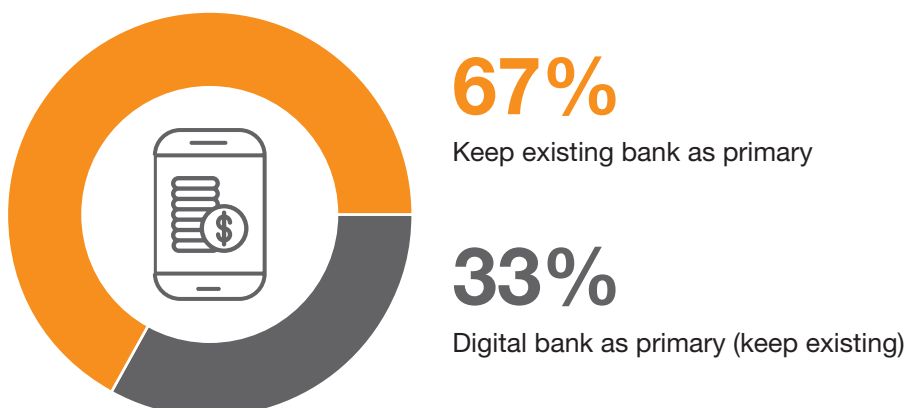
Figure 2: Motivations for choice of primary bank



Customers also expect to retain their existing bank as their main bank even after opening a digital account (see Figure 3). This is an important point for digital banks as customers are more likely to use their digital bank as a supplementary account as opposed to switching. Therefore digital banks should initially look to displace secondary accounts rather than to become a customers' choice of a primary bank.

Many customers across the region will adopt a "wait and see" approach which will allow time for incumbent banks to develop their own digital offerings. 40% of Singapore respondents indicate that they will only consider opening an account with a digital bank once it is popular and successful; they will not be the first one to open an account.

Figure 3: Retention of primary bank upon opening virtual bank account



3 Customer satisfaction

Relatively high satisfaction levels are observed across the region for customers with their primary bank (and satisfaction levels are lower with non-primary banks, as one would expect). However, despite the high satisfaction ratings, the majority of customers in the region report having at least one issue with their primary bank.

The majority of Singapore customers report long waiting times as their primary pain point, followed by the inability to perform banking functions offline, and the lack of education provided by their bank on the different financial offerings available (see Figure 4).

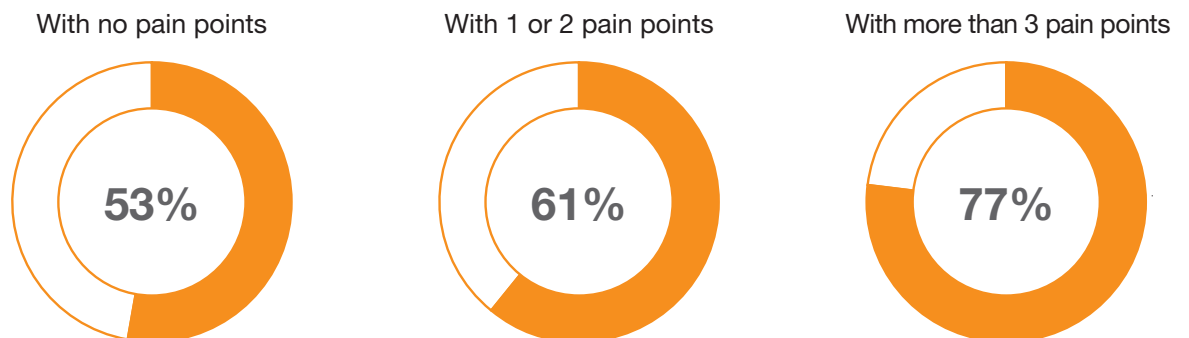
Figure 4: Customer pain points and frustrations with their primary bank



These customer pain points are a good predictor of interest in digital banks. Customers who experience three or more of these pain points are likely to be open to disruptors promising a better experience (see Figure 5).

This represents an opportunity for digital banks in Singapore to address these pain points when redesigning the banking experience.

