

READY FOR THE BIG BANG IN DIGITAL BANKING?

HOW NEW DIGITAL BANKS WILL CHALLENGE THE BIG BANKS



AN OMNIBUS CATEGORY RESEARCH SERIES BY **rocsearch**

SERIES LAUNCH: 1 OCT 2020

READY FOR THE BIG BANG IN DIGITAL BANKING?

This Omnibus Category Research covers two main agenda:

1. Current emerging issues for the category: The rise of Digital Banking.

It includes a study into the Hong Kong digital banking market and predicts consumer responses to likely offers by new digital banks coming to Singapore.

2. Brand growth indicators of Leading Banks: DBS, OCBC and UOB

This probes the growth potential of these brands, in terms of popularity, emotional appeal and ease-of-purchase.

READY FOR THE **BIG BANG** IN **DIGITAL BANKING?**

HOW NEW DIGITAL BANKS WILL CHALLENGE THE BIG BANKS

AN OMNIBUS CATEGORY RESEARCH SERIES BY ROCSEARCH

INTRO **Content**

SECTION 1

Digital Banking: Now vs Next

- 1** Digital Banking in Singapore – The Big Banks Now
- 2** Digital Banks in Hong Kong – Key Moves
- 3** New Digital Banks in Singapore
 - How Favourable Are Singaporeans
 - Rating for New Digital Banks
 - Likely Moves and Offers
 - Likely Savings Migration
- 4** Implications: Forecast and Predictions

SECTION 2

Brand Growth Indicators

- 1** Fame – Measure of Customer Penetration
- 2** Feeling – Measure of Brand Emotion
- 3** Facility – Measure of Brand Ease of Purchase
- 4** ‘Fame, Feeling, Facility’ as Brand Growth Indicators

Appendix
Verbatim
Survey – Reports & Data

READY FOR THE **BIG BANG** IN DIGITAL BANKING?

Would Singtel and Grab pose much of a threat to our Big Banks? A recent survey by RocSearch suggests 3 in 4 adults would give new digital banks a try, with consumers warm to more vibrant banking offers across savings and deposits, home loans, credit cards, online stock trading and SME banking.

It might seem like reading the tea leaves before the water is even boiled (a lot will depend on what new digital banks will offer) but the findings are consistent with a Business Times report by Bain & Company, Google and Temasek on 31 Dec 2019. Singapore's banking scene is due for a tune-up.

“A recent report by Bain & Company, Google, and Temasek, shows that four in 10 of adults living in Singapore were deemed unbanked or underbanked, despite Singapore being a matured financial market. Thirty-eight percent of those polled said they were not well-served in financial services, as they fret over being underinsured, or having no long-term savings.”

THE BUSINESS TIMES

*Grab, Singtel make it to Digibank alter
after hectic speed dating 31 Dec 2019*

DIGITAL BANKING

NOW
vs
NEXT

New digital banks will spur a more vibrant and challenging banking scene. The Big Banks though are well fortified with their established presence, their 'secure and safe' brand equity and their increasing digital savviness. After all, the Big Banks have invested heavily in digital platforms and apps the last few years. This provides a strong line of defence, as it is not easy for any new entrant to offer the best in digital banking overnight - even if you are given a digital bank license by MAS.

LOCAL BEST FOREIGN BEHIND

Beyond usage, Local Banks have set a high bar in favourable ratings against foreign players and new digital banks.

The top three best performing apps as rated by respondents are DBS (89.1%), iFast (80.0%) and OCBC (79.4%).

