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Part of the PwC network

The calm before the storm

What subtle changes in consumer mindset tell us about the future of banking

Strategy& Payments and Open Banking Survey
December 2022

Payments and Open Banking Survey 2022

Consumer survey across 15 countries – third edition of Strategy& survey

Sample and methodology

Sample 2022

- 5,750 participants
- 15 countries
- Online survey
- September / October 2022
- 10 questions

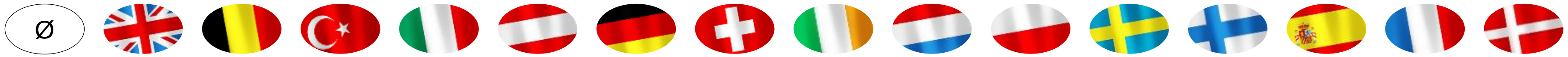
2018 & 2020

- Similar surveys conducted with same method in
  - 2018: October/November 2018; 2,500 participants, 10 countries[1)] *Go to 2018 survey*
  - 2020: August/September 2020; 3,500 participants, 12 countries[2)] *Go to 2020 survey*
- Comparisons in this presentation are always made on a like-for-like basis (i.e. when making comparisons with 2018 data, only the data from the same 10 countries is used in 2020 and 2022 etc.)

1) Excluding Ireland, Turkey, Denmark, Belgium and Finland; 2) Excluding Denmark, Belgium and Finland
Source: Strategy& Payments and Open Banking Survey 2022

Three main factors are driving bank experience

What is important to you regarding your bank's offering?[1)]



	Ø															
Free/low priced cash withdrawals	1	1	1	1	1	1	1	2	2	3	3	3	3	2	2	
Good mobile banking app	2	2	2	2	3			1	1	1	1	1	1			2
Free current account	3	3			2	2	3	3	3	2	2	2	2	1		3
Proximity of branches			3			3	2							3	1	
Quality of advice															3	1
Additional services (e.g., discounts)				3												

1 2 3 Ranking of top factors per country

Note: total figure based on counting of top 1-3 positions | 1) Multiple answers possible
Source: Strategy& Payments and Open Banking Surveys 2022

Banks are facing challenges concerning key experience factors

1

Free/low priced cash withdrawals

The pandemic-related shift away from cash (withdrawals) has continued, rendering bank networks increasingly obsolete

2

Good mobile banking app

Mobile apps are becoming more important for banking services, handing an advantage to fintechs

3

Free current account

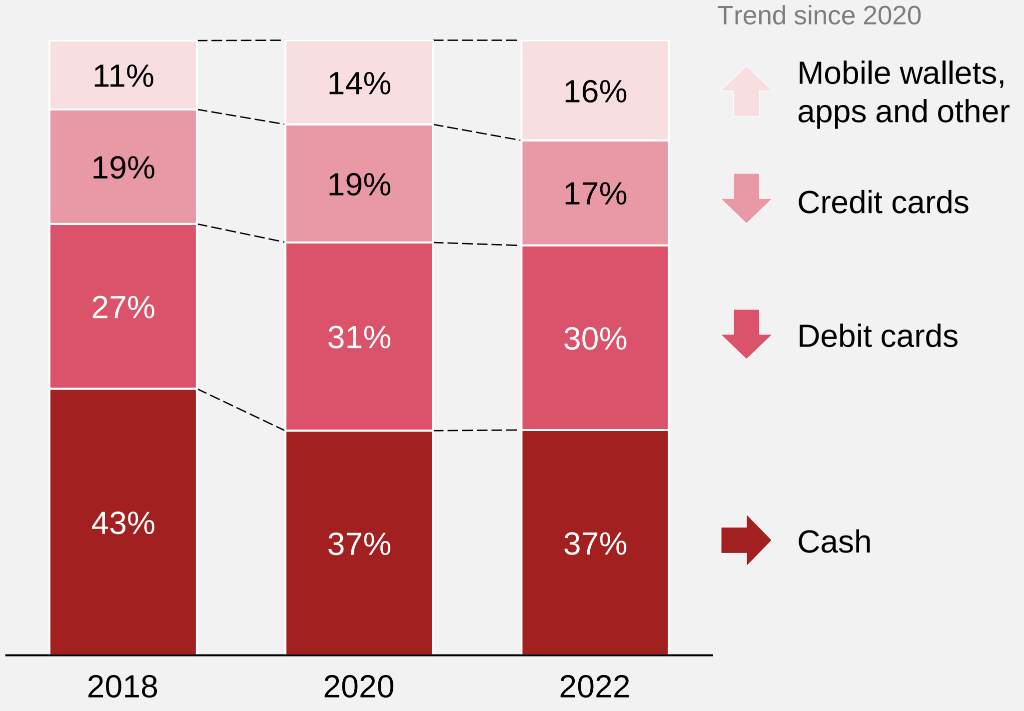
Open Banking and aggregation models enable easy (free) account selection, benefiting challengers

Source: Strategy& Payments and Open Banking Survey 2022

Payment behavior endures: No post-Covid cash revival, but no acceleration of decline