Figure 5: Customers interested in opening a digital bank account



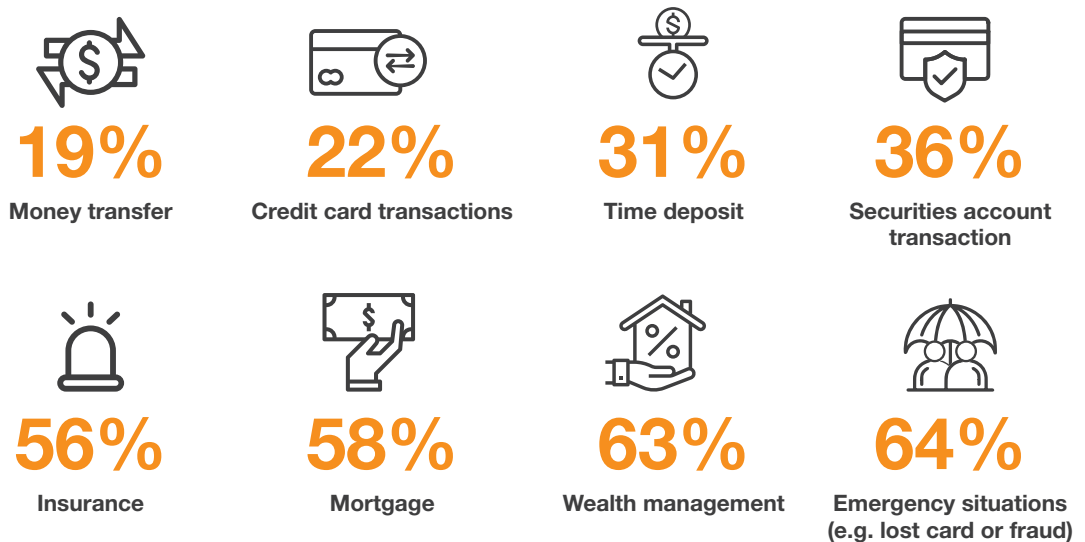
4 Shift to Self-Serve vs the Human Touch

Bank customers in Singapore - particularly those that are younger or more affluent – are already comfortable dealing with self-service channels for day-to-day transactions such as money transfers and credit card transactions.

For these demographics, the benefits of digital banking are particularly salient, so the transition to a digital bank will be easier and will not represent as great a leap as it will for older, lower-income customers for whom branch banking and cheques are still an important part of their banking experience.

Although customers are becoming more comfortable with digital, our research shows that a significant percentage still prefer having human interaction for more impactful and potentially more emotive interactions. This includes customers preferring to deal with a human for interactions involving emergency situations and more complex financial matters such as insurance, loans, wealth management and mortgages.

Figure 6: Customers say that human interaction is important for the following transactions (%)



There is also considerable evidence that customers across the region are increasingly taking responsibility for their own financial matters. To achieve their financial goals, the majority of Singapore customers (63%) still prefer to do their own research and analysis as the first step when making investment decisions. 38% of customers would also turn to their financial advisors for help. Only 9% of the respondents surveyed indicate that they would use a robo-advisor to help automatically allocate their investments. This preference ranking remains true across all age and income groups.

Given that Singapore customers still prefer to interact with an advisor for higher-value and more complex financial transactions, legacy players with an established branch infrastructure will enjoy an advantage. Digital players will need to offer a combination of professional advisors - perhaps in the form of video calls and live chats with a member of staff supported by Artificial Intelligence (AI) - for more complex decisions, as well as a platform that empowers individuals by providing do-it-yourself tools and advice.

5 Evolving the Proposition

The current banking sectors are at different levels of maturity in Hong Kong and Singapore versus Malaysia, and customers across these markets value different financial features. For example, the top financial feature for Singaporeans is better interest rates, while customers in Hong Kong value promotional offers, and Malaysia customers value a better mobile/digital experience. Having an awareness of what their customer wants will accordingly change the way that digital banks target and tailor their customer value-propositions.

In Singapore, those aged 25-55+ indicate that attractive interest rates on deposit and lending are desirable while respondents aged 18-24 are most interested in having a better mobile/digital experience. Customers in Singapore are also the least interested in the ability to directly purchase third-party vendor products, possibly because Singaporeans already have easier access to alternative channels to purchase products.