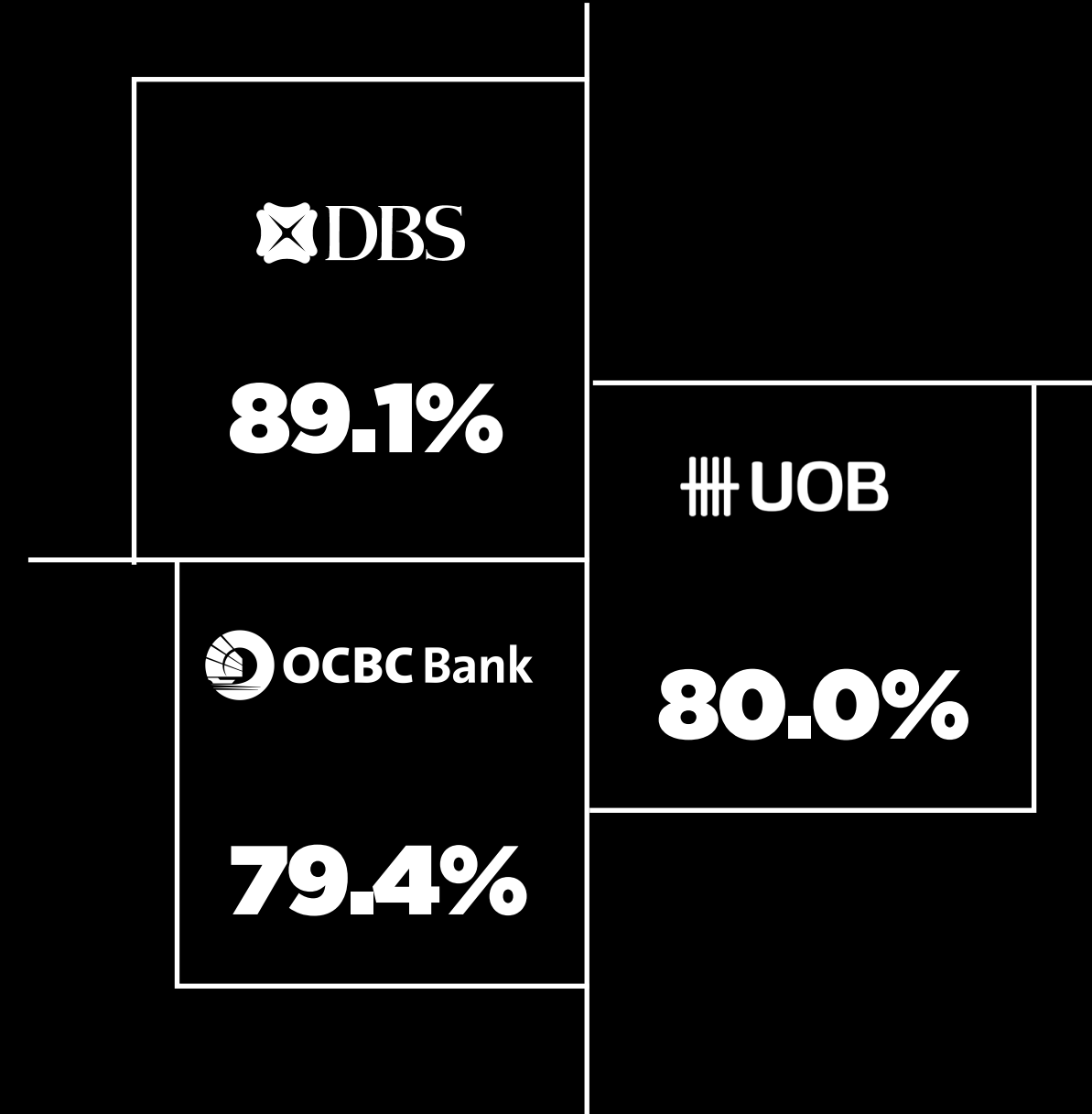
Surprisingly, though iFast has limited customer usage (5.4%), it is highly rated by its users (80.0%) for its sophisticated range of capabilities. This augurs well for its attempt to bid for a digital banking license and its prospects ahead.

The apps rated least favourably are HSBC (54.3%), Standard Chartered (61.4%) and Citibank (61.6%). The global banks lagged behind the local favourites.