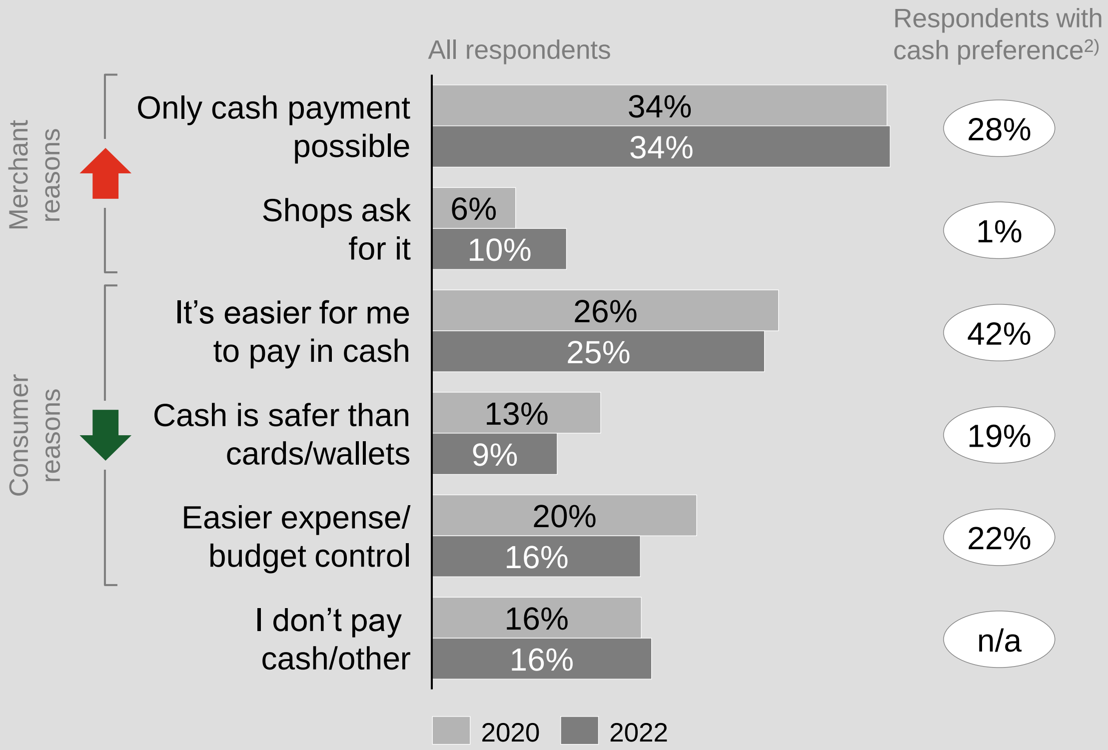
Decline in cash preference is stable…

What is your general preference for payments when you are shopping or paying for services?



...and consumer reasons for cash are weakening

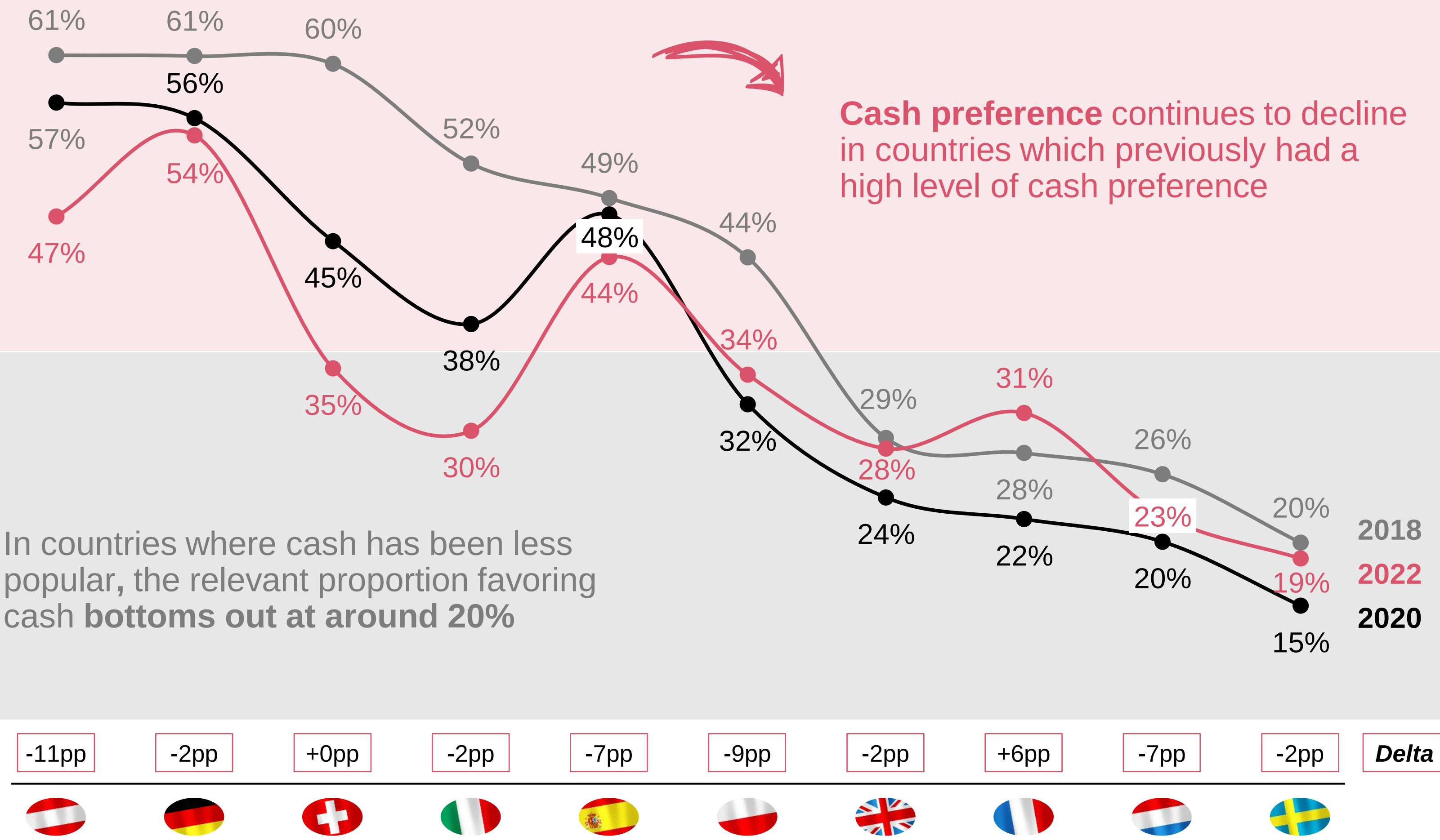
In situations where you pay with cash – what are the main reasons?[1)]



