The Fujitsu European Financial Services Survey 2016

A new pace of change

shaping tomorrow with you

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» Technology has created entirely new business propositions in financial services.[i] «

Financial Times, August 2013

Introduction
What is the future of financial services?

Consumers may not have predicted – or indeed sought out – the rise of modern-day behemoths such as Netflix, Uber and Airbnb; yet, it is their use of them that has shaken up entire industries. And so, the same is true for Europe's financial services sector.

Consumers might not know precisely what the future of financial services is but their perception has shifted dramatically. Today, consumers are no longer cautious and conservative; they're thinking radically. There's a willingness to embrace innovative capabilities and engage with the financial services sector in new ways to 'get more', simply and more efficiently.

These evolving consumer expectations, crucially, are focused on the providers they already know and trust – creating a tremendous opportunity. By recognizing underlying consumer motivations and keeping up with the pace of technological change, firms can deliver innovations that answer consumer needs before they even recognize them themselves.

The sector is up to the challenge. It's shown huge adaptability in the face of early digital disruption, tougher regulation and agile new challengers. Yet, there is more to do up ahead. Technology itself is often the engine driving consumer expectations forward and the next burst of digital acceleration is advancing at a fast pace.

As digital further transforms the landscape, this challenge will only increase. Customer relationships and established revenue streams will be squeezed by innovative competitors. Consumer expectations will be ever more informed by experiences outside of the industry, making them increasingly demanding. Cyber security risks will grow as organizations harvest and store customer data in greater volumes.

Now is the time for the financial services sector to build on its initial digital success: capturing extraordinary new business opportunities in a whirlwind of transformation where consumers are ready for radical change, but often won't know what they want until it appears.

To understand more about what banks and insurers must do to remain successful against this dramatic backdrop, Fujitsu has conducted detailed research questioning more than 7,000 consumers in seven regions across Europe. We then supplemented this insight by conducting in-depth interviews with business decision-makers from banking and insurance across the seven regions.

This report lays out our findings, examines how banking and insurance are evolving and the impact on consumer channels, data sharing and personalization, as well as what all this means for customer loyalty.

I hope you enjoy the read.

François Fleutiaux

Senior Vice President and Head of Sales, EMEIA, Fujitsu.

How are consumers evolving?

The way European consumers interact with the financial services sector has already changed beyond recognition and the pace of transformation is increasing. However, it isn't always consumers leading this charge – it's often technology.

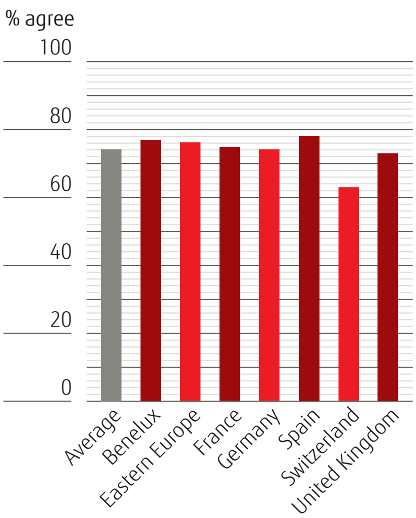
This section paints a picture of the evolving consumer, their remarkable openness to radical change and the new opportunities this offers the sector.

Convenience is king

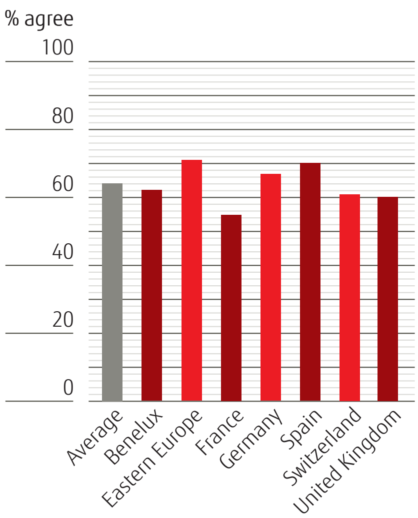
For the European consumer, convenience is king. Traditional banking channels and payment methods are being shunned where there are easier alternatives. As one retail banker commented **"Once a customer gets used to a particular channel which is in their opinion very convenient, they will not want to go back".**

Do you use the following channels at least weekly to interact with your bank?

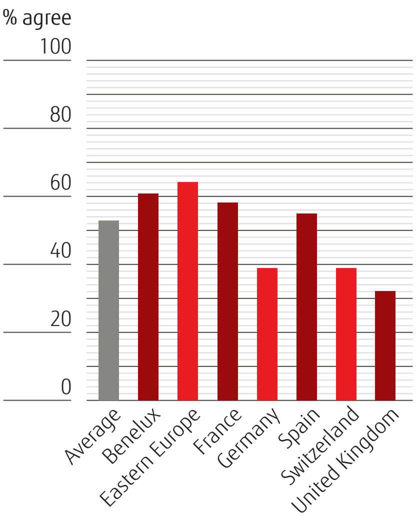
Online Banking



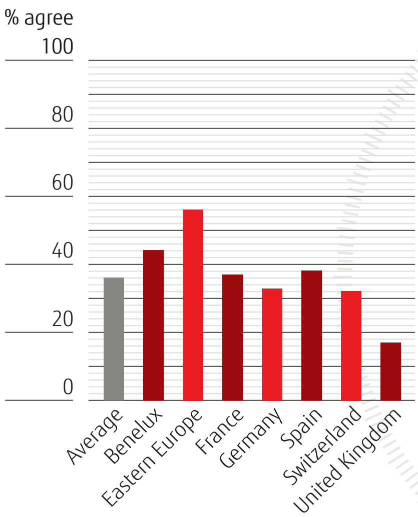
Self-Service/ATM



Mobile Application



Social Media

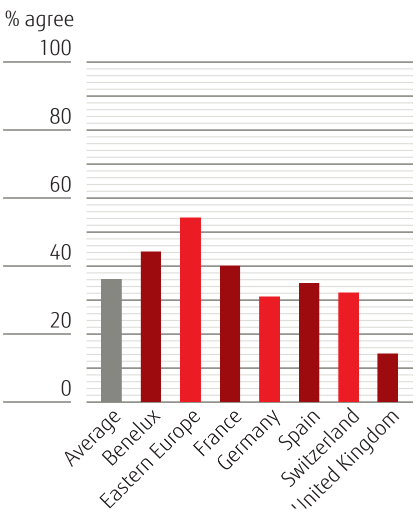


Online is far and away today's most dominant channel, highlighting the success of the financial services sector's first wave of digital innovation. Almost three-quarters (74%) use online banking on at least a weekly basis to interact with their bank, closely followed by self-service / ATM (64%).

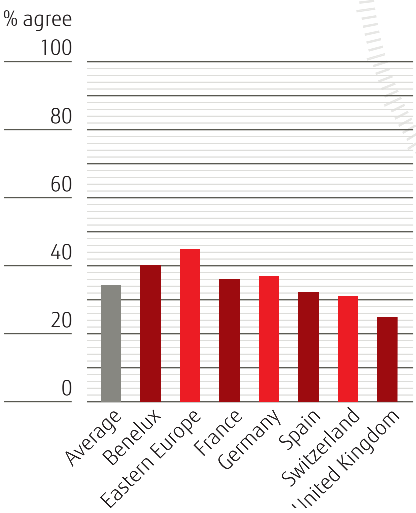
> » Everything nowadays is just a click away. «
>
> Insurance decision-maker

Do you use the following channels at least weekly to interact with your bank?

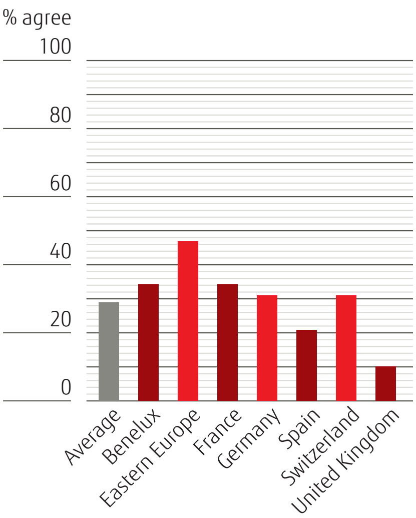
Telephone



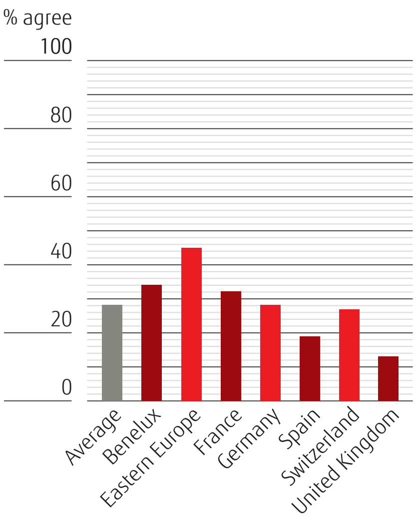
Bank Branch



Letter



Alternative Retailer

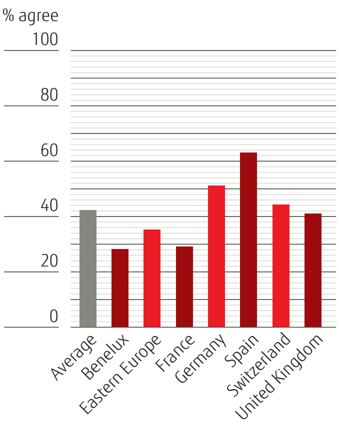


On the contrary, only a third of consumers use telephone (36%), traditional branch banking (35%) or letters (30%) in the same period, with the United Kingdom using these less convenient methods the least, chased narrowly by Spain.