	% Penetration
DBS	93.1%
OCBC	57.4%
UOB	44.5%
Citibank	42.1%
Standard Chartered	31.9%
Maybank	8.7%
HSBC	8.3%
iFast	5.4%

	% Favourable
DBS	89.1%
iFast	80.0%
OCBC	79.4%
UOB	72.7%
Maybank	62.5%
Citibank	61.6%
Standard Chartered	61.4%
HSBC	54.3%

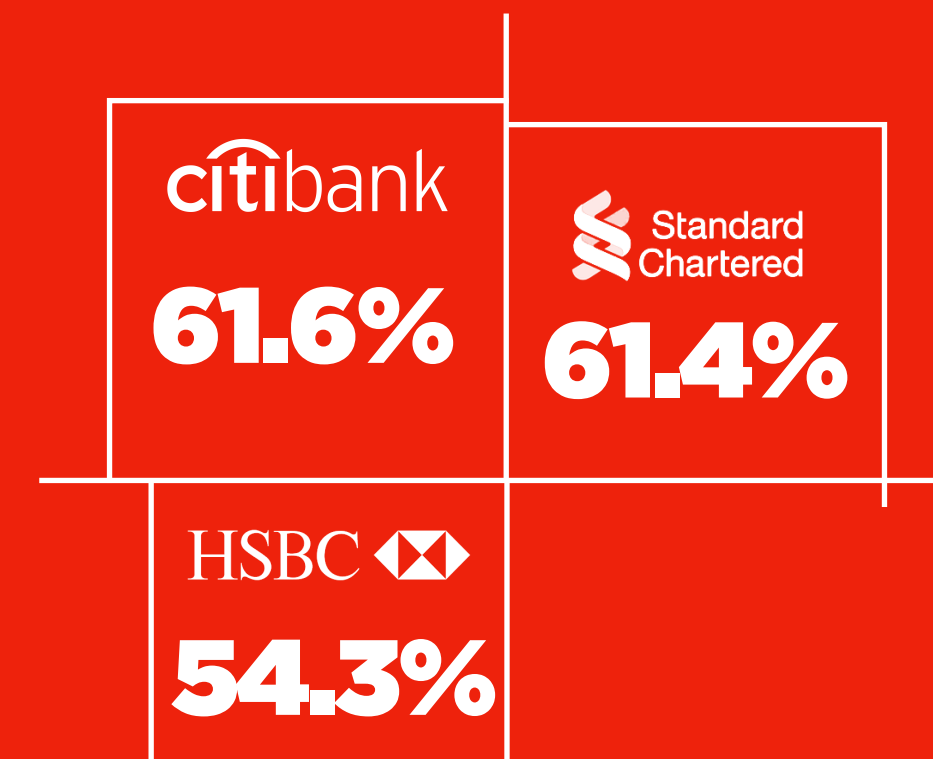
HIGHLY RATED



Consumers rated the Local Big Banks very favourably on their banking apps. DBS has the highest usage penetration (93.1%), and also topped in favourable rating (89.1%). The top four best performing apps as rated by respondents are DBS (89.1%), iFast (80.0%), OCBC (79.4%) and UOB (72.7%).

Surprisingly iFast was highly rated by its users (80.0%) for its sophisticated range of capabilities despite its low customer penetration (5.4%). This augurs well for its bid for a digital banking license and its prospects ahead.

The local favourites are way ahead of the global banks in app ratings. The apps rated least favourably are Citibank (61.6%), Standard Chartered (61.4%) and HSBC (54.3%).



MODESTLY RATED

SO, HOW STRONG ARE THE BIG BANKS?

Local Big Banks are perceived as safe but not exciting. The number one brand equity ascribed to all three Local Big Banks is 'security'. Despite getting high praise for its innovative app, 63% of consumers still perceive DBS as 'safe'. UOB has an uphill brand struggle, as it attempts to bring its heritage 'Trust' reputation to a new banking age. OCBC has more of the youthful swagger with 20% rating it for 'Confidence/ Passion' (versus 22% for 'security') though lagging behind DBS and iFast in app rating.



iFAST

PING AN

 OCBC Bank



 UOB



 DBS



While the Big Banks can count on their presence and brand appeal, the entry of new digital banks would accelerate the shift towards product innovation, customer segments and reward-driven digital banking.