Note: Figures may not add up due to rounding; total figure calculated as weighted average based on population | 1) Multiple answers possible; 2) 2022 figures
Source: Strategy& Payments and Open Banking Surveys 2018, 2020, 2022 (10 countries)

Cash preference bottoms out at 20% – but is even lower for younger population

Preference for cash when shopping/paying for services



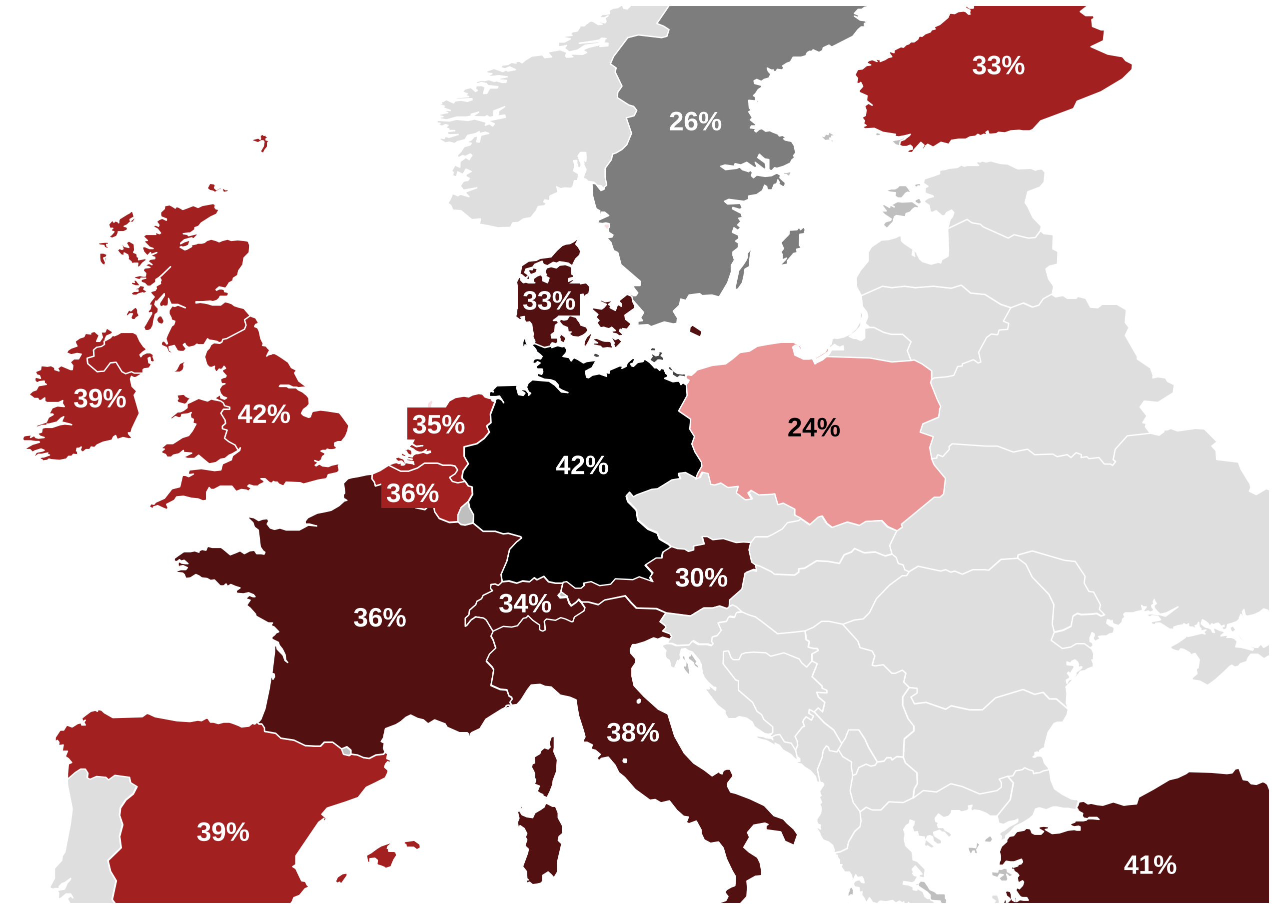
Cash preference continues to decline in countries which previously had a high level of cash preference

In countries where cash has been less popular**,** the relevant proportion favoring cash **bottoms out at around 20%**

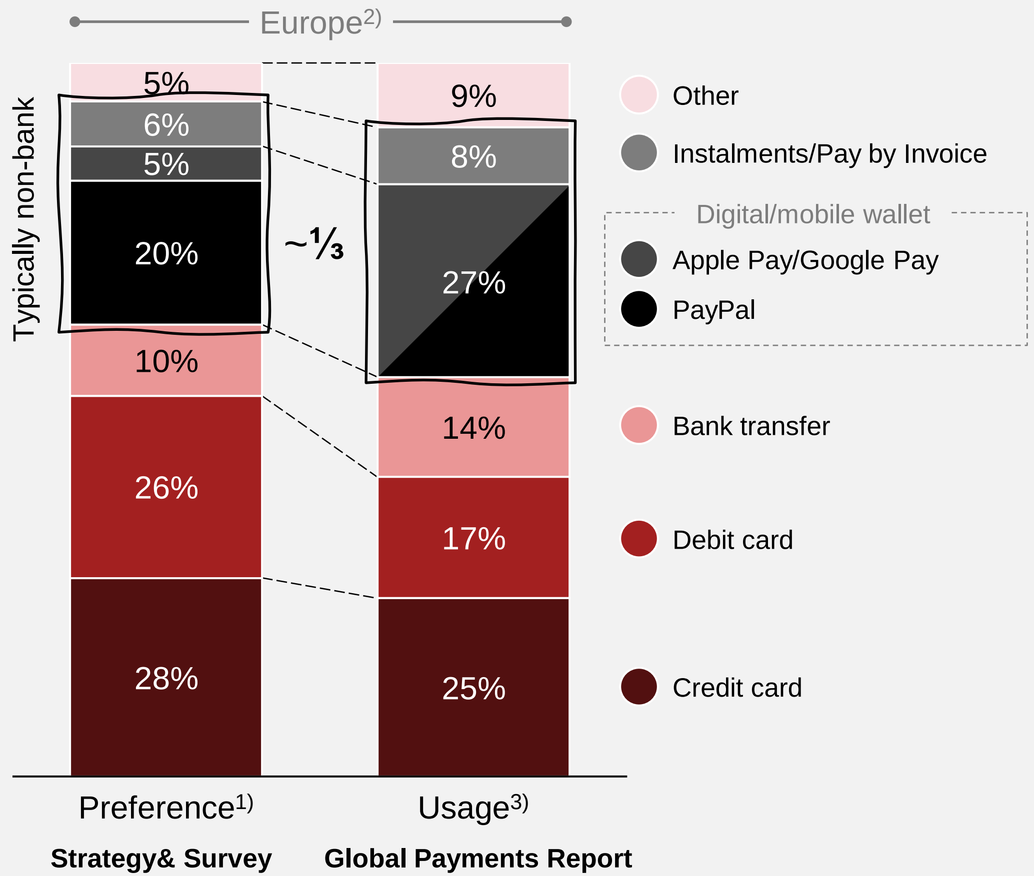
Question: What is your general preference for payments when you are shopping or paying for services? – Answer: 'Cash'
1) 2022 figures | Source: Strategy& Payments and Open Banking Surveys 2018, 2020, 2022 (10 countries)

