

Waiting to be uberised

The banking world is one of few industries that hasn't been "uberised"... yet. Only 20 years ago banks were more or less the sole providers of financial products and services, but today, the industry faces new challenges from disruptive alternatives.

By [Richard Beddow](#) 9 Jan 2017



Ernst & Young's (E&Y) 2016 *Global Consumer Banking Survey* - based on the inputs of 55,000 consumers worldwide - focused on customer preferences and behaviours as well as their attitudes toward new emerging competitors that increasingly challenge traditional financial institutions.

Growing move to non-bank entities

One of the key findings was that 40% of customers expressed decreased dependence on their bank as their primary financial services provider and have rather used non-bank providers for financial services in the last 12 months.

Interestingly, 20% of customers who have not yet used non-bank providers plan to in the near future. In South Africa, this readiness to try a non-bank is even higher.

Fragile relationship

The report also found that customers' trust in banks is diminishing, particularly in their ability to provide unbiased, high-quality advice. Furthermore, in the eyes of many South African customers, there is very little to differentiate one large bank from the next.

But even if traditional banks did gain a deeper understanding of their customers' expectations for convenience, simplicity and transparency; one of the key obstacles they face is their lack of agility in responding to rapidly changing client preferences making their relationship with their customers increasingly fragile.

Most large banks are burdened by legacy technology and operations that make it difficult to deliver against

customers' expectations. This is exacerbated by banks' divisional structure and culture characterised by heavy governance and avoidance of risk, rather than empowering their client-facing teams to innovate.

The challenge to banks will be how to compete with lean, agile, tech-driven providers that focus on providing one or two financial products and superior customer experiences to a very specific target market.

User experience is key

Consumers' behaviour and expectations are changing rapidly as they are exposed to the experience delivered by the new non-bank providers. The EY report found that customers are expecting instant gratification, outstanding service quality, simple, intuitive processes, 24/7 availability, self-service, transparency of products and pricing, personalisation, tailoring, and a consistent experience across channels.

User experience is the key reason customers consider moving to non-bank competitors. In fact, unlike more developed markets, the report found that for consumers in emerging countries, attractive rates/fees are not even in the top three reasons why they consider switching to a non-traditional bank. Rather "extra-mile" customer service is the priority.

As more credible players who are not burdened by legacy issues and the need to try and provide all things to all people, enter the market, they are ideally positioned to deliver what customers are hoping for.

While the market share they are taking away from banks remains limited in most cases, it is becoming material in areas such as wealth management, home loans, trade finance and foreign exchange.

Marketplace-banking model

Where this gets really interesting is when a handful of specialist non-banks get together to provide what is becoming known as a marketplace-banking model.

This is intended to replicate the integrated experience that banks provide to their clients, but without giving up on offering the most advanced solutions and superior customer experience that only collaboration between specialised third parties could provide.

So, will South African banks be able to respond to the challenge of the new kids on the block? How will the South African regulators view these new players – will they block these entrants to maintain the status quo?

Time will tell, but at the end of the day, it will be the customer who ultimately benefits from these disruptive players moving in on what has become a stagnant financial marketplace.

ABOUT THE AUTHOR

Richard Beddow is founder and CEO of the foreign exchange broker, ForexPeople. He has led the company's growth to serve over 800 corporate clients across South Africa, handling over 12,000 FX trades in 2016 valued at over R5bn. ForexPeople was founded in 2003 with the goal of bringing cost-efficiency and superior customer experience to the FX market for SMEs and high net-worth Individuals.