EMOTIONS FELT TOWARDS THE BRANDS



SECURITY



CONFIDENCE



RECOGNITION



POWER



PASSION



ENJOYMENT



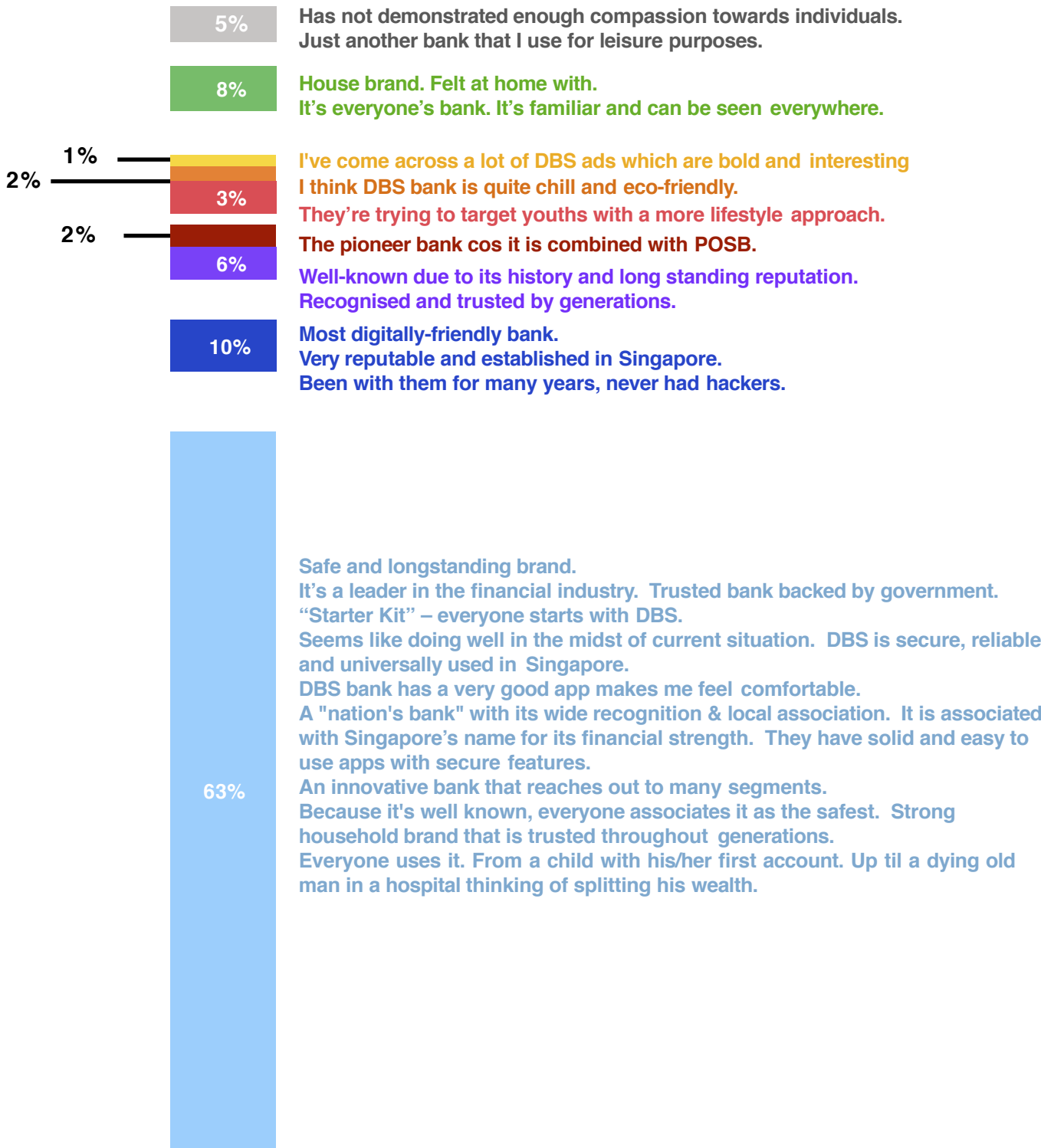
FUN