Approximately one third of online payments (and preference) is already no longer 'bank-owned'

#1 preferred online payment method by country[1)]



Online payment method: preference vs. usage

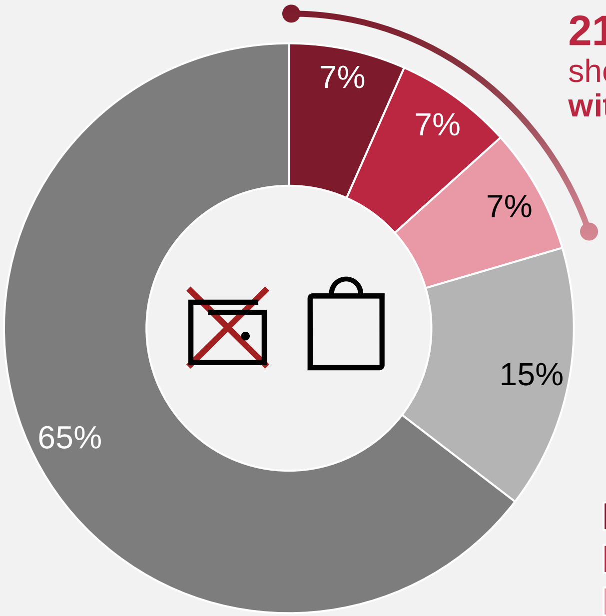


Note: total figure calculated as weighted average based on population | 1) Question: When you shop online, what is your preferred payment method?; 2) Slightly different samples: Global Payments Report additionally includes NO and RU, but not AT and CH; 3) Based on Global Payments Report 2022 (Worldpay/FIS) | Source: Worldpay/FIS, Strategy& Payments and Open Banking Survey 2022

One in five go shopping without their purse – banking apps become even more relevant, handing advantage to fintechs

Mobile wallets replace plastic

How often do you leave the house without your purse (just with your smartphone) to go shopping?



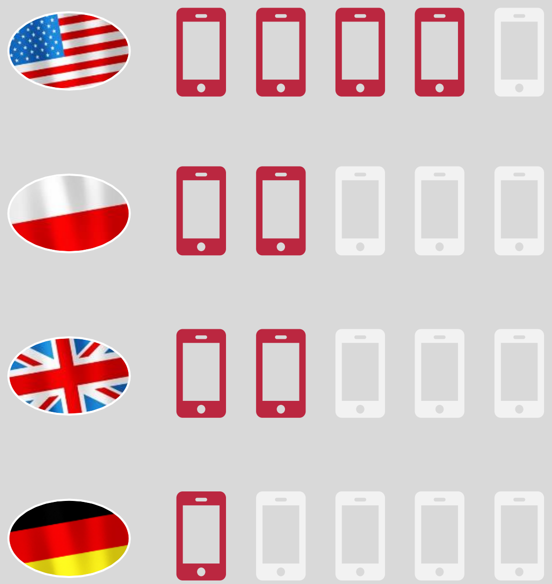
21% leave the house for shopping at least regularly **without their purse**

Additional **15%** rely at least rarely just on mobile payments

- Always
- Most of the time
- Regularly
- Rarely
- Never

Fintechs entering top 5

of fintech apps among top 5 free finance apps (x out of 5)[1)]



Challenge to bank apps

Fintech apps compared to banking apps (in selected countries)

3x more monthly sessions per user in fintech apps[2)]

+67% more features in fintech apps[3)]

-16% faster log-in time in fintech apps[3,4)]

Note: Figures may not add up due to rounding; total figure calculated as weighted average based on population | 1) Selected countries displayed, as of November 2022, US – Apple App Store: 5 out of 5, Google Play Store: 3/5, PL – App Store: 2/5, Play Store: n/a, UK – App Store: 3/5, Play Store: 0/5, DE – App Store: 1/5, Play Store: 1/5; 2) 2020 figures (Average of TR: 4.4x, UK: 3.0x, FR: 2.3x, DE: 2.1x); 3) Based on analysis of 25 German mobile banking apps, as of Q1 2022; 4) Difference for challenger vs. traditional banking apps (excl. direct banks) shown | Source: Liftoff / App Annie, Optima, SimilarWeb, Strategy& Payments and Open Banking Survey 2022

Traditional current account providers are facing challenges from various quarters

Non-bank fintech players offering current account (solutions)
e.g., PayPal Direct Deposits in the US, Klarna with full bank account

Banks are forced by regulation to provide transparency on fees
e.g., EU Directive on on the comparability of fees related to payment accounts