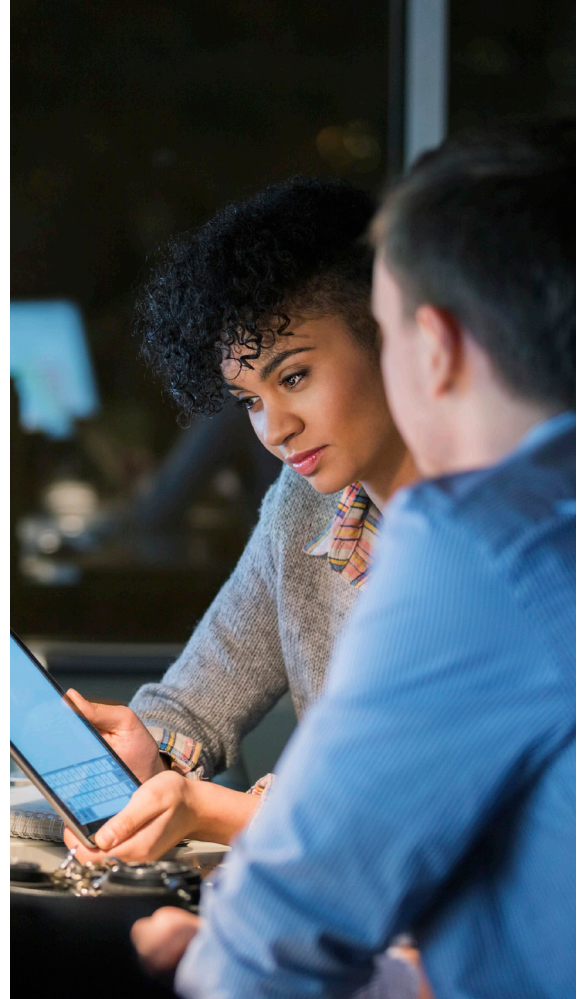
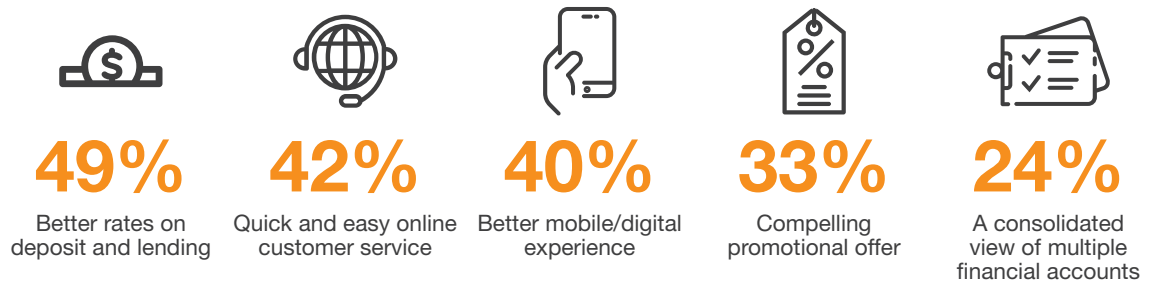


Figure 7: Financial feature attractiveness



While financial services will always form the core proposition for banks, new players in the industry could also provide services beyond banking as the next step in developing their offerings.

One of our research questions asks, “how interested are you to see your bank provide you with more than just financial services?”. A significant 66% of Singapore customers indicate that they are “interested” or “very interested” in this service.

To further explore customers’ interest in these additional services, we asked them about

four non-financial features that banks could offer their customers: an integrated lifestyle e-commerce platform, a travel concierge, financial education and a personal life coach.

Out of the four non-financial features, an e-commerce platform and financial education are the most appealing across the region. When we zoom in on Singapore however, particularly those aged 18-24 and the more affluent, there is a higher level of interest in all four non-financial features (e-commerce, financial education, travel-concierge and life coach).

In an **e-commerce platform**, airplane/bus/train tickets purchasing and health care consultations top the list as the most desirable service for Singapore customers, followed by coupons for shops and restaurants.

Singapore customers' interest in deals and promotions present an opportunity for digital banking entities to offer attractive deals by working together with third-party services.