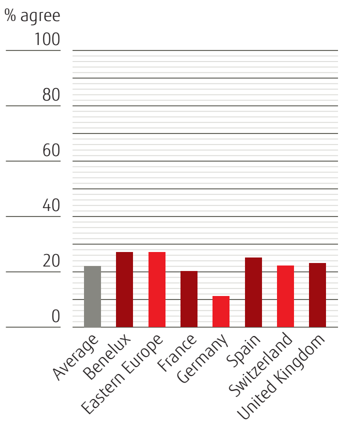
The lure of convenience is also clear when we examine consumer spending habits. The ease of cash remains king and it's here to stay: 42% of consumers use cash every day, while 48% expect to use ATMs more in five years' time. The simplicity of Chip and PIN is almost as popular: nearly one-in-four consumers (22%) use it every day and on a weekly basis it overtakes cash as the most popular payment method (47%). Just 9% of Europeans never use Chip and PIN, less than any other form of payment besides cash (3%).

Do you use these payments methods every day?

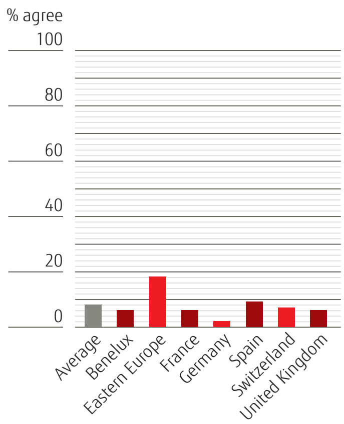
Cash



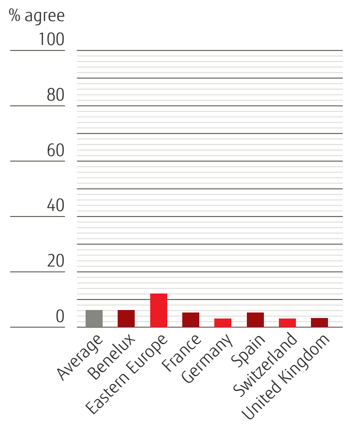
Card (Chip and PIN)



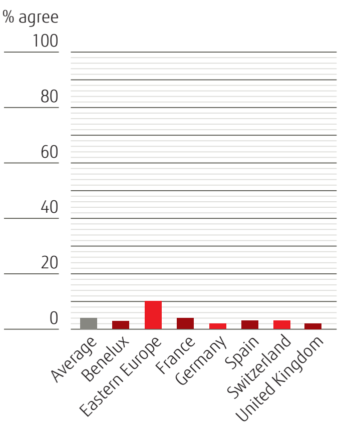
Contactless Card



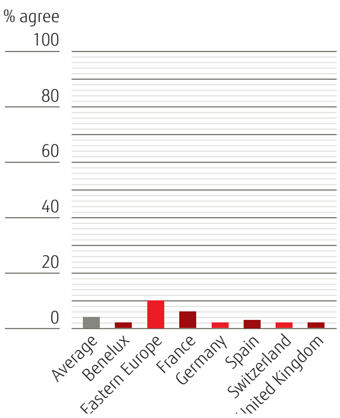
Online Payment System (e.g. PayPal)



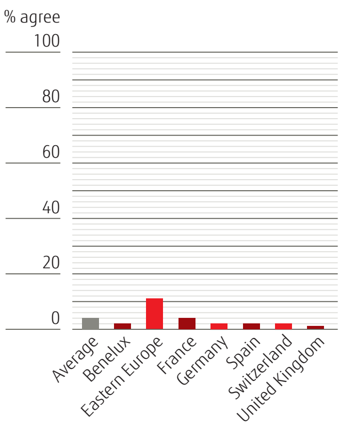
Mobile Payment (a mobile payment app)



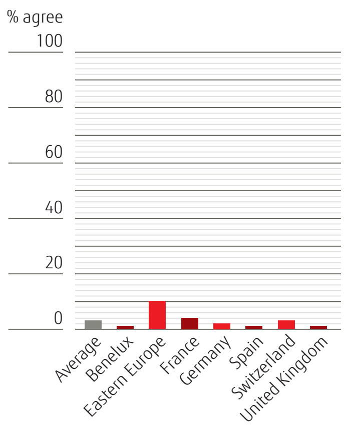
Wearable (e.g. smart watch)



Crypto-currency (e.g. Bitcoin)



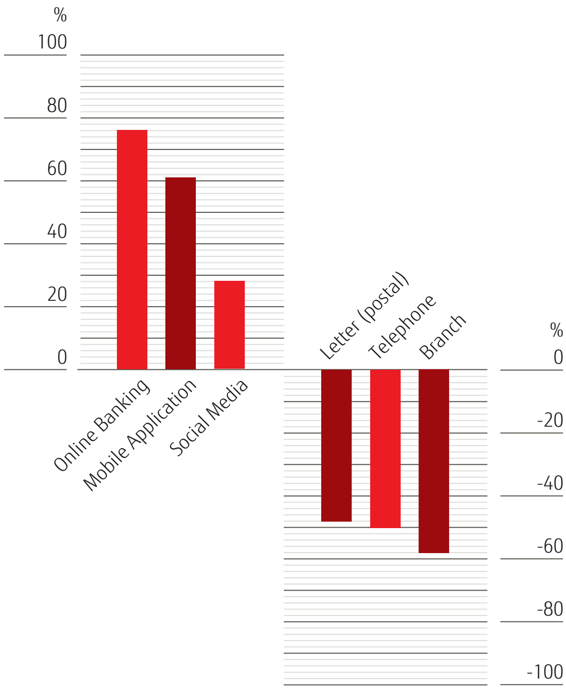
Cheque



The drive towards convenience is also accelerating rapidly: the majority of consumers believe interactions via traditional channels – branches (58%), telephone calls (50%) and letters (47%) – will decline in the next five years. Meanwhile, more automated interactions – whether through online banking (76%), mobile applications (61%), or self-service kiosks and ATMs (48%) - are predicted to grow. One senior banker summed up this transition, saying **"The most important channels are online followed by the latest gadgets like mobile. We will not be going back to...traditional banking."**

Growth and Decline

In five years time I will use these channels more / less



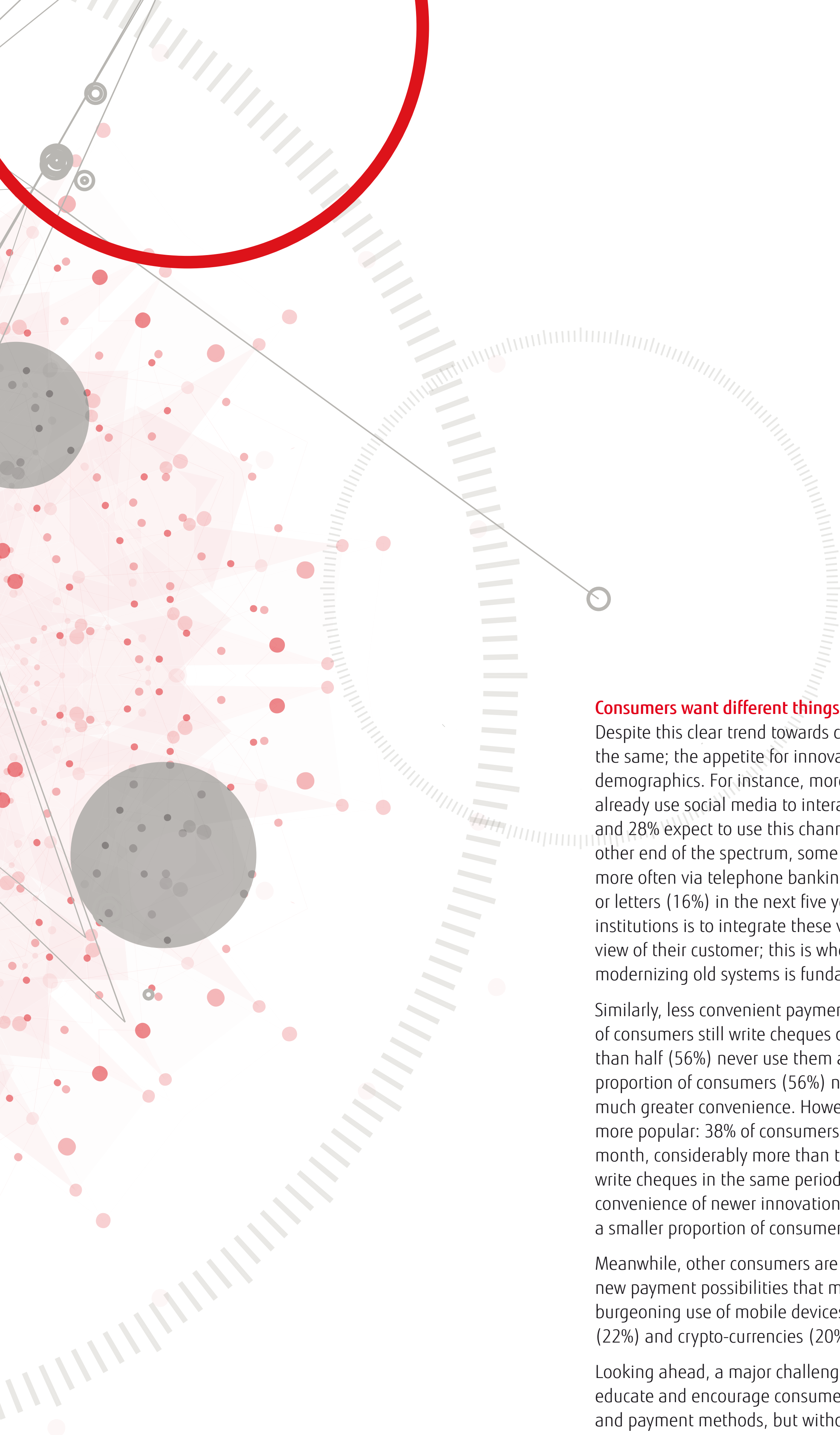
The anywhere, anytime nature of online banking is undoubtedly a factor here, but this trend is not simply a question of digital versus physical. Instead it is about the desire and drive from consumers for an omni-channel experience. Today, self-service kiosks and ATMs come a close second to online banking in terms of popularity, with nearly two-thirds (64%) of consumers using them at least weekly. It seems self-service provides a convenient segue that bridges banking's physical past and its digital future, easing consumers into new, more convenient behaviors at a comfortable pace.