Banks are forced by regulation to offer easier, convenient account switching
e.g., in 'Current Account Switch Guarantee' in UK

Rise of XPays diminishes the connection between the consumer and the bank's cards and current accounts
e.g., Apple Pay, Google Pay

Account aggregation services enable easy choice of (free) current account
e.g., Google Plex concept (even if discontinued)

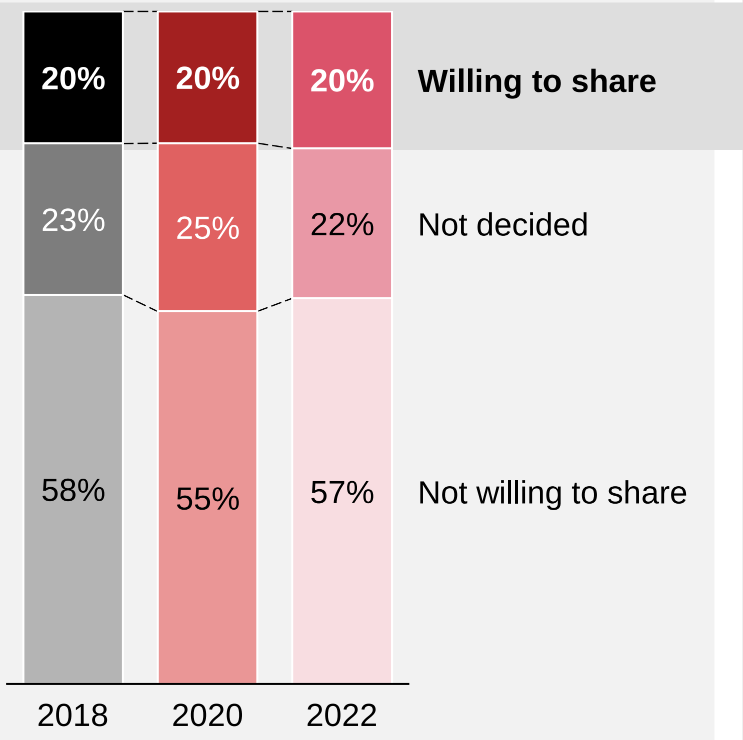
Challenger propositions increasingly combine current accounts and loyalty benefits
e.g., Klarna/Stocard, XPay wallets

Source: Strategy& Payments and Open Banking Survey 2022

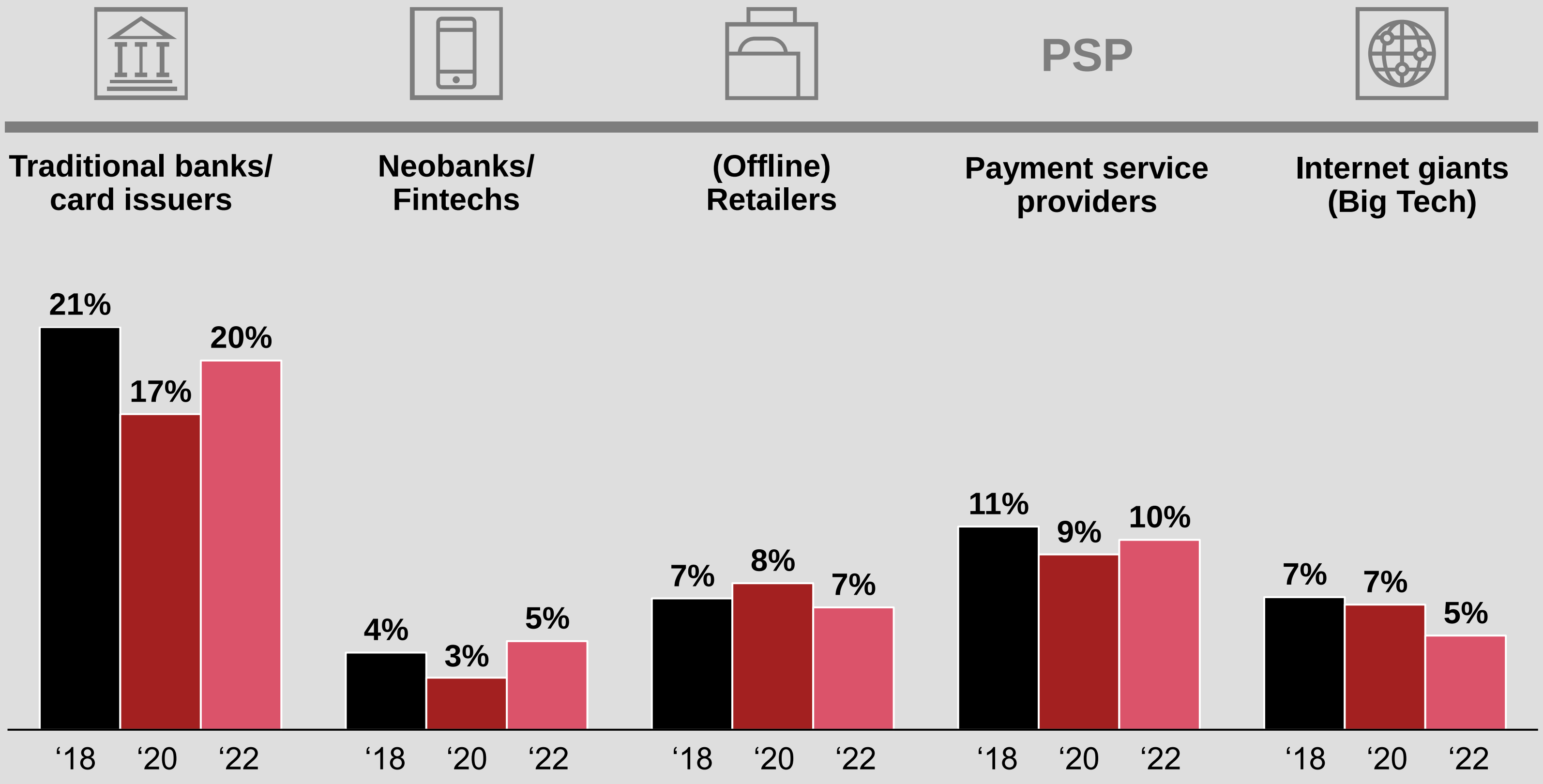
How big has the threat already become?

