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Majority of customers likely to stick to existing primary banking relationship after opening digital bank accounts, PwC study

Singapore, 10 February 2020– With digital banks set to come into play in Hong Kong, Malaysia and Singapore, there is a wide level of awareness amongst customers. Interest is varied across the board with younger (over 70% of 18-39 year olds) and high income groups (70% of those in the high income bracket) indicating that they were ‘very interested’ or ‘interested’ in opening a digital bank account.

These findings are from the [Singapore cut of PwC's digital banking customer insights study](#). Launched today, the study surveyed over 4,500 customers across Singapore, Hong Kong and Malaysia.

Sam Kok Weng, Singapore Financial Services Leader, PwC said:

“The disruption brought about by digital banks is good for customers. This will not only result in better product offerings, but will lead to improved and personalised service as well. Incumbent banks are very aware of this threat and are also acting to better understand and deliver on their customers' needs.”

When customers in Singapore were asked if they would open a virtual bank account, respondents were cautious. 40% of respondents indicated that they would only consider opening a bank account with a digital bank once it is popular and successful. Even if customers opened a virtual bank account, only 33% of customers said that they would make it their primary bank (endnote 1), with the majority (67%) indicating that they would choose to retain their existing bank as their main bank.

The report clearly showed that while many customers would keep their existing bank as the primary one, they did face frustrations with these banks. Some of these issues included long queue times (42%), long wait times on the hotline (23%) and the inability to perform banking functions online (13%).

Unsurprisingly, customers with more pain points were more interested in opening a digital bank account. This figure was about half (53%) among respondents who had no pain points and rose to three quarters (77%) among those that had three or more pain points.

In terms of financial features that would attract customers, the one that came on top was better rates on deposit and lending (49%) followed by quick and easy online customer service (42%) and a better mobile/ digital experience (40%).

Not just financial services

In addition to financial features, 66% of Singapore customers are “interested” or “very interested” in having their digital bank offer non-financial features.

These non-financial areas were broken down into four categories. As an e-commerce platform, the top interests were in purchasing plane, train and bus tickets (54%), health care and illness consultation (54%) and coupons for shops and restaurants (48%). The other non-financial categories in the report include travel-concierge, financial education and personal life coaching services.

Sam Kok Weng, Singapore Financial Services Leader, PwC said:

“To ensure their long-term success, it is critical for digital banks to have a strong proposition that goes beyond offering traditional financial services, but also engages with their customers on a more holistic level. This will be particularly important as customers are increasingly calling for integrated platforms that offer a full suite of lifestyle services.”

“The challenge, though, is the ability of the digital banks to execute and bring to life their various offerings in a seamless platform with differentiated customer experiences.”

Data and financial security

When it comes to data and financial security, Singapore customers were more wary as compared to their counterparts in Malaysia, with 55% of Singapore customers willing to share personal data with their digital banks. Furthermore, 34% of customers indicated that they do not trust digital banks with personal data security and 30% did not trust their financial stability.

Where the human touch comes in

Younger and more affluent banking customers are already using self-service channels for day-to-day banking transactions. For this group, the transition towards digital banking is expected to be smoother. However, this does not mean that human interaction is no longer important.

Respondents indicated that human touchpoints were crucial in more impactful and complex situations such as emergencies (64%), wealth management (63%), mortgage (58%), and insurance (56%) related transactions. The majority of customers also indicated that they prefer to do their own research and analysis when making investment decisions (63%)

with only 38% saying they would also turn to their financial advisors.

In light of this, digital banks will need to consider how they provide a human touch, including financial advisory services for more complex transactions, through digital channels.

Andrew Taggart, Southeast Asia Financial Services Consulting Leader, PwC said:

"Although customers have shown their interest in opening a digital bank account, 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 period, digital banks are likely to offer attractive rates and promotions that could erode their margins and possibly impact the industry margins as well."

It suggests that both incumbents and challengers need to have a customer centric mindset with the right formula that combines business strategy and customer insights with innovation, leading technologies, and the appropriate risk and control frameworks, in order to differentiate themselves from the other players in the market.

Andrew Taggart, Southeast Asia Financial Services Consulting Leader, PwC concludes:

"Digital banks should put customers at the heart of what they offer. Having spectacular rates for example helps acquire customers in the short-run. But, to be successful in the long run, digital banks need to create ongoing engagement with their customers. And it will require banks to understand each customer and provide them with what they expect from personalised financial and non-financial products and services, through to a seamless customer experience."

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Notes:

1 Primary banks are where most transactions take place

- Read Singapore Digital Banking Customer Insights here: [pwc.to/2SklaZT](https://www.pwc.to/2SklaZT)
- All figures reflect the view of Singapore respondents unless otherwise stated.
- PwC conducted interviews with over 4,500 bank account owners aged 18+ in Singapore, Hong Kong and Malaysia in early October 2019. 1,501 of these respondents were from Singapore.

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