

GFT Banking Disruption Index

Q3 2022



FOREWORD



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Welcome to the first GFT Banking Disruption Index – a quarterly assessment of consumer attitudes towards digital transformation in banking.

The banking sector has undergone immense change over the past decade. The emergence of challenger banks and digital-only banks has spearheaded digital transformation across the entire sector, with traditional banks following in the neobanks' footsteps by adopting a technology-first approach.

This shift towards a digital future has changed the way consumers undertake their banking. In general they have moved away from face-to-face interactions in branches, now communicating almost entirely with their bank via digital channels, be that an app, website or social media. The sector continues to evolve and is currently in the midst of a complete overhaul of the way in which it supports customers.

For those working in digital transformation, like me, this adoption of modern technology in retail banking makes complete sense. It allows banks to provide better customer service whilst enabling consumers to action their everyday banking needs quicker, often by themselves.

But how do consumers feel about their individual bank's digital offering? This is the question we hope to answer with the **GFT Banking Disruption Index**. Our quarterly assessment of consumer sentiment towards digital banking will allow us to understand whether customers are embracing their banks' digital capabilities, or whether more improvements need to be made for consumers to fully adopt a digital-first approach to their banking.

The results from this first report are interesting. It is clear that consumers expect greater levels of digital self-serve capability from their banking provider, often not just from their mobile banking app. However, the challenge for banks will be continuing to navigate the technological literacy of their different customers across varying age ranges.

What was apparent from our research is the vast difference between the adoption of digital banking by those aged between 16 and 34, and the over 55s. The banks and building societies who can narrow this gap and support both the younger and the older generation in embracing digital banking, will be the ones coming out on top.

We hope you find our first Banking Disruption Index insightful. If you would like to know more about this report or GFT's digital transformation expertise in retail banking, please do get in touch.



GFT Banking Disruption Index, Q3 2022 (July-September)



Whilst challenger banks such as Monzo and Starling are now staples of our current banking landscape, they have only really existed in the UK for approximately 10 years. In this time they have focused on providing customers with easy access and the opportunity for greater financial transparency, literacy, and crucially, security.

After making waves in the UK marketplace for more than ten years it is now time to assess their impact and the overall consensus surrounding digital banking in 2022 and beyond.

Our Banking Disruption Index focuses on several key areas that have always been vital within banking, including: **Customer satisfaction, Modernness, Trust, Accessibility and Communication.** Given the current uncertain economic challenge faced by the UK, we felt it was also pertinent to gauge consumer sentiment around the resilience and **recession-proof** nature of the banks. Here is what we found.

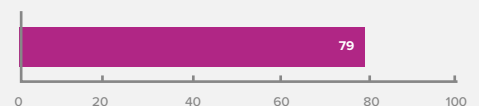
Customer satisfaction



As part of GFT's Banking Disruption Index, we first set out to understand the overall level of customer satisfaction towards their bank's digital capabilities. Our data shows that out of a possible score of 100, current Q3 sentiment scoring shows a **79-point satisfaction rate** amongst customers towards their chosen bank. This is a high figure and a clear indication that a lot of digital banks are hitting the mark with their customers when it comes to providing a technically-immersive banking experience, although of course there always remains room for improvement.

The modern attributes of digital banking are almost certainly contributing to this high score. Nascent amenities of digital banking such as seamless money transfer capabilities, increased transparency and easy communication between bank and customer, all have vital parts to play in the modernisation of banking, not just in the UK, but on a global scale.

Overall consumer sentiment towards their bank's digital capability scores a 79-point satisfaction rate



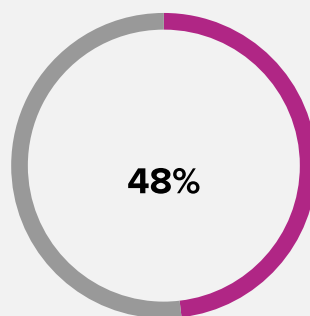
Consumer sentiment towards their bank's digital capability scores

Trust



Trust between consumers and their banking provider has room for improvement

Another crucial aspect of banking, which plays into the overall satisfaction of customers, is how much they trust their bank with their money. Gone are the days where customers were content to have minimal interaction with their bank and following the 2008 banking crisis the relationship and trust between banks has continued to evolve. With the likely recurrence of a recession looming, trust in financial institutions continues to be paramount, especially as banks, digital or otherwise, want to retain their customers.