Open Banking: Willingness to share data in exchange for benefits remains low – banks are the most trusted…

Willingness to share data in exchange for benefits[1)]



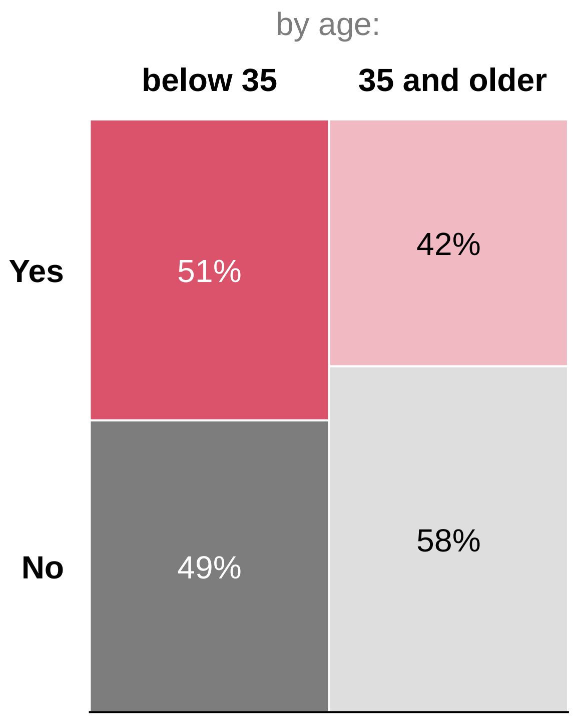
Most trusted providers for data sharing[2)]



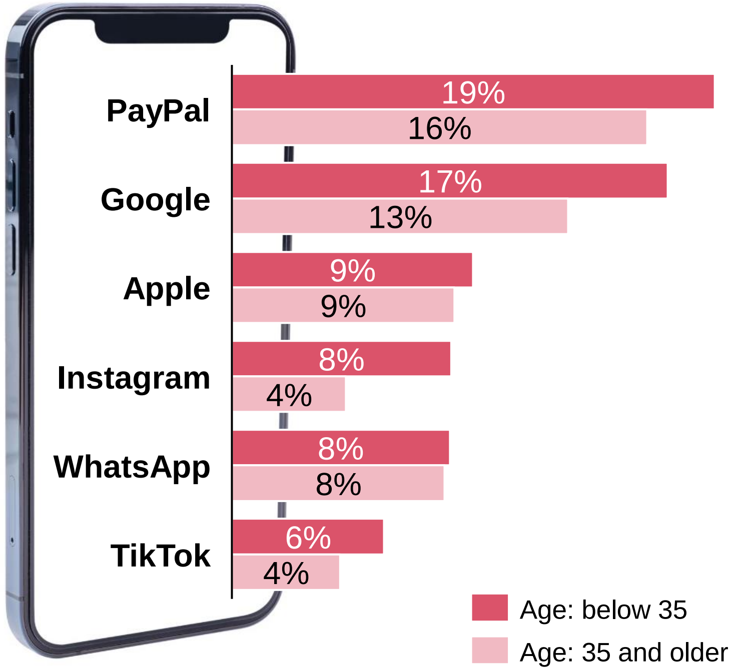
Note: Figures may not add up due to rounding; total figure calculated as weighted average based on population | 1) Question: Would you be willing to share your data (e.g., payment transactions) in order to receive rewards/benefits/additional services?; 2) Question: With whom would you share such data? (multiple answers possible)
Source: Strategy& Payments and Open Banking Surveys 2018, 2020, 2022 (10 countries)

…but one in two people <35 years would still open a bank account with non-banks

Willingness to bank with non-bank provider[1,2)]