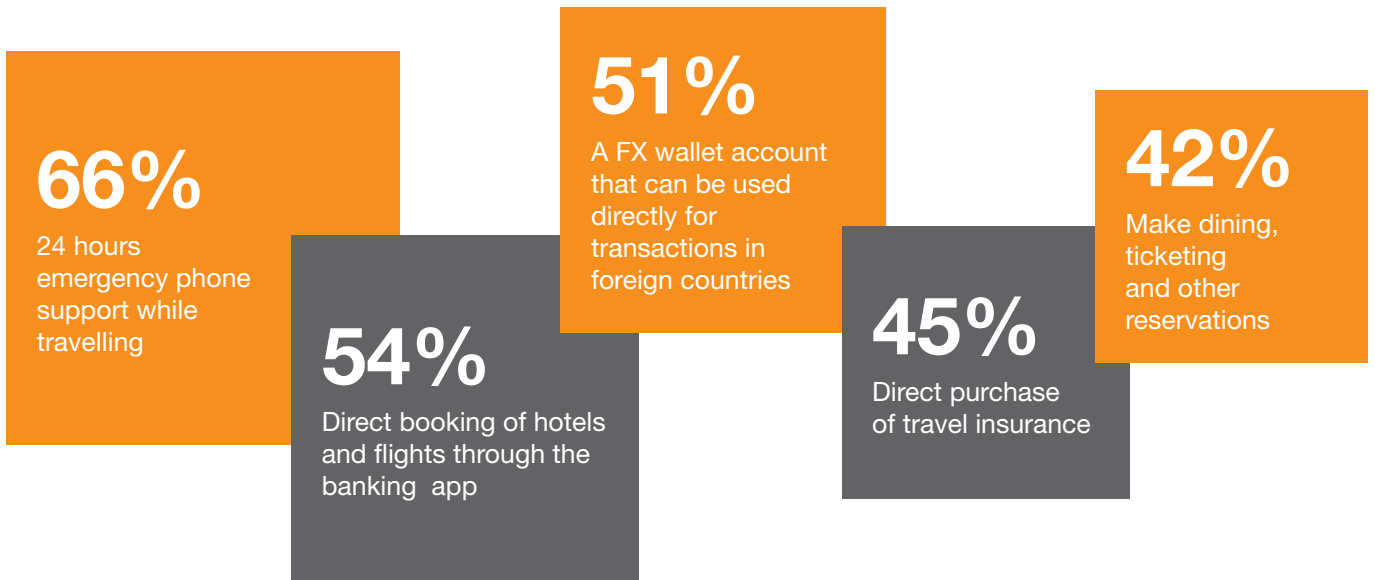
Figure 8: Interest in lifestyle and e-commerce features



For **travel-concierge** services, Singapore customers are most interested in 24-hour emergency phone support, followed by the ability to directly book hotels and flights and FX wallet accounts. Digital banks may find this

travel-related area worth exploring, particularly because the travel frequency of Singaporeans is increasing each year. Data from Singstat shows that outbound travel increased from 8.6 million in 2013 to 10.4 million in 2018³.

Figure 9: Interest in travel concierge features



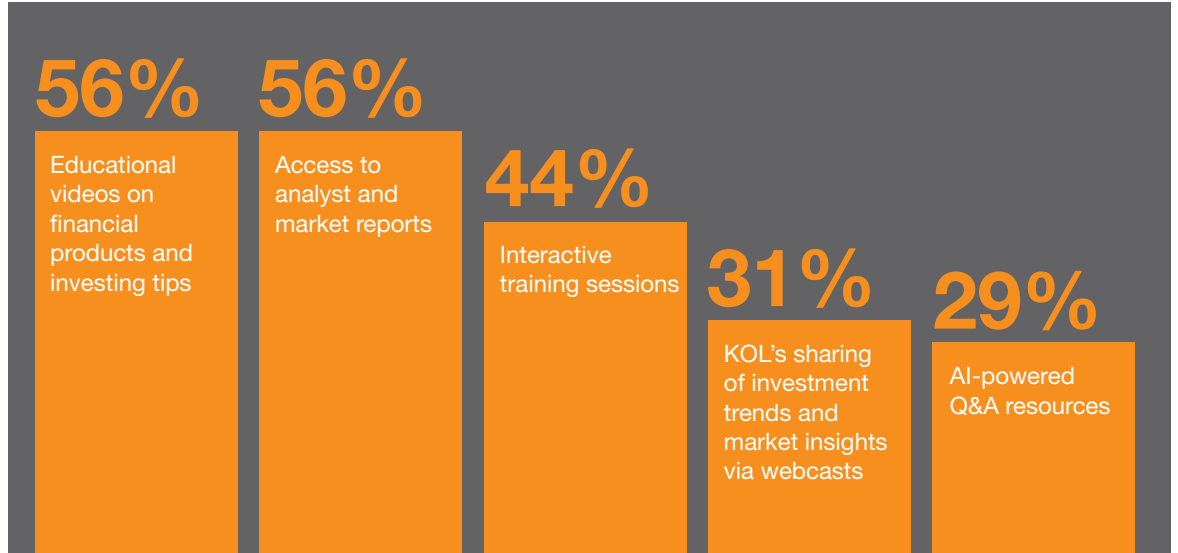
³ Singstat, <https://www.tablebuilder.singstat.gov.sg/publicfacing/createDataTable.action?refId=15301>