The surprising growth of self-service also demonstrates that consumers may not know how they want to interact with organizations before new possibilities arrive. After all, consumers didn't predict the Internet, yet now Europeans spend almost 27 hours online every month[ii]. Consumers didn't see mobile connectivity coming, but there are now more than one billion subscribers[iii] across Europe. Consumers may not yet hunger for what the industry terms the Internet of Things, even though we're on course for 25 billion connected devices[iv] that they may soon see as indispensable.

» Loyalty is diminishing in importance as far as the industry is concerned. It's more of a question of convenience... «

Retail banking decision-maker.

Ultimately, it's the desire for convenience and value that will determine whether new channels and payment methods succeed. Only by staying at the cutting-edge of technology can firms read the 'digital subconscious' of the European public: delivering desired innovations before they even know they want them.



Consumers want different things

Despite this clear trend towards convenience, consumers aren't all the same; the appetite for innovation varies across regions and demographics. For instance, more than a third (36%) of consumers already use social media to interact with their bank at least weekly and 28% expect to use this channel more in the future. At the other end of the spectrum, some consumers expect to interact more often via telephone banking (28%), branch banking (27%), or letters (16%) in the next five years. Seemingly, the challenge for institutions is to integrate these varied inputs to enable a single view of their customer; this is where digitizing the back office and modernizing old systems is fundamental.

Similarly, less convenient payment methods continue to linger: 3% of consumers still write cheques on a daily basis, although more than half (56%) never use them at all. Interestingly, the same proportion of consumers (56%) never use contactless - despite its much greater convenience. However, contactless is undoubtedly more popular: 38% of consumers currently use it at least every month, considerably more than the one-in-four (26%) that will write cheques in the same period. This evidences a shift towards the convenience of newer innovations, but one that is a slower pace for a smaller proportion of consumers.

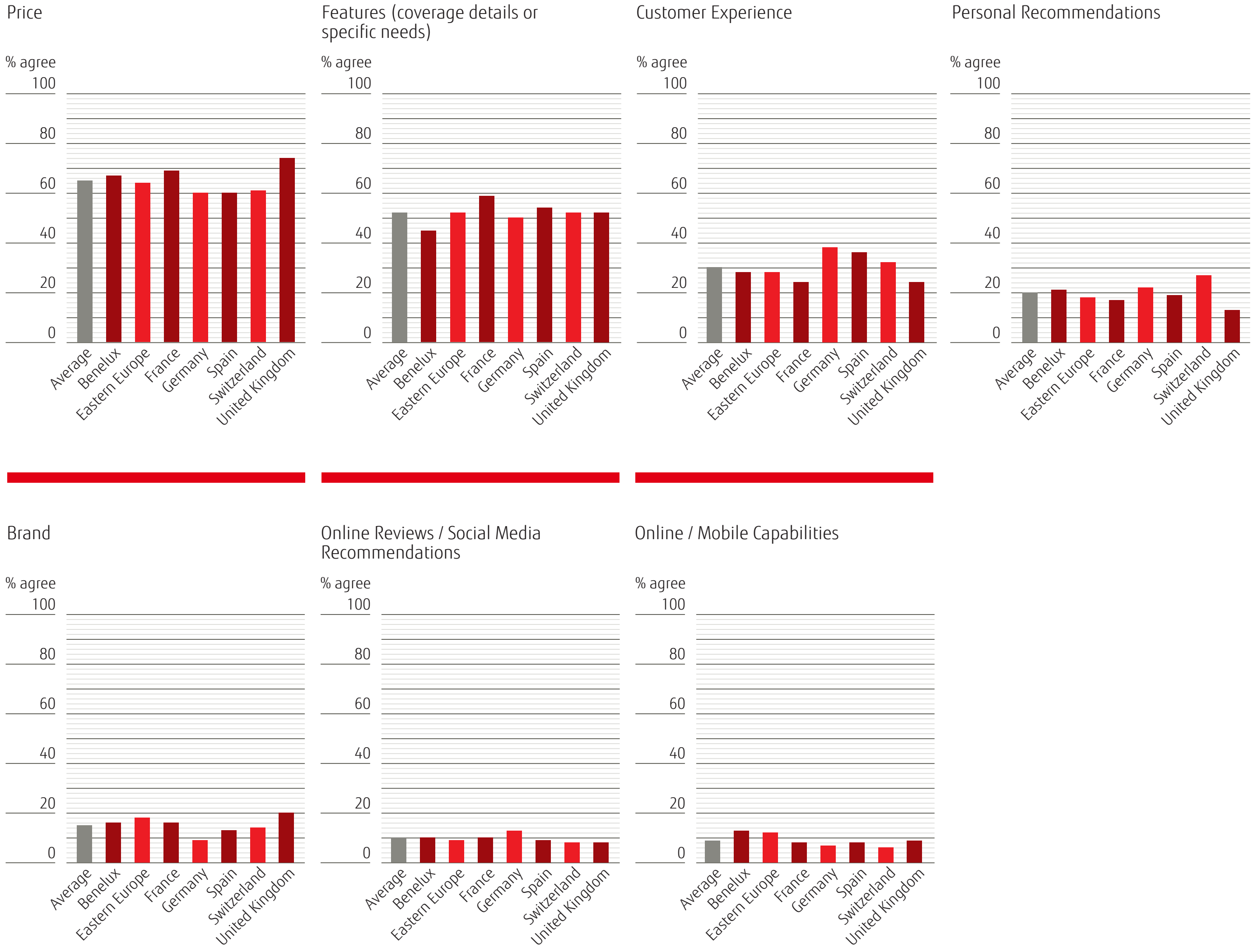
Meanwhile, other consumers are extremely open to radical new payment possibilities that make their lives easier: there's burgeoning use of mobile devices (32%), wearable technologies (22%) and crypto-currencies (20%) throughout Europe.

Looking ahead, a major challenge for banks and insurers will be to educate and encourage consumers to engage with new channels and payment methods, but without abandoning those not yet ready to adapt. As one senior decision-maker in a private bank reflected, there are **"two types of customers...those who want human contact and advice and those - including the younger population – that want technology".**

Insurance Focus: Driving digital adoption

While digital capabilities are hugely important in banking, insurance consumers are at an earlier stage in their development and change will need to be managed more gradually. The majority of European consumers regard price (65%) and features (52%) as the most important factors in choosing which package to buy, while online and mobile capabilities (9%) are seen as least significant. Similarly, consumers are also hesitant to trust newer digital channels, such as mobile apps (14%) and social media (6%), when interacting with insurers.

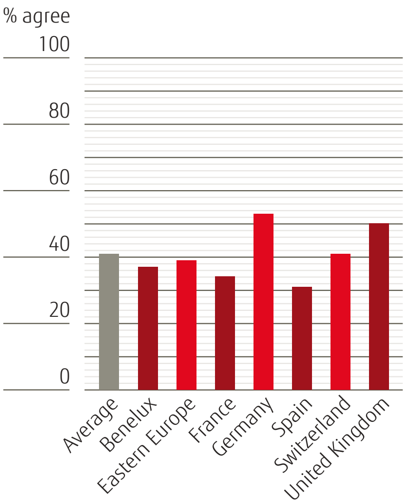
What are the highest ranking factors when choosing an insurance package?



Nonetheless, this isn't a time to stand still: challenger brands, InsurTech players and even other industries can revolutionize customer expectations overnight. Indeed, digital does take on more importance as a purchasing channel, with two fifths (41%) of consumers now buying packages through a comparison website. As one insurance decision-maker commented: **"more and more virtual interaction [is happening] through the web"**. Another agreed, saying: **"customers have become extremely tech-savvy and do almost all transactions via the web"**.