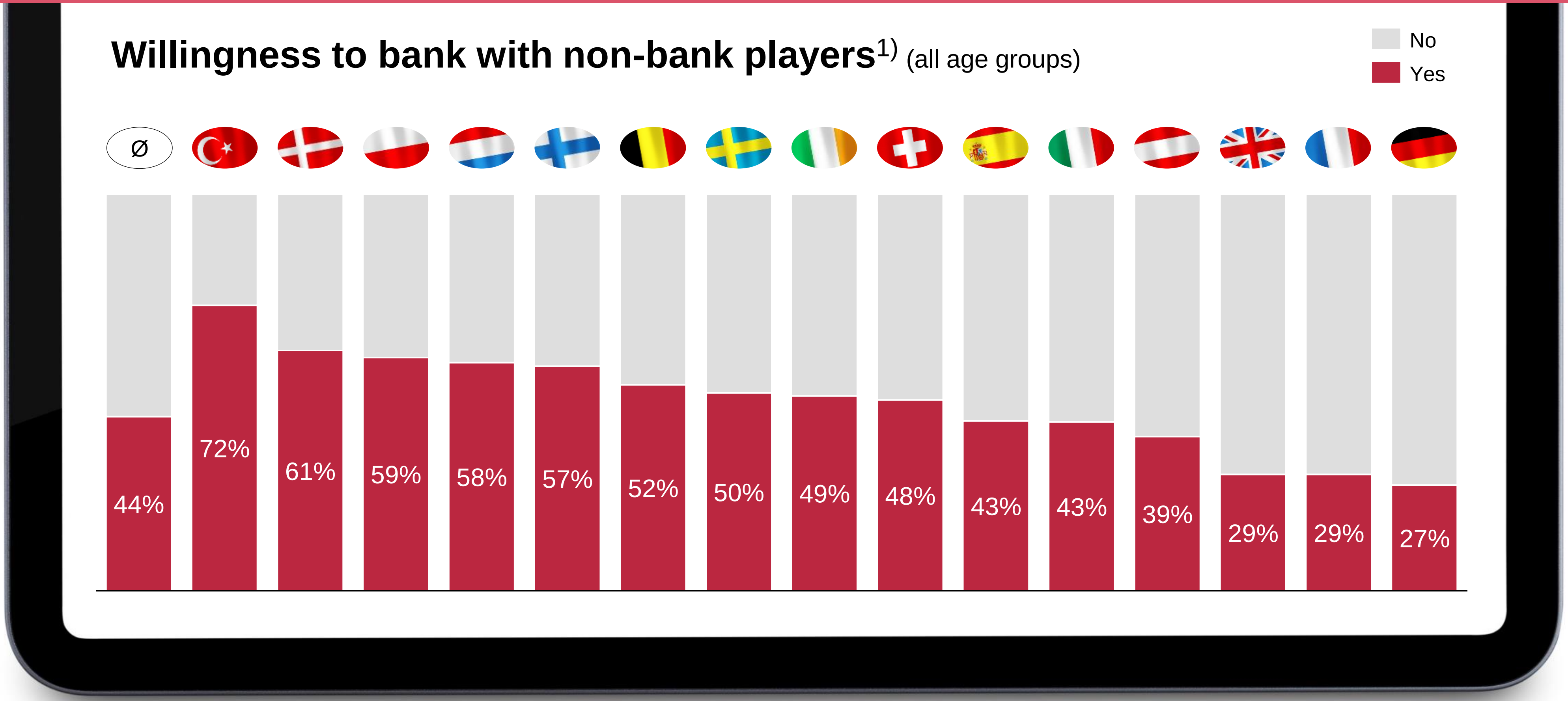


Willingness to bank with selected non-bank providers[1)]



Note: total figure calculated as weighted average based on population | 1) Question: Could you imagine opening a bank account with one of the following companies (if they would offer it)? (multiple answers possible); 2) Question: see footnote 1 – Answer: all consumers who did note vote 'None of the above' | Source: Strategy& Payments and Open Banking Survey 2022

Willingness to bank with non-bank players varies by country



Note: total figure calculated as weighted average based on population | 1) Question: Could you imagine opening a bank account with one of the following companies (if they would offer it)? (multiple answers possible) – Answer: all consumers who did note vote 'None of the above' | Source: Strategy& Payments and Open Banking Survey 2022

European Commission is working on legislative initiatives which will accelerate the move towards Open Banking

Relevant EU legislative frameworks

Data Governance Act	Data Act	Open Finance Framework
Consultation from Feb – June 2020	Consultation from June – Sep. 2021	Consultation from May – August 2022
Regulation proposal in Nov. 2020	Regulation proposal in Feb. 2022	
Regulation published in June 2022		
Effective from Sep. 2023		

Data Act a prelude for Open Finance push

Data Act

“The Data Act will ensure fairness in the digital environment, stimulate a competitive data market, open opportunities for data-driven innovation and make data more accessible for all.

“The new rules will make more data available for reuse and are expected to create €270 billion of additional GDP by 2028.

European Commission

Goals of the Data Act

User access to data of connected devices
Enable **users to access and share their data** generated by their connected devices

Facilitate customer switching
Allow **customers to switch easily** between cloud data-processing services in order to avoid lock-ins

Level playing ground for SMEs
Protect SMEs from unfair terms in data-sharing contracts when faced with bargaining disadvantages

Data access for government organisations
Enable the **public sector** in case of exceptional circumstances to **access data** held by private sector

Source: European Commission, EUR-Lex, Strategy& Payments and Open Banking Survey 2022

Open Banking

Example:

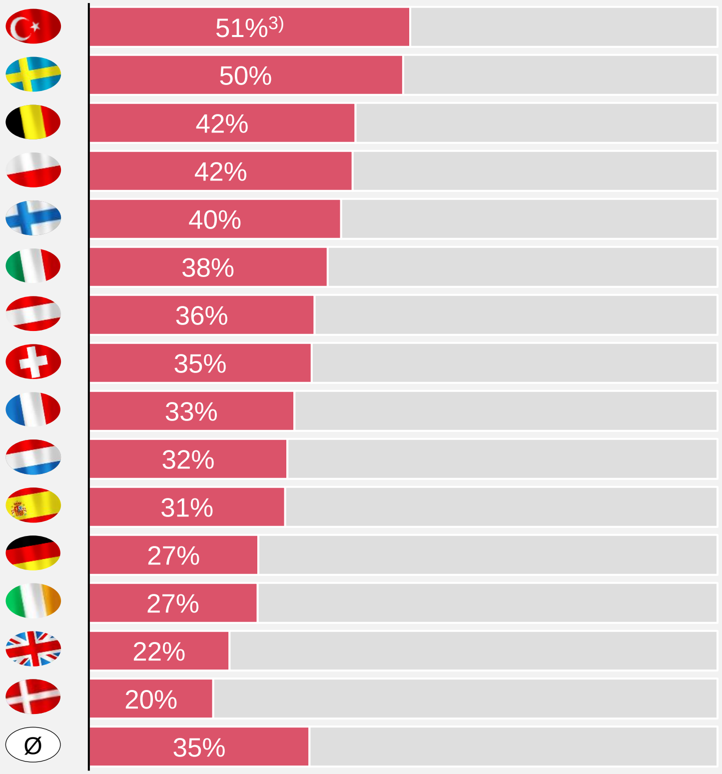
Buy Now, Pay Later offerings already use key elements

(e.g., account verification, affordability assessments)

Example 'Buy Now, Pay Later'

BNPL is established across Europe…

Share of BNPL users (partially with preference)[1)]