Consumers that do not trust their bank to help manage their finances during a recession

Our latest data however shows that there is room for improvement when it comes to the trustworthiness of modern banking. **48% of people wouldn't trust their bank to help them manage their finances during a recession and only a third (33%) currently trust both traditional and digital banks with their current accounts.**

What sort of impact is this likely to have on banks? Since the launch of the UK's 'Current Account Switching Service' in 2013, transferring between bank accounts has become much easier for customers. With this in mind, it comes as no surprise that our research showed one in 10 customers are currently seeking to switch banking providers.

Whilst schemes such as the Current Account Switching Service have helped give thousands of customers greater flexibility on where they manage their money, it does also mean that banks who do not provide the level of service their competitors are reaching, can see a rapid impact on their retention rates.

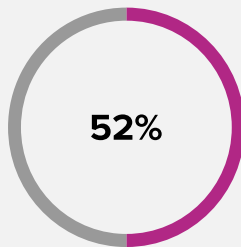
Generational differences



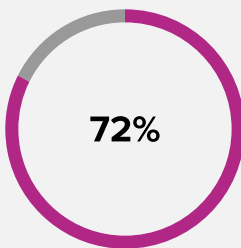
Navigating the varying digital literacy of different age groups is a major challenge for banks

The progression of technology used in retail banking continues to evolve, as have the adoption rates and its usage by the various generations of customer. As society has grown increasingly tech-native, so have the ways in which customers do business and manage their finances. However, ensuring that all customers are comfortable using these new digital platforms is challenging and naturally there is a gap between those who have grown up with technology

and those coming to terms with its ever-increasing presence. Our research highlighted the difference between age groups and their opinions on digital banking, with **only half (52%) of 16-24 year olds saying that their banking provider is keeping up with technology. This number jumps to 72% for the 35-55+ age groups.** This highlights the delicate balance that digital banks must take to make sure that they are providing the level of digital services expected by the younger tech-savvy generation, whilst not alienating their older but loyal customer base.



16-24 year olds saying that their banking provider is keeping up with technology



35-55+ age groups saying that their banking provider is keeping up with technology



Utility above all else

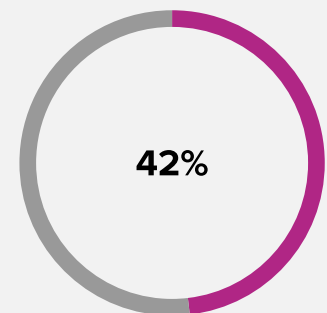


Consumers share their concerns for possible impending recession

With the growing threat of an impending recession, customer worries about their finances appear to be increasing, with almost **half (42%) worried that a market downturn would negatively impact both their bank and their savings.** To help quell these worries banks, both digital and traditional, will need to make sure

they are transparent with their customers about the security of their finances and what potential impacts to expect.

Our research also highlighted that **two thirds of consumers now prefer to communicate with their bank via digital channels, such as email, web chat or mobile applications, rather than visiting a branch.** This further supports the drive towards digital and highlights areas where banks should continue to invest to drive customer engagement going forward, especially in the current volatile economic climate.



Of customers worried that a market downturn would negatively impact both their bank and their savings



In summary



As we head into the winter with questions surrounding the health of our economy, banks need to stay firmly alongside their customers during this difficult time, and technology has a key role to play in making it easier to communicate and provide the required services. It is evident that for those customers who use digital banking channels, the majority are satisfied with their current digital experience, but there is room for improvement when it comes to trust. The next few months will be an important test of how digital banking can improve on this trust issue.

It will also be interesting to see what else emerges from the world of technology over the next few months that can help combat the financial worries that many customers are facing. With budgets set to take a hit in the new year, banks would be wise to examine where technology can help trim business costs whilst also providing modern levels of customer support. Whether banks heed this advice and how customers will respond will be highlighted in the outputs of our next Banking Disruption Index, due to be published in the first quarter 2023.

1 Censuswide research was commissioned by GFT to survey 2,000 UK respondents in August 2022 on their opinions towards the digital capabilities of British banks



About GFT



GFT is a global technology partner focused on digital transformation in the financial sector. Founded in 1987, we have over 10,000 specialists in 15+ markets.

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