



the rise of the instant bank

Research paper

A study of over
2,000 UK banking
customers

five°degrees
the fintech engineers

Research objectives

UK banking preferences: traditional or challenger?

Our research, a survey of 2,005 consumers conducted by Censuswide, identifies the preferred choice of banking for Brits, their favourite type of channel e.g. online, in-branch, telephone and mobile, and which services they are using the most frequently.

Banking expectations: how can banks retain customers?

We show how Brits feel about banking security in light of new cyber threats, the shift to online and mobile banking, and the banking crisis over a decade ago.

We examine customer expectations around setting up a bank versus the reality, and current levels of satisfaction.

Keys to winning new customers

The research uncovers what motivates UK customers to switch bank accounts.

We also identify which segments of UK consumers are the most likely to switch.

Survey findings

Traditional banks still own consumer market share

Traditional banks are owning the majority of the market share with 9 in 10 Brits reporting they use one.

Less than 1 in 10 (9%) of Brits use a challenger bank.

Growing base of UK consumer and business customers for challenger banks

8 in 10 (83%) UK challenger banking customers use their bank account for personal finance, compared to 9 in 10 (98%) of traditional banking customers.

1 in 5 (22%) customers are using challenger banks for business, compared to less than 1 in 10 (9%) of traditional banking customers.

Brits feel safe and secure

Only 1 in 10 Brits feeling that both challenger banks and traditional banks are only somewhat or very insecure.

Challenger banks are quicker to set up, but traditional banks catching up

4 in 10 (40%) UK challenger banking users report an instant set up of their account, but traditional banks are catching up with over a third (37%) reporting an instant set up.



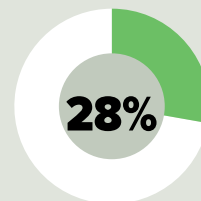
Brits use challenger banks for currency trading (FX banking) and cash management

UK customers are more likely to take out a mortgage with their traditional bank than a challenger bank



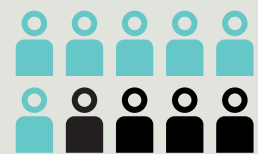
traditional vs challenger

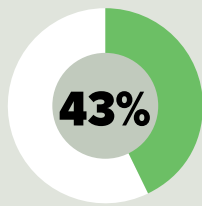
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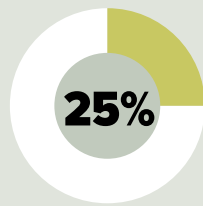
over a quarter of higher earners of £75k+ income are using challenger banks

bank customers using online services

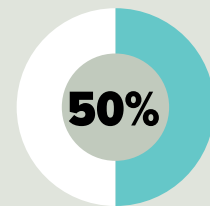




43%
of Brits expect to be able to set up their bank instantly



25%
of Brits expect to be able to set up their bank within 1 day



50%
Half of higher earners (£75k+) never report issues with challenger banks

Customer satisfaction: challenger banks lead with mobile, but traditional banks are better with online customer satisfaction

Traditional banking users (85%) are more satisfied across online services compared to challenger banking users (78%).

Customers satisfied with the mobile services offered by their banks



UK customers experiencing issues with their service on a yearly basis



Death by a thousand cuts for traditional banking users

Among the qualitative survey responses, UK consumers cited that traditional offerings require a lot of paperwork, were slow, and needed to go in-branch to set up their account.

Challenger banks on the other hand were seen as faster, easier, didn't need proof of address to set up, could instantly track spending, very secure, less cumbersome, quick and efficient.

Brits switch banks for cash and interest rates

Cash and interest rates are the key drivers behind why UK consumers switch bank accounts, with 4 in 10 Brits motivated by a financial incentive (42%) or better interest rates (41%).

Millenials & higher earners (£75k+) switch for better online service

Almost a quarter (22%) of 16-24 year old's in the UK would switch if they had a better online experience, and 2 in 5 (20%) would switch if they had better customer service.

Almost a third (31%) of higher earners on an income of over £75k would switch banks for a better online experience, and 1 in 5 (20%) would switch if they had a better customer service.

Recommendations

Seizing the UK market potential: 'survival of the fastest'

Our research reveals that despite traditional banks continuing to be a dominant force within the UK consumer market, there is a growing number of challenger banking users among consumers and business customers.

The UK trends identified in our report that online is the number one channel for banking and a desire for an instant account set-up creates a golden opportunity for banks in a 'survival of the fastest' proposition.

Consumers are now used to fast, personal, safe and always-available portable solutions, and banks need to adopt this approach too. Paperwork can slow down the ability to set up a bank instantly: digital-only services for establishing new accounts will become the future of banking. Whichever bank can provide an account quicker while providing a seamless online experience will seize the market share.

Staying ahead of customer demands

For banks to stay ahead of customer demands they must ensure they champion customer satisfaction across all channels. At the same time, banks need to minimise disruption typified in 2018 by the Lloyds TSB and HSBC IT outages, by having the right technologies in place to foster 'Open Banking' and aligning effectively with PSD2 and GDPR regulations.

How to win new customers



To win new customers our research shows that the main drivers behind switching service providers include cash incentives, interest rates, and a consistent online experience.

Our research also shows that young adults (16-24 years old) and higher earning customers are most receptive of changes to an improved online experience when considering moving to a different banking provider.

About the research

The research was conducted by Censuwide with 2,059 UK respondents of which 2,005 use a bank. Fieldwork was carried out between 21.01.19 - 23.01.19.

Censuwide abide by and employ members of the Market Research Society. All survey panellists are double opted in (with an opt-in and validation process) in line with MRS and ESOMAR standards.

About five°degrees

five°degrees was founded in 2010 by Martijn Hohmann CEO and co-founder of five°degrees, with over two decades of experience within banking and financial services. The decision to launch five°degrees was born out of Martijn's entrepreneurship and vision: that legacy technology is not providing banks the support they need to be ready for the future, and next generation banking software will be the enabler to support the switch to digital through open APIs.

five°degrees' headquarters is located in the Netherlands, employing over 180 people across the Netherlands, Iceland, Portugal and Serbia. In 2017, five°degrees achieved a turn-over of 12 million euro. In the upcoming years, five°degrees' vision is to double the number of its clients in Europe.

five°degrees is the third time consecutive member of the FinTech50 and a Dutch FinTech Awards winner in the Banking IT category.

five°degrees is also collaborating with investors, such as Karmijn Kapitaal, Velocity Capital, and 5-Square Committed Capital, who help shape the business strategy.



Report authors

five°degrees supports financial institutions in their digital transformation with its next-generation digital banking platform.

www.fivedegrees.com

the fintech engineers



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