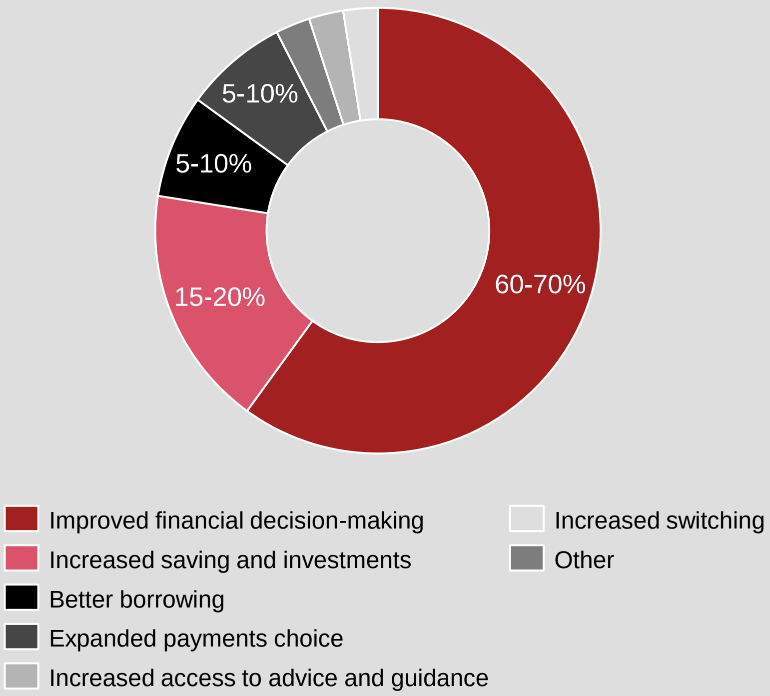
…but little recent change in behavior

Changes in BNPL behavior[2)]

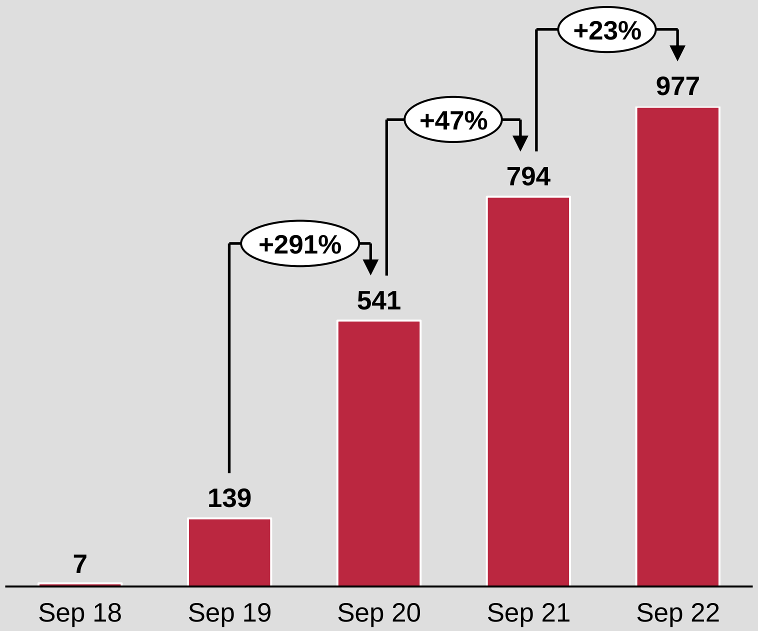
- **8%** Always
- **9%** More often than in the past
- **10%** To the same extent as in the past
- **9%** Less often than in the past
- **65%** Not at all

Note: total figure calculated as weighted average based on population; BNPL = Buy Now, Pay Later | 1) Question: Do you try (if possible) to postpone your payments when shopping (e.g., paying in 30 days or in instalments)? – Answer: all consumers who did note vote 'Not at all'; 2) Question: see footnote 1, European average displayed; 3) Mainly card-based | Source: Strategy& Payments and Open Banking Survey 2022

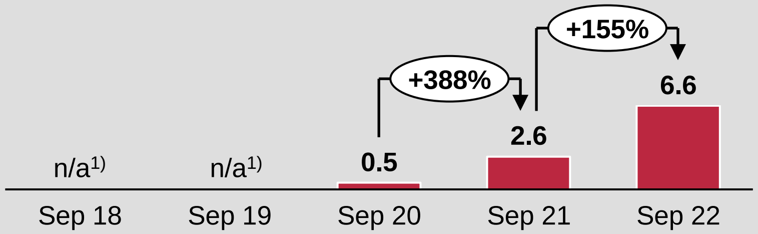
API calls by use case (estimated, August 2021)



# of successful monthly API calls (in m)



# of successful monthly payments (in m)



UK (still) Open Banking early mover, with a strong use case concentration but continual growth in API calls and payments

API call = Requesting data or services from another application | 1) Is only collected since August 2020
Source: Open Banking Limited (The Open Banking Impact Report – Oct. 2021, June 2022, website), Strategy& Payments and Open Banking Survey 2022

Today's Open Banking use cases strongly focused on AIS – industry should aim to establish further use cases

API categories

Account Information | **Savings** | **Investments** | **Payments** | **Lending**

Mostly used today

Cards | Customer Information | Insurance | Locators | Notification

Onboarding | Product Information | Security | Statistics | Other Services

- Most popular APIs currently support rather standard, basic use cases
- UK figures show that vast majority (> 80%[1)]) are driven by account information services (AIS)
- Payments still with minor share, yet strong growth (CAGR of ~250%[2)]) over last two years)
- Majority of users are consumers – business users only account for ~10%[3)]

Moving forward:

- Further use cases needed beyond today's focus on financial services – esp. marketing
- Shift focus to B2B (esp. SME use cases) as key lever for acceleration
- UK uptake points to increasing relevance in the Euro zone over the next 2-3 years

AIS = Account Information Services | 1) UK figures, as of Sep 2022, 2) UK figures, from Sep 2020 to Sep 2022; 3) UK figures, as of March 2022
Source: PwC Open Banking Navigator (Q2 2022 Update), Open Banking Limited, Strategy& Payments and Open Banking Survey 2022

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