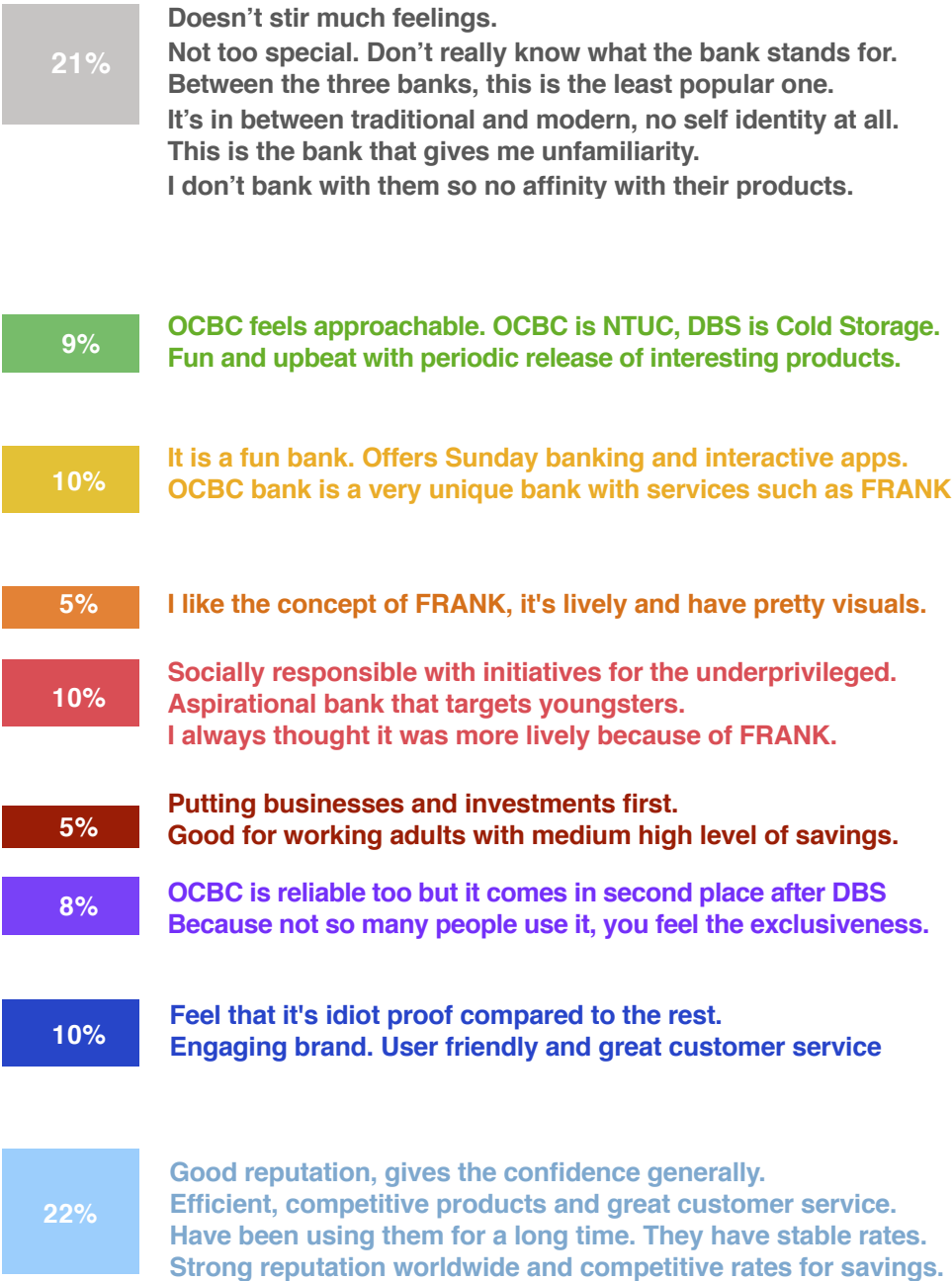
SOCIABLE



NO FEELING



SECURE
STRONGEST



VERSATILE
SCATTERED



CONSERVATIVE
TRADITIONAL

DBS. SAFEST AND BIGGEST, JUST NOT VERY EXCITING.



