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Digitalization in retail banking is accelerating – but innovative technologies still are not high on the agenda

Study Download

- **80 percent of banks are only planning to close a small portion of their branches in the short to medium term**
- **Just under two-thirds are making bigger investments in digital technologies, though the focus is on day-to-day business and existing core processes**
- **81 percent want to continue to position themselves as customer experts at the interface to the consumer**

Munich, September 2021: Roland Berger's 4th European Retail Banking Survey (2021) shows: The pandemic will not radically change the retail customer business, but it is an important catalyst for digital transformation. However, the majority of European banks continue to be focusing merely on the digitalization of existing products and processes. True innovations remain seldom. This is also reflected in the business models. 81 percent of the respondents see themselves as "customer experts" even in the future and are thereby not differentiating themselves from the competition with their positioning. The things that are changing are the working methods and job profiles, according to the survey of around 60 European retail banks from 11 countries.

"Banks had to react quickly during the lockdown," says Sebastian Steger, Partner at Roland Berger. "Branches were closed and employees were sent to their home office. In order to be able to continue to work, they had to work in

a more digital way and rethink established processes." 60 percent even developed new products in order to be able to serve their customers even during the lockdown. Over the course of this, and in order to optimize existing processes, 64 percent of the respondents to the survey even increased their investments in digital technologies.

Nevertheless, in the view of Roland Berger experts it will not come to a major transformation in the European retail banking business in the short term. Even though some German banks are planning a significant reduction of branches, banks in other countries are not planning any similarly extensive reduction. 80 percent of the respondents are assuming that only a small portion of their branches will be closed in the short to medium term. Around 90 percent believe that one-fourth to half of their staff will continue to work from home even after the pandemic. In addition, over 60 percent want to create or expand agile working conditions for selected areas or projects. This will change future job profiles very strongly away from conventional project managers to data management specialists. "The pandemic therefore functions primarily as a catalyst for digital transformation and accelerates already existing trends," says Steger.

Digital maturity continues to increase – but innovative technologies are only selectively on the agenda

Meanwhile 90 percent of respondents can conclude a consumer credit quickly and almost completely digitally. Despite the increasing importance of innovative technologies such as artificial intelligence or blockchain, only a few banks are already implementing corresponding solutions. "There are innovations for which we were able to observe a standstill in comparison to 2017," adds Steger. And that is the case even though the internal resistance, primarily staff and cultural resistance, to the digital transformation has fallen. Nevertheless, the biggest obstacle to implementation remains – inflexible, outdated IT infrastructures are putting the brakes on a rapid conversion.

Despite this, European banks want to invest more in the digital transformation even in the future – 92 percent are planning budget increases. However, approximately 70 percent of IT budgets are already now spent on maintaining day-to-day business and meeting regulatory requirements, which does not promise any prompt innovation push.

Higher fragmentation of the value chain, but no change of the business model

81 percent also still want to continue to position themselves as customer experts at the interface to the consumer – even though the competition is greatest there. Alternative strategic orientations are not taken into consideration much: Only 12 percent are positioning themselves as product experts and merely 7 percent as technology providers. The fragmentation of the value chain continues. Most banks are continuing to outsource processes – with payment processing (73 percent) and compliance processes (49 percent) specified as the top two priorities. They are not thereby striving for a true change of their business model. "Many banks lack a strict strategic orientation with an ambitious approach. True differentiation from the competition is therefore hardly possible," says Steger. "Banks have to advance the digital transformation in a more targeted way and on the basis of a clear assessment of market developments and their own resources. Once the direction has been determined, they should still take more comprehensive steps regarding the use of new technologies and the conversion of current products, processes, and organization."

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