Aggregators

I like to buy my insurance through a comparison website



While twice as many consumers are currently swayed by personal recommendations (20%) versus online reviews (10%) when choosing insurance packages, digital influences remain present. We believe it will be activities that often require transformation in the 'back office' first that will make a radical difference to consumers in the long term, such as digitizing the claims process. Firms could find themselves suddenly outmaneuvered if they fail to embrace digital innovation and delight consumers with new possibilities: one-in-ten (12%) consumers now regard up-to-date technology as a major factor in staying loyal to their current insurer. With the quick pace of change in banking and across other sectors creeping into insurance, it's only a matter of time before we expect this number to swell.

Across Europe

The tension between traditionalists and progressive consumers can be seen starkly in the French market, where almost all consumers still write cheques (92%) – compared to just one fifth (20%) of Germans, those least likely to use them. One French investment banker we spoke to highlighted this, saying consumers **"prefer to pay by cheque... we have the option of accepting cheque but not necessarily PayPal".**

Meanwhile, French consumers also rely most on telephone banking: 92% use it today, while a third (35%) expect use to increase in the next five years. In comparison, a third (36%) of UK consumers never use telephone banking and the same number (36%) only use it once a year.

Paradoxically, however, the French are also quickest to embrace many emerging technologies, such as wearable (26%) and crypto-currency payments (22%). One French retail banker flagged this focus on emerging technologies, commenting: **"everyone now has a smartphone in [their] pocket and they're the end customers we need to target".**

The French also remain more open to contactless payments, with nearly half (49%) using them today, although this is outpaced by the two-thirds (65%) using them in Eastern Bloc countries where adoption is greatest. This rapid uptake may be due to the Eastern Bloc starting from a blanker canvas since they are less reliant on legacy systems and the need to capitalize on past investments.

French consumers also buck another trend: aside from Benelux, they're the least likely to use cash on a daily basis (29%). Perhaps because banks more often charge for withdrawals in France, consumers are also extremely reluctant to use self-service kiosks and ATMs, with more than a third (39%) reporting they will never use this channel in the next five years.

Clearly, players in the French market will need to balance the needs of early adopters with those reluctant to abandon traditional channels and payment methods carefully, easing and educating consumers towards more automated, convenient and cost-effective interactions.

Time for radical thinking?

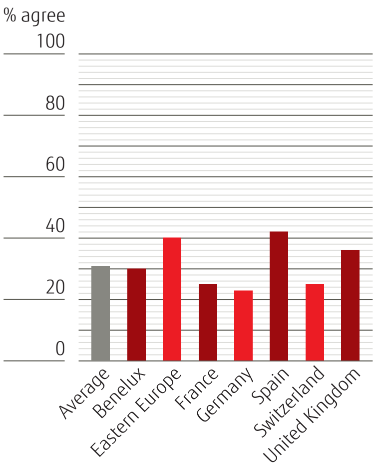
While the desire for convenience can help banks and insurers shape new channels and services as well as cut costs, consumers are ready to go further. Today, there's an enormous, untapped desire for radical new capabilities and services from the financial services sector – offering firms the chance to innovate, diversify and even transform traditional business models to create entirely new revenue streams.

From utilities to media services, the survey found that consumers are open, ready and willing for financial services to gain new revenue streams from other industries. Across Europe, around a third of consumers are enthusiastic about purchasing home energy (31%), data storage (31%), broadband (30%) or mobile contracts (29%) from their bank or insurer.

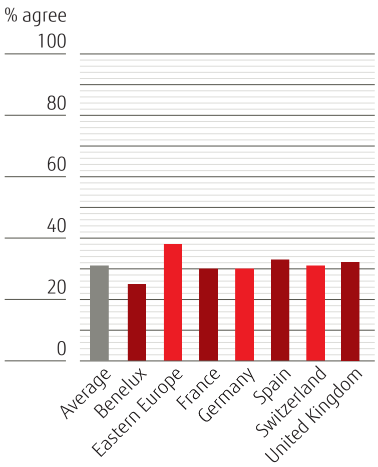
However, if established firms fail to seize the initiative and surprise and delight consumers with new options, others certainly will. Consumers have opened the door to these new possibilities for the financial services sector, but they can just as well seek them from challenger brands, niche players and even other industries.

Which would you consider buying from your bank or insurer?

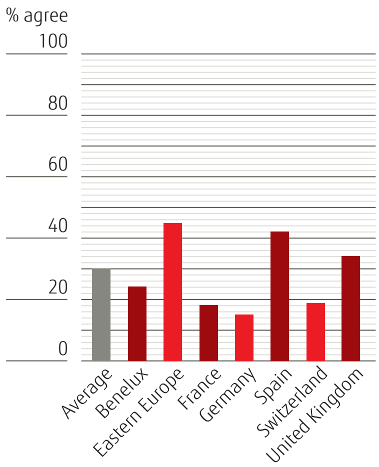
Energy for your home



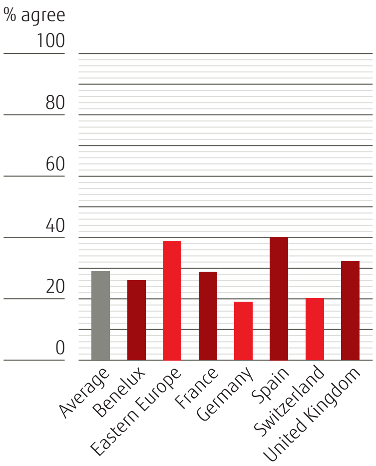
Personal Data Storage
(e.g. copy of passport, driving license details, passwords)



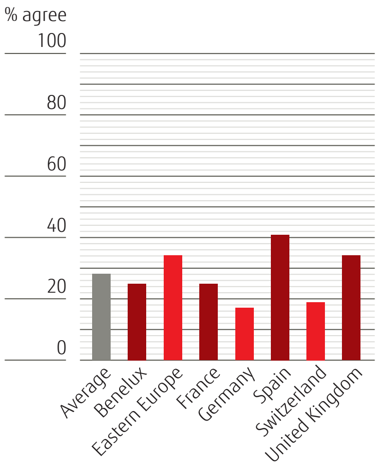
Broadband



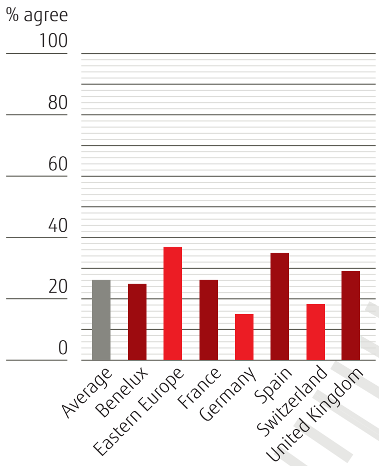
Mobile Phone Contract



Home Telephone



Media Services
(e.g. TV, video on demand)



What is the dilemma with data?

Harnessing the huge business potential of customer data brings equally large risks. With cyber attacks now making the headlines weekly, if not daily, and 90% of major organizations[v] suffering a breach last year, consumers are growing ever warier.

The next pages investigate the willingness of consumers to trust financial services with their personal data and the challenges and opportunities this creates for the sector.

Investing in trust

Customer trust has never been so valuable, or so hard to come by. Social media and Internet companies fare least well, just one-in-seven consumers (15%)[vi] say they trust them with their data. Media companies, utilities and local government do little better, with a trust level of less than a quarter (24%)[vii].

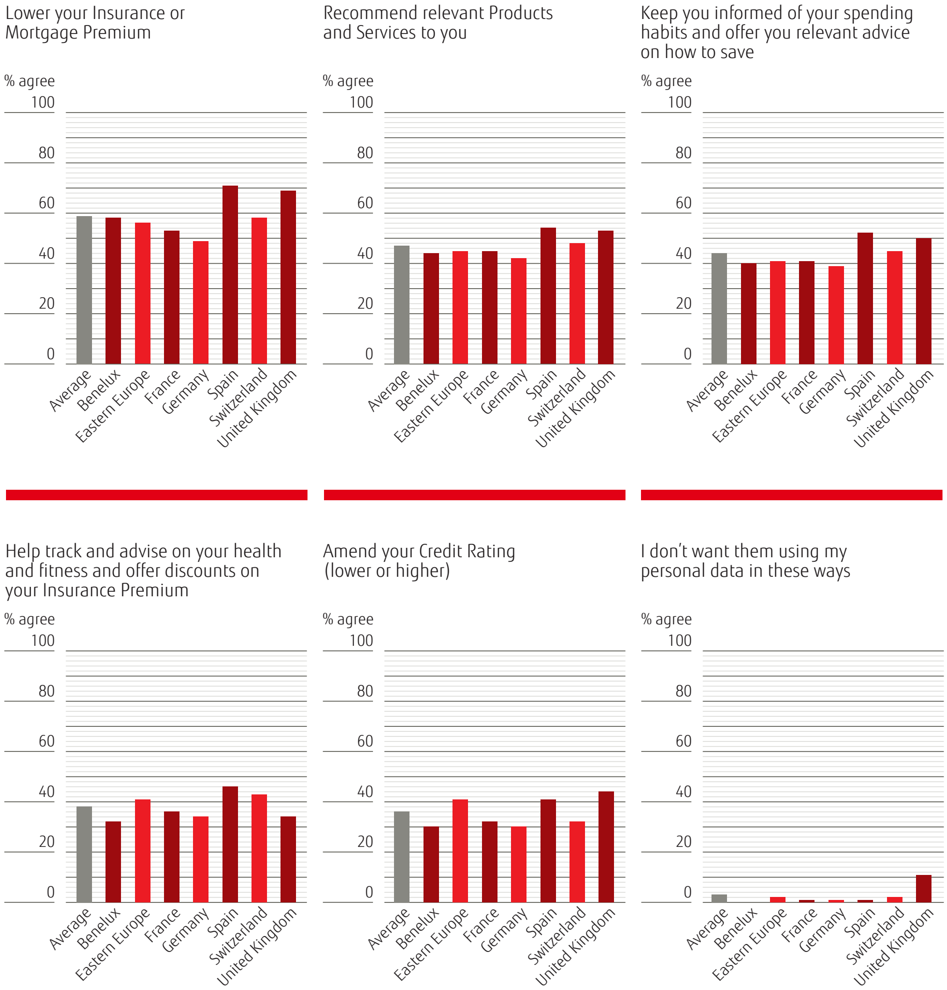
In comparison, the **financial services sector** is in strong health. Today, it leads the field in retaining customer faith: a third (36%) of consumers[viii] still believe banks and insurers will protect their personal data.

