

11.04.2019 - 11:14 Uhr

Back-to-the-future retail banking: New paths to greater profitability in European retail banking

Retail revenue pools in Europe are declining—margin development as major trigger¹⁾

in EUR BN



1) Insurance-related products not included due to insufficient data availability across the countries included in the scope of the study

Source: Bloomberg, company reports, Deutsche Bundesbank, ECB, European Commission, Eurostat, Riksbank, SNB, zeb.research

Münster (ots) -

Customers feel that the relationship of trust with their bank has taken a hit / Revenue stagnation on the European retail banking market / Opportunities through positioning as a customer-oriented provider

Both branch and direct banks can considerably improve their profitability if they concentrate on their traditional strengths. If they head "back-to-the-future" and follow the right strategy, they will create genuine added value for their customers and also compensate current revenue deficits. These are the key results of the current European Retail Banking Study from zeb. For the study, the strategy and management consultancy specializing in the European financial services industry conducted customer surveys and comprehensively analyzed income flows on the European banking market. The study can be seen as a guideline for retail banks who wish to return to long-term and sustainable profitability.

Self-image and external perception in stark contrast

All retail banks responded that they want to put their customers at the center of all efforts. However, the contrast to what customers say about banks could not be any larger: the exclusive survey results show that there is a major gap between the expectations customers have of banks and the reality from their point of view. There is consensus that banks should offer their customers tailor-made solutions. Respondents, however, criticized that banking products did not offer much personal benefit and they are therefore unwilling to pay more for the existing offers.

"Our study shows that most customers see the banks' claim that they are customer-centric as a promise they hardly ever keep. Customers also believe that banks put corporate interests first and have little understanding for their needs. It would be easy to read the survey results as predicting a dark future for retail banks. But that is not the case. On the contrary, branch and direct banks can expect a more profitable future if they act in a more customer-centric way in the digital economy," said Dr. Florian Forst, zeb Partner and co-author of the study.

Dramatic decrease in revenue from deposits expected

Retail banks in most European countries are facing revenue stagnation caused by falling credit and deposit margins in an ongoing low interest rate environment. If institutions do not fundamentally overhaul their business model, the study predicts a dark future for the most important European banking markets: based on current trends, zeb expects a decrease in deposit revenues by more than 40 percent over the next five years.

Regardless of national differences, the persisting low interest rates will ensure that revenues from fee-generating products will become more important within the overall bank income pool. New perspectives are required in order to understand the full scope of challenges European retail banks are facing and to find new paths for customer-centric business models.

Profitability for retail business demands realignment

The European Retail Banking Study identifies three pathways for traditional branch and direct banks to achieve more profitability: branch banks should focus on the only traditional offer that has revenue growth potential-holistic advice on complex banking

products. Digital solutions such as big data and artificial intelligence make returning along this path easier than ever before. Banks that follow this course will be able to offer customers significant value generation potential as "trusted advisors" long-term.

Direct banks can use their size domestically and abroad to achieve cost efficiency and become B2B product specialists with B2B partnerships to accompany their core B2C business. A modern brand, a growing customer base as well 24/7 accessibility to own services, technologically advanced banking and operational excellence can serve as levers which result from scale and cost efficiencies.

Moreover, branch and direct banks that successfully become trusted advisors or product specialists can develop into ecosystem players. They can then offer a full customer journey that uses B2B partnerships and contains both banking products and services as well as non-banking offers.

In the study, zeb calculated the potential effects of this kind of process on typical branch and direct banks. The P&L statement improved by approx. 19 percent, while product specialists and/or direct banks achieved P&L growth of 23 percent. For players within a functioning ecosystem, the study authors even calculated a positive P&L effect of 25 percent. "Branch banks are excellently positioned to return to their traditional role as trusted advisors and to address customer needs even better by using new, digital technologies. Direct banks can quickly scale, compete in pricing as B2B product specialists and gain market shares. Our analysis shows that each of these pathways promises a return to long-term profitability for large branch banks or a boost to profitability for direct banks," remarked Dr. Olaf Scheer, Partner at zeb and co-author of the study.

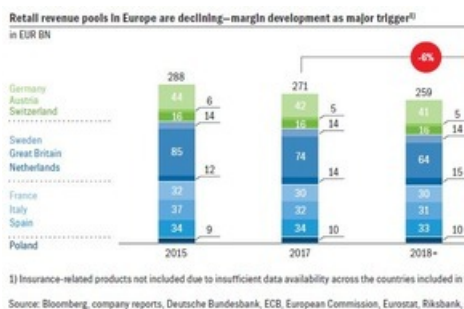
Request more detailed information about the European Retail Banking Study 2019 from zeb at www.zeb.eu/retailbanking.

zeb was founded in 1992 and is one of the leading strategy and management consultancies for financial services in Europe. More than 1,000 employees work for the zeb group at 18 office locations in 14 countries. zeb operates offices in Amsterdam, Berlin, Copenhagen, Frankfurt, Hamburg, Kiev, London, Luxembourg, Milan, Moscow, Munich, Münster, New York, Oslo, Stockholm, Vienna, Warsaw and Zurich. Clients include European large-cap and private banks, regional banks as well as insurers. Several times already, zeb has been classed and acknowledged as "best consultancy" for the financial sector in industry rankings.

Pressekontakt:

Franz-Josef Reuter
Head of Public & International Affairs
Phone +49.251.97128.347
Fax +49.251.97128.520
E-Mail Franz-Josef.Reuter@zeb.de

Medieninhalte



zeb Retail Banking Study: Retail revenue pools in Europe are declining—margin development as major trigger / Back-to-the-future retail banking: New paths to greater profitability in European retail banking / Weiterer Text über orts und www.presseportal.de/nr/119614 / Die Verwendung dieses Bildes ist für redaktionelle Zwecke honorarfrei. Veröffentlichung bitte unter Quellenangabe: "obs/zeb"

Original content of: zeb consulting, transmitted by news aktuell

Diese Meldung kann unter <https://www.presseportal.de/en/pm/119614/4243032> abgerufen werden.