For financial education features, Singapore customers value educational videos and access to analyst and market reports. Similarly, savings and investment advice tops the list of desired life-coach features.

These results show that Singapore customers are particularly interested in increasing their financial literacy and seeking advice in order to achieve their financial goals.

Figure 10: Interest in financial education and life coach features

Financial education features:



Personal life coach features:



6 Data Security and Financial Security

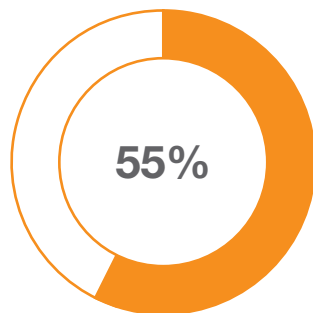
When it comes to sharing personal data, customers in Singapore (55%) are less likely to share personal data compared to those in Malaysia (64%). Predictably, the younger demographic (age 18-39), and more affluent customers show a greater willingness to share their personal data.

71% of those aged 18-24 and 61% of those aged 25-39 are willing to share their data with digital banks. While 60% of those with an income of more than SGD 5,000 per month indicate that they are likely to share.

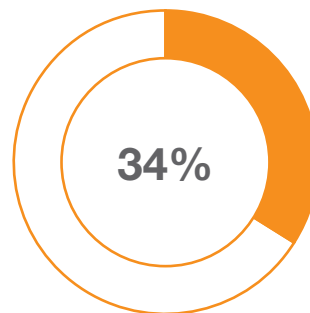
However, a third of Singapore respondents state that they have trust issues with digital banks, either in terms of their financial stability, or in trusting them with their personal data security. Out of those who do not trust digital banks with their personal data, 37% are female, and 31% are male. It is therefore crucial for digital banks to be able to prove their integrity and security credentials to customers in order to increase their market share.

Figure 11: Customers' concerns over data and financial security

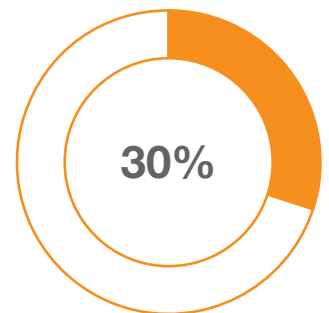
Likely to share personal data




Do not trust digital banks with personal data security



Do not trust digital banks and their financial stability





Building your customer strategy: Where to from here?

Digital banks will be catalysts for change across the global banking industry. How these banks build their business model and evolve their proposition will play a significant role in paving the way for success for new players as well as determining how incumbents will need to evolve.

While our research shows that customers are interested in opening a digital bank account, these accounts will likely be considered their secondary account and as a result, digital banks should expect to see lots of trialling in the short run, as customers test out the different digital banks and what they have to offer.

To attract customers during this trialling period, digital banks are likely to offer attractive lending rates and promotions that could erode their margins and have an impact on wider industry margins as well. Thus, a key question will be if these new digital banks can survive the trialling period and get to profit?

While there are multiple avenues to retaining customers and getting to profit, it's likely that on top of providing a seamless digital experience, these banks will need to provide additional non-financial services to keep customers actively engaged and empowered.

Customers will also need to be comfortable that controls are in place to eliminate or minimise the spectrum of risks that digital banking can bring. Establishing and communicating a risk framework with strong governance will therefore be key to allaying customers concerns and building a strong customer base.

There are many opportunities for both challengers and incumbents with the arrival of digital banks in Singapore. By shaping a strong formula that combines business strategy and customer insights with innovation, new technologies, and appropriate risk and control frameworks, banks can differentiate themselves from the other players in the pack.





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