It seems the sector's historical focus on security is paying dividends. As one retail banker reflected: **"the attitude has changed because...institutions are investing more on security and... constantly sending literature to educate [customers]".**

Within this trust lies a huge opportunity. Today, almost all European consumers (97%) are happy for their personal data to be used to inform, make recommendations or add value to their financial services.

Consumers are most open to financial services using their personal data to lower mortgage or insurance premiums (59%), recommend relevant products and services (47%), or keep them informed on their spending and saving (44%). There's also considerable interest in personal data being used to reduce specific insurance premiums, such as tracking a customer's wellbeing and fitness to offer discounts on health or life insurance (38%). Even using personal data to amend credit ratings – the area consumers were least enthusiastic about – was supported by more than a third (36%) of those surveyed.

Would you be happy if your bank or insurer used your personal data to:



Now it's personal

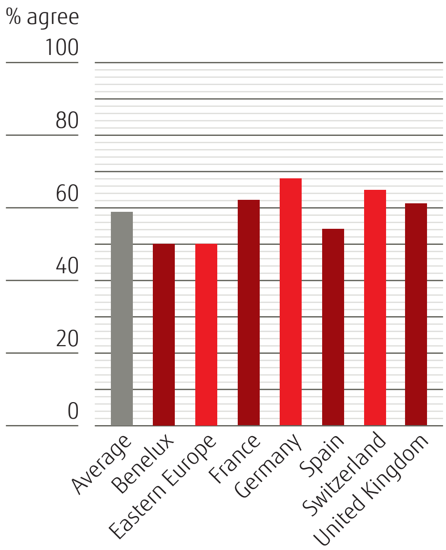
Nurturing this burgeoning consumer confidence is crucial to the financial services sector's future success. With access to large volumes of personal data, organizations can create new and bespoke services - enlarging their share of wallet and dramatically boosting customer satisfaction and loyalty.

Such personalized services will be crucial to attracting and retaining customers, with almost two-thirds (59%) of consumers reporting it's the customer experience that keeps them loyal to their bank or insurer.

However, harnessing the power of customer data also creates a dilemma for financial services. Safeguarding more information brings added risks, including complying with tough legislation – like the EU's forthcoming General Data Protection Regulation (GDPR) - and fending off more frequent cyber attacks from those who see this lucrative data as an all too tempting target. As a retail banking decision-maker added: **"Customers feel comfortable sharing more data because of tighter rules and regulations. Although in some ways it's a burden for the bank, it gives the customer a [greater] level of control and comfort"**. Through the evolution of big data and analytics capabilities, this "burden" has never been more addressable than today.

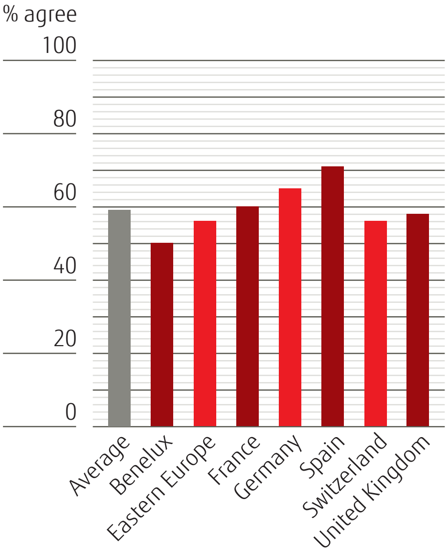
CXP

The customer experience I get with my bank and insurer is what keeps me loyal



Security Breach

I would switch bank or insurer if it suffered a security breach



Tighter regulations may be reassuring, but consumers are also savvy, switched-on and ready to act if their providers fail them on data security. Almost two-thirds (59%) would switch bank or insurer if their provider suffered a security breach, while just 15% would remain. As a senior figure in a retail bank bluntly told us, **"if we're not able to keep up with security threats, we will not survive".**

Paradoxically, this security conscious mindset doesn't appear to impact consumer decision-making on which channels to use. While face-to-face engagement is regarded as the most trusted channel by more than half (57%) of consumers, online (15%), mobile apps (5%) and social media (3%) fare far less well. Nonetheless, consumers continue to migrate to these alternatives, ignoring perceived risk in favor of convenience. 58% of consumers plan to use bank branches less over the next five years, while expecting mobile apps (61%) and social media (28%) to be used more. As one retail banker confirmed, this isn't due to a lack of awareness: **"the end customer is much more mature in regards to what can happen".**

The lesson is clear: harnessing customer data is the huge opportunity underpinning digital acceleration, and consumers are largely willing for organizations to leverage this mass amount of information, where it adds value.

Across Europe

Attitudes to data sharing vary greatly across Europe, suggesting that banks and insurers will need to tailor their offerings to local markets.

In Germany, consumers are least open to using personal data to enhance specific banking and insurance services, with many rejecting the opportunity to lower mortgage premiums (36%), hear about relevant products and services (48%), or receive advice on spending habits and saving (54%).

Interestingly, this reluctance isn't due to a lack of interest in a superior customer experience: two-thirds (68%) of German consumers – more than any other country – cite this as the greatest driver behind loyalty. Perhaps one insurance decision-maker put his finger on it when he noted: **"Germany is still quite traditional in [its] approach".**

Overall however, Germans remain willing for organizations to use their personal data to enhance at least some services, with just 1% rejecting the possibility entirely. As a senior German insurer commented: **"I won't say it's easy [but] customers are moving gradually onto providing more and more data".** Conversely, the UK is more open to specific service enhancements, but has the most consumers (11%) who don't want their personal data used for any purpose, suggesting a divided view of data sharing across British society that must be handled sensitively.

Germany is also least in favor of receiving new services from banks or insurers. For instance, home energy – the most popular potential service across Europe – was absolutely rejected by two-thirds (66%) of German consumers and was only strongly considered by one-in-five (23%). This may be due to disillusionment with the energy sector in general: German consumers currently face hefty surcharges to help pay for their country's transition to renewables or 'energiewende'. At the other end of the scale, almost half (42%) of Spanish consumers would consider buying home energy. Across the board, Spanish consumers are also most open to sharing personal data to enhance services from banks and insurers.

Clearly, no bank or insurer can approach the European market with a homogenous strategy when it comes to personalizing and expanding their services, but those with pan-European operations are at an advantage to leverage best practice and innovation from their more progressive regional operations.

Risky business: security and innovation

Data has been called the 'new oil' and, like any valuable commodity, there's always someone ready to steal it. Today, the number of data breaches and the names involved grow larger ever year: more than 2,000 were reported in 2015[ix], with the worst cases costing large organizations up to £3.14 million[x] due to disruption, lost sales, asset recovery, regulatory fines and compensation claims. As one retail banking decision-maker told us, **"security is one of [our] biggest challenges".**

While organizations are rightly concerned, security also remains a central issue for European customers. For instance, despite completely opposite attitudes to data sharing, both Spanish (71%) and German (65%) consumers would be most likely to switch provider in the event of a security breach. Even in the region least likely to switch, Benelux, half (50%) of consumers would leave.

Consumers now have a complex relationship with banks and insurers that precariously balances security and convenience. As trusted face-to-face interactions are steadily replaced by digital alternatives, organizations will need rock-solid security to conquer consumer fears and bring new channels into the mainstream.

The situation is made even more complex by cross-industry competition. As the breakneck pace of digitization continues, organizations can find themselves forced to deploy new innovations to keep pace with competitors - leaving less time to recruit scarce cyber expertise and implement appropriate security controls. As a senior banker told us, **"It's like getting into a fast car and driving and knowing that there are lot of dangers and still you [do it] because all of them are doing it."**

Alternatively, organizations may choose to play it safe, avoiding potentially insecure channels entirely and negatively impacting their competitiveness. Either way, it's no surprise that 42% of today's IT decision-makers[xi] cite security concerns as a major barrier to digitization.