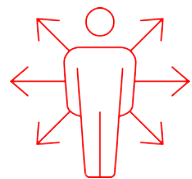
DBS scores dominantly (63%) for 'Security', and also for the strength of this emotion (5.8). 'Security' is also rated of high significance to respondents (5.7).



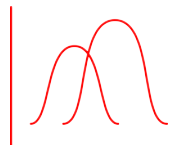
This is a positive and appealing emotion for the mass of consumers, especially as the biggest bank in Singapore and the region.



DBS' dominant brand emotion, 'Security' is attributed most strongly from its brand image and reputation (65.9%), much more so than from distinctive 'products' (7.5%).



The next highest brand emotions for DBS are Confidence (10%), Sociable (7.8%) and Recognition (6%).



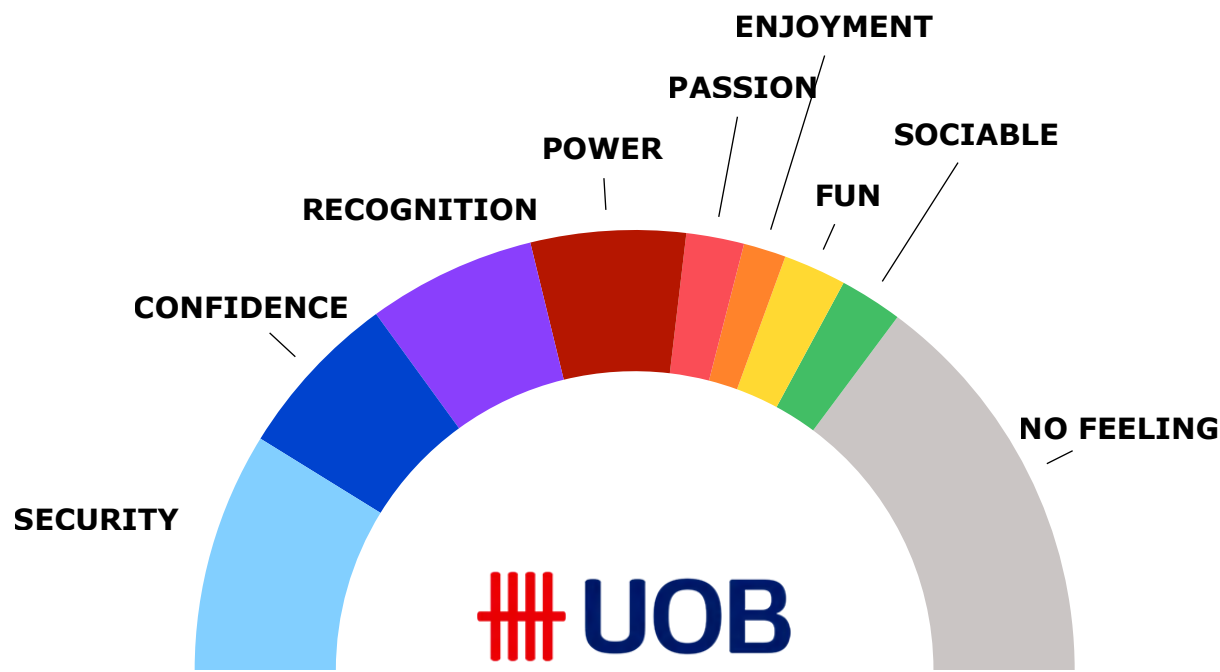