We believe the answer lies, once again, in embracing innovation. Just as the financial services sector has harnessed advances like two-factor authentication in the past, new security innovations – such as voice recognition banking and other forms of biometric identification like Palm Vein - can enormously mitigate the risk of pioneering new channels and technologies that delight consumers with their value and convenience.

Where can you channel Europe's digital potential?

With 81% of households online and three-quarters of Europeans surfing the Web on a regular basis, changing consumer habits and new technologies are driving digital domination. Yet, while digitization is unstoppable, European consumers aren't homogenous.

This section examines why industry-wide collaboration will be essential if the financial services sector is to drive new channels, services and technologies into mainstream consciousness and lay a strong foundation for future success.

A fragmented landscape

Today, consumers increasingly expect the financial services sector to deliver the same level of service anywhere, anytime, on any device - with the safety net of face-to-face contact when needed.

Up-to-date technologies are most important to Spanish (47%) and Eastern Bloc (43%) consumers, who would leave their bank or insurance provider if these needs aren't met. At the other end of the scale, Germany (27%) and Switzerland (33%) are least concerned about cutting-edge financial interactions.

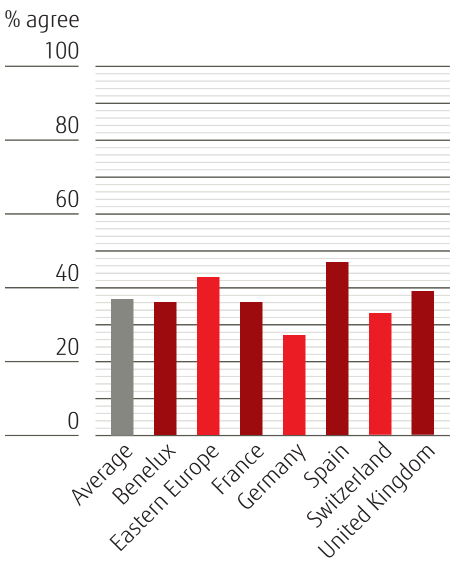
Yet, while at least one-in-four consumers now demand innovations that add value and convenience, Europe isn't in agreement on the right path to take. For instance, consumers in the Eastern Bloc (64%) and Benelux (62%) currently use mobile apps to interact with banks the most on a weekly basis, while the UK (33%) and Switzerland (49%) use this channel the least and also have the highest proportion of consumers that refuse to use mobile apps at all.

Similarly, attitudes to social media interactions vary wildly. UK consumers use social media least frequently to interact with their bank or insurer, with three-quarters (76%) reporting they never use it, compared to less than a quarter (23%) of Eastern Bloc consumers who have embraced the channel most strongly. Across Europe as a whole, just a third (36%) of consumers interact with firms via social on a weekly basis. As one retail banker said: **"we don't really use social media [to its] full potential...we need to take the next step".**

Examine the latest payment technologies and there's a comparable sense of Balkanization across Europe. On a weekly basis, Eastern European consumers are the most likely to embrace emerging payment trends, including contactless (40%), mobile (27%) and wearable technologies (22%). In contrast, German consumers are least likely to make contactless (8%), mobile (7%) or wearable device payments (5%) in any given week.

Up-to-date Technology

I would switch bank or insurer if they didn't offer me up-to- date technology to interact with them



Joining forces

Facing such radically different attitudes to new channels and technologies, banks and insurers can't expect consumers to lead the way into the digital future. The power - and the pressure - is on the sector itself to go further, innovate and embrace cross-industry collaboration to push forward a new era.

The financial services sector faces a shift of gear that will take it from online banking and Chip and PIN to the next generation of channels and payment methods. And just as the mass uptake of Chip and PIN required the creation of a new standard and support from the EMVCo, the same will be true of the channels and payment methods now on the horizon. Successful innovation will demand more than simply tailoring engagement strategies to the tastes of individual regions.

There are clear signs that a united approach to new channels and payment methods can help force emerging innovations into the mainstream. All of the markets surveyed in this research predict an increase in mobile app use over the next five years, with an average of two-thirds (61%) of consumers expecting to use this channel more frequently. However, the challenges are greater when it comes to social media: similar numbers of consumers expect usage to grow (28%) as decline (23%) in five years' time, while nearly half (49%) believe they'll never use social channels for financial interactions.

» More and more the market will become a place for new partnerships offering products to customers, combining capabilities, data, advice and strengths... «

Retail banking decision-maker.

In an environment where it's hard to know which channels and technologies will succeed, financial services can maximize their chances of success by joining forces. By uniting resources and expertise, banks and insurers will be better positioned to conquer issues critical to mass adoption, like ease-of-use, security and consumer awareness. For instance, security concerns alone may account for the sporadic uptake of new channels: Europeans trust social media (74%) and mobile apps (42%) the least when it comes to financial interactions.

Insurance Focus: Digital division

Just as with banking, the influence of digital channels on the insurance market varies considerably across Europe.

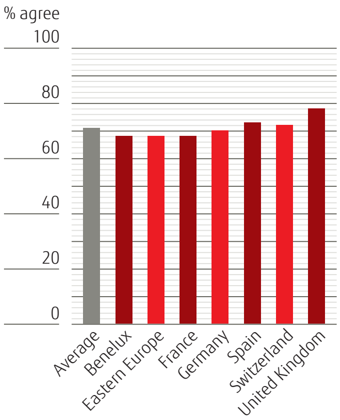
When it comes to considering which insurance package to buy, online and mobile capabilities are most important to consumers in Benelux (13%), while the Swiss are the least interested in these innovations (6%). Meanwhile, online reviews carry the most weight with German consumers (13%) and the least with the United Kingdom (8%). Germans are also the most likely to rely on comparison websites (53%) to make insurance purchases, while the Spanish use this channel the least (31%).

Unsurprising, trust in digital channels also differs across Europe: consumers in the Eastern Bloc are most confident using mobile apps (20%) and social media (11%) to interact with their insurers, while UK consumers remain wariest.

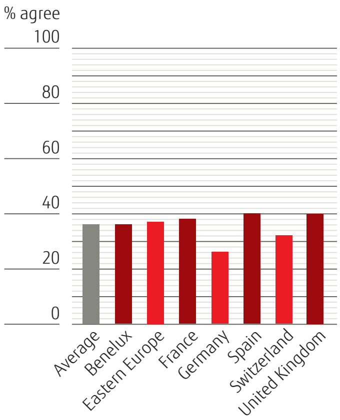
To drive business success, insurers must tailor their engagement strategies to regional preferences, while uniting their resources to conquer major issues like security and bring new channels into mainstream use.

When interacting with your Bank which channels do you rank highest in terms of security ?

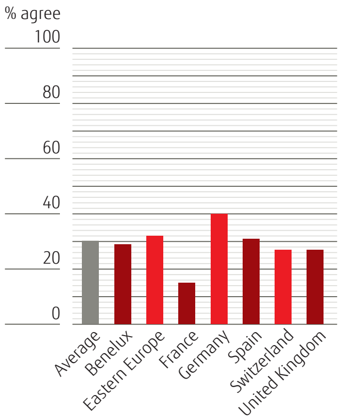
Bank Branch



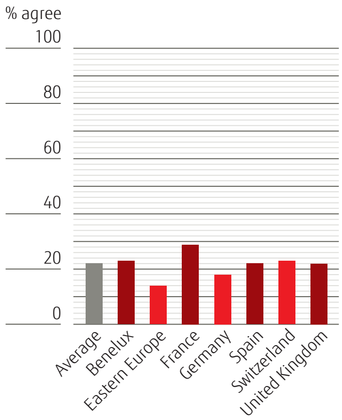
Online Banking



Self-Service / ATM

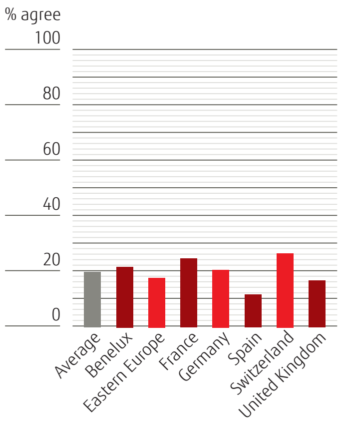


Telephone

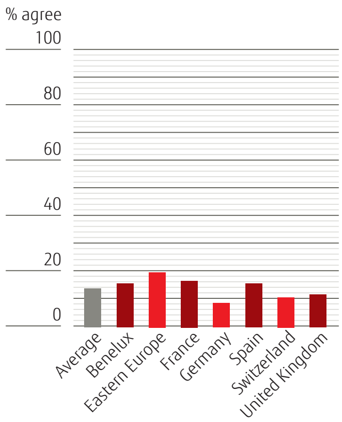


While collaboration can address crucial challenges and turn sluggish adoption into mass awareness, organizations also face greater risks if they fail to cooperate. For example, investments in research, development, security and promotion may be squandered on innovations that never achieve critical mass. Competition between established players also leaves them less able to seize the digital initiative and more exposed to challenger brands and niche competitors in the race for competitive advantage.

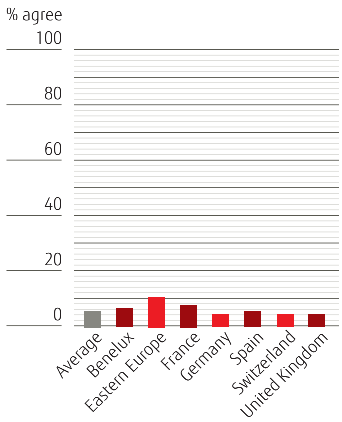
Letter



Mobile Application



Social Media



Across Europe

When it comes to European attitudes to emerging channels and payment methods, the UK is an interesting anomaly. Today, 39% of British consumers would leave their bank or insurer if it didn't offer up-to-date technology for interactions – more than the European average. This openness to innovation is also supported by the higher than average uptake of both online banking (77%) and automated self-service (56%) predicted by UK consumers in five years' time. Additionally, UK consumers use both Chip and PIN (56%) and contactless payments (17%) more than the average European on a weekly basis.

While these findings seem to paint a picture of a nation accelerating into its digital future, UK consumers are unusually resistant to some digital channels, notably mobile apps and social media. On a weekly basis, UK consumers use both mobile apps (33%) and social media (17%) the least when interacting with banks, and are most likely never to use mobile payments (80%).

This picture isn't set to change: a third (38%) of UK consumers say they won't use mobile apps to interact with their banks in five years' time, while two-thirds (62%) say the same for social media – the highest levels across Europe. Similarly, nine-in-ten UK consumers (90%) never use wearable technology or crypto-currencies (91%) to make payments.

Security concerns undoubtedly lie at the heart of this disparity. UK consumers have the highest levels of distrust for both mobile (53%) and social media channels (84%) when it comes to interacting with banks and insurers. As one UK retail banker told us: **"there's a lot of talk and a lot of news about data privacy, data protection and breaches of data".**

Does customer loyalty exist anymore?

With an increased focus on making switching more appealing for consumers, many players are now intensely focused on safeguarding customer loyalty and stealing market share.

This section explores what motivates customer loyalty today, whether the preoccupation with switching is justified and the impact of challenger brands and new market entrants.

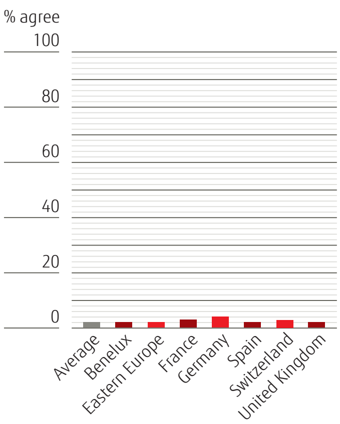
Switched-off to switching

For banking, since the introduction of the EU's Payment Accounts Directive, which sought to make it more attractive for European consumers to switch, established firms have been gripped by the perceived need to defend their customer base. As one retail banker declared: **"it is easier to switch... so customers are not so connected to you as a bank anymore".**

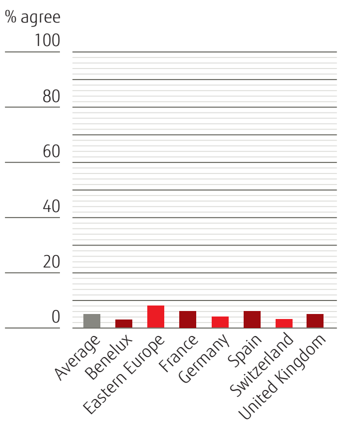
In reality, there isn't much cause for alarm. Today, European consumers rarely switch: on average, a third (32%) of Europeans have never changed bank. Even amongst those that have changed provider, the majority (53%) haven't done so in the last 10 years. Additionally, more than half of consumers (54%) feel no impulse to seek additional services from other providers and use only one bank.

When did you last switch bank?

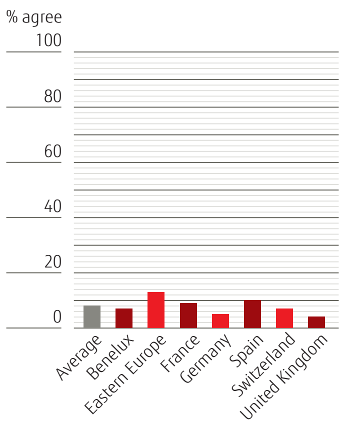
In the last month



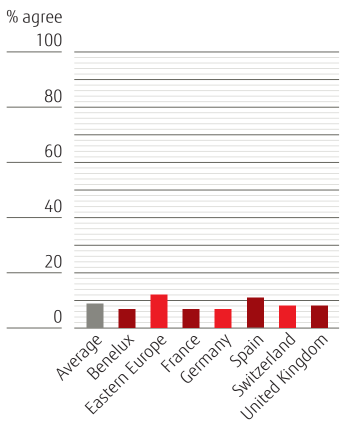
In the last six months



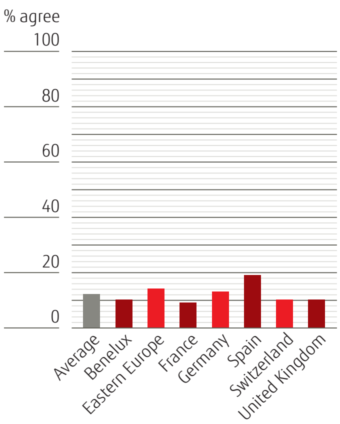
In the last year



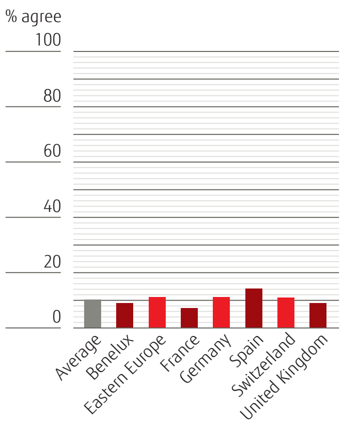
In the last two years



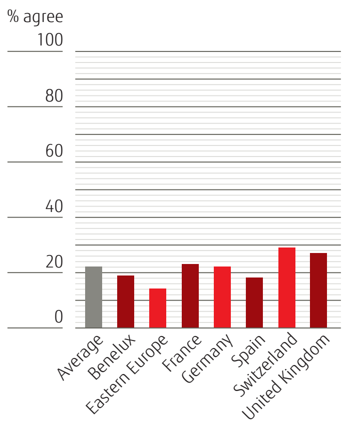
In the last five years



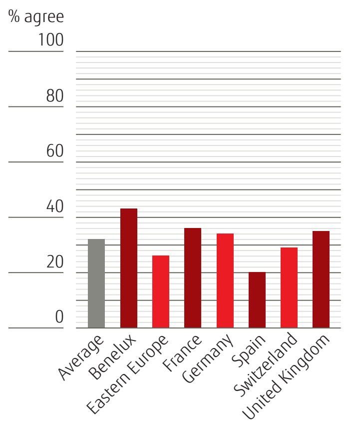
In the last ten years



Over ten years ago

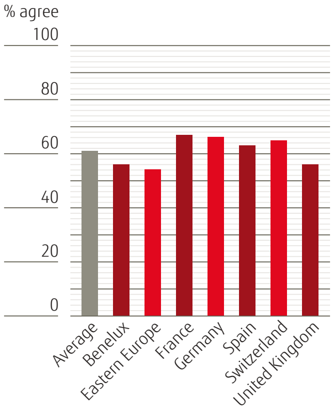


I have never changed bank



Responsible Business

It is important to me that my bank or insurer is socially responsible



Consumers were also clear about the major reasons for this continued loyalty. While the customer experience is certainly a crucial element, with 59% of consumers citing it as a major factor, it's superseded by the demand for social responsibility (61%) and almost equaled by straightforward brand reputation (56%).

However, there are signs this status quo may change with the arrival of younger consumers: two-thirds (61%) of 22-29 year olds have switched bank in the last five years. Additionally, almost half (41%) of consumers now rely on comparison websites when considering insurers.

Crucially, when consumers do switch bank or insurer, security and up-to-date technology are often the motivating factor. Two-thirds of European consumers (59%) would switch if their provider suffered a security breach, while more than a third (37%) would leave if not offered up-to-date technology for interactions.

» New players are quite aggressive and very innovative... «

Retail banking decision-maker.

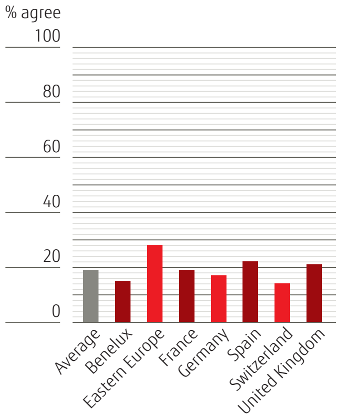
Making an entrance

While established firms have successfully held off initial competition from digital disruptors, the 'Uberization' of the financial services sector remains a persistent threat. Given the major role up-to-date technology plays in switching, it's possible challenger brands could unleash innovative services that attract large volumes of consumers.

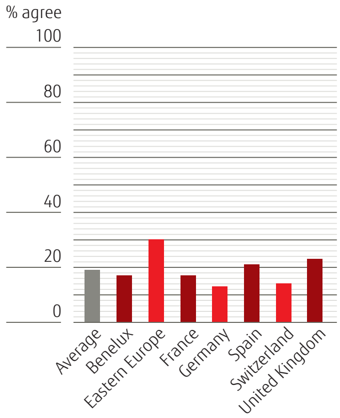
There's no doubt European consumers are open to radical options: a fifth (19%) would buy banking or insurance services from companies like Facebook, Google, Amazon or Apple. However, most consumers feel there's enough choice in the current marketplace and can't perceive a need for new players, with two-thirds (63%) stating there are enough providers available.

Buying extra Services

I would buy banking services from companies like Amazon, Google, Facebook and Apple



I would buy insurance from companies like Amazon, Google, Facebook and Apple



While the relatively low level of interest in new entrants doesn't hugely threaten share of wallet today, the warning signs are there. It's important to remember that consumers are very often not aware of a need until they're offered a new service or capability. There was no proactive demand for contactless payments, but these have now been adopted by almost half (44%) of consumers. As one retail banker put it, these agile new entrants **"don't have as much share...of the market [today] but in the future they will have a huge impact".**

Evaluating the risk from innovative competitors is even more crucial in the light of new initiatives like the EU's revised Payment Services Directive (PSD2) and the UK's Open Banking Working Group. These programmes aim to drive stronger competition and innovation by opening up access to payments systems and making customer data available to third-party applications. As the findings shows, 97% of consumers are happy for this data to be used where it adds value, so the race is on.

Crucially, the young 'digital natives' most likely to be using these third-party services are also the most open to ditching and switching – making it essential for established banks and insurers to act now to safeguard their position in the long-term. There are clear signs that consumers are ready to shop around: almost half (46%) are happy to use multiple existing brands to meet different financial needs.

In this environment, banks and insurers must focus on collaboration rather than simply competition as the means to expand their share of Europe's saturated market. By joining forces through partnerships or acquisitions of FinTech organisations, providers can offer more expert capabilities, expand into new areas and ensure that agile entrants are less able to erode customer loyalty and revenue streams.

» Customers shop around a lot more these days for what they need...if another bank can provide it better than you can, customers will move or sign up. «

Retail banking decision-maker.

Across Europe

Of all the countries Fujitsu surveyed, Spanish consumers are by far most likely to move bank: 80% have switched and half (49%) did so in the last five years, possibly due to the influence of the 2008/9 financial crisis. At the other end of the scale, Benelux is the region where consumers are least likely to move, with 43% having never changed bank.

Given the Spanish propensity for switching, it's not surprising that consumers there are the most likely to change bank or insurance provider due to security breaches (71%) or a lack of up-to-date technology (47%).

This behavior may be due to the strong desire for new services in Spain. The majority of consumers are open to banks and insurers using their data to enhance existing offerings and they're also the most receptive in Europe to receiving entirely new services from the financial services sector.

Interestingly, this desire for innovation impacts the Spanish attitude to new entrants as well: a fifth would consider banking (22%) or insurance (21%) services from companies like Amazon, Google, Facebook and Apple. Only the UK and Eastern Bloc countries are more open to these challengers. Similarly, Spanish consumers – alongside the Swiss - are readiest to take advantage of the specialist capabilities different service providers to satisfy their needs, with half (50%) using multiple banks. As one retail banker commented: **"it's really difficult to have a customer who is loyal to the bank...I share my customer with at least one or two other banks".**

Agile new entrants

Today's consumers don't exist in a vacuum; their expectations are constantly being shaped by experiences with challenger brands, niche FinTech players and other industries. Meanwhile, it's becoming easier to name industries that have been transformed by digital disruption than those that haven't. From Uber and established taxi firms, to AirBnB and traditional hoteliers, it seems there's no industry that entrepreneurs can't revolutionize.

To date, the financial services sector has been very successful in defending itself against technology companies and the impact of the 'sharing economy', including trends like peer-to-peer lending. As one decision-maker told us: **"it is a war, [but also] an opportunity to recognize weak areas of our organisation to improve".**

Nevertheless, services such as Apple Pay and PayPal have shown that new players can and will enter the fray, while innovations like Bitcoin prove that technology can redefine even the most long-established concepts. Often less restricted by industry regulation and legacy systems, these digital challengers can be nimble indeed. As a senior banker lamented: **"because FinTechs are mono line players, their interpretation of compliance regulations is loose...we're not on an even playing field"**. Another private banker added: **"our IT infrastructure is way too complicated and ideally we would like to be able to simplify it tremendously in order to become more of an agile business"**.

Only by harnessing consumer trust, collaboration and digital innovation can established players ensure they're ready for the next stage of the digital revolution and positioned to connect customers, merchants, service providers and more in tomorrow's financial ecosystem.

Conclusion
A new pace of change

Over its long history the financial services sector has undergone many changes, but the opportunities inherent in the European market seem more urgent than ever.

Consumers are thinking radically; accelerating digitization across every industry has left them ready and willing to seek more value from the financial services sector. They're looking to the established banks and insurers they trust for new capabilities, fresh services and that next game-changing innovation they can't live without.

As the countdown continues towards tomorrow's digitally dominated world, now is the time to act. Banks and insurers must work to stay at the forefront of technology, giving them the agility to tap into the 'digital subconscious' of modern consumers and deliver innovations that answer their needs before they even know they have them.

To achieve this, the financial services sector needs to be bold and collaboration is essential. The opportunity to change business models by opening up new revenue streams and increasing value to consumers is apparent; potentially from non-traditional sources like energy or broadband. Likewise, the lure of digitization is here and now and, together, incumbents have the resources and influence to drive mass adoption of new innovations cost-effectively and with minimal risk, while also ensuring consistent standards and rock-solid security.

Innovations such as biometric authentication and self-service ATMs are a natural step into forging an improved and efficient customer experience. To enable this future sustainably it will also require investment to modernize and update legacy technology 'inside' organizations. Fujitsu defines this transformation as bridging the 'digital disconnect', through the seamless integration of new front-end experiences with processes and information at the operational level. Finding this sweet spot will be unique to every bank and insurer. By joining forces, established organizations can better support tomorrow's digital-first consumers, who expect outstanding and convenient services anywhere, anytime, across a myriad of devices and channels.

We're already seeing the seeds of this cross-industry cooperation: insurers are now working together to map new standards for driverless cars, while banks are laying the foundation for open APIs and customer data-sharing which can help future-proof investments.

Working collaboratively, the dominant players in Europe's financial services sector can take the lead in the race for lucrative innovation and pave the way to our global digital future: emerging stronger, faster and more successful. Of course, the clock is ticking: neither customers, competitors nor technology itself will wait.

Research Methodoloy

The survey into the evolution of financial services across Europe was commissioned by Fujitsu and carried out by an independent research company, Coleman Parkes Research.

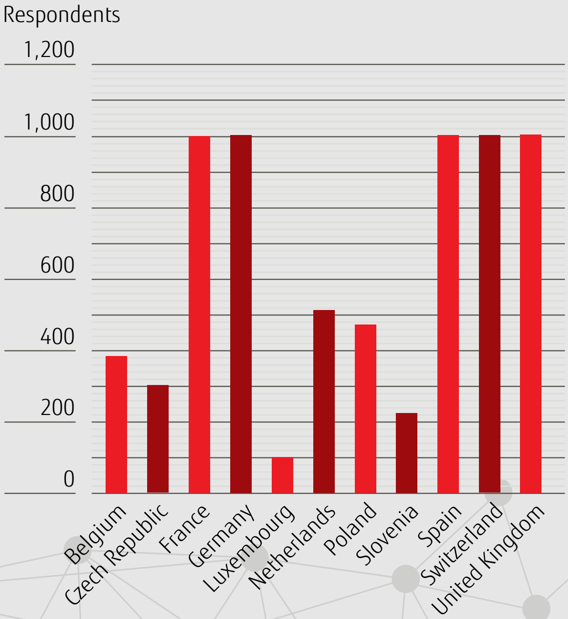
The study was split into two core activities from November 2015 - January 2016:

1. Online interviews with 7,013 consumers across UK, France, Benelux (Netherlands, Belgium and Luxembourg), Spain, Germany, Switzerland and Eastern Europe (Poland, Czech Republic and Slovenia) to understand consumer's habits and their views and opinions towards financial services.

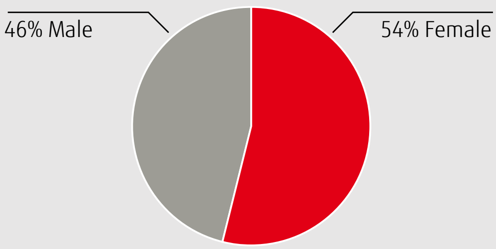
2. In-depth interviews with 45 senior business decision makers in the financial services sector to gain further insights into the key issues.

Research Methodology

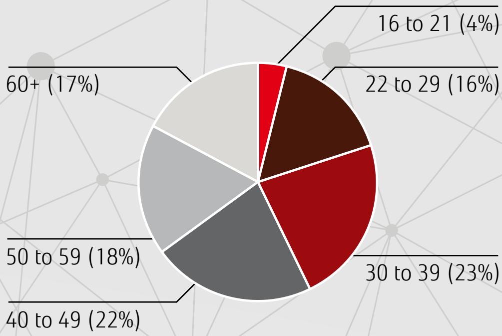
Number of respondents per country



Gender (% Split)



Age (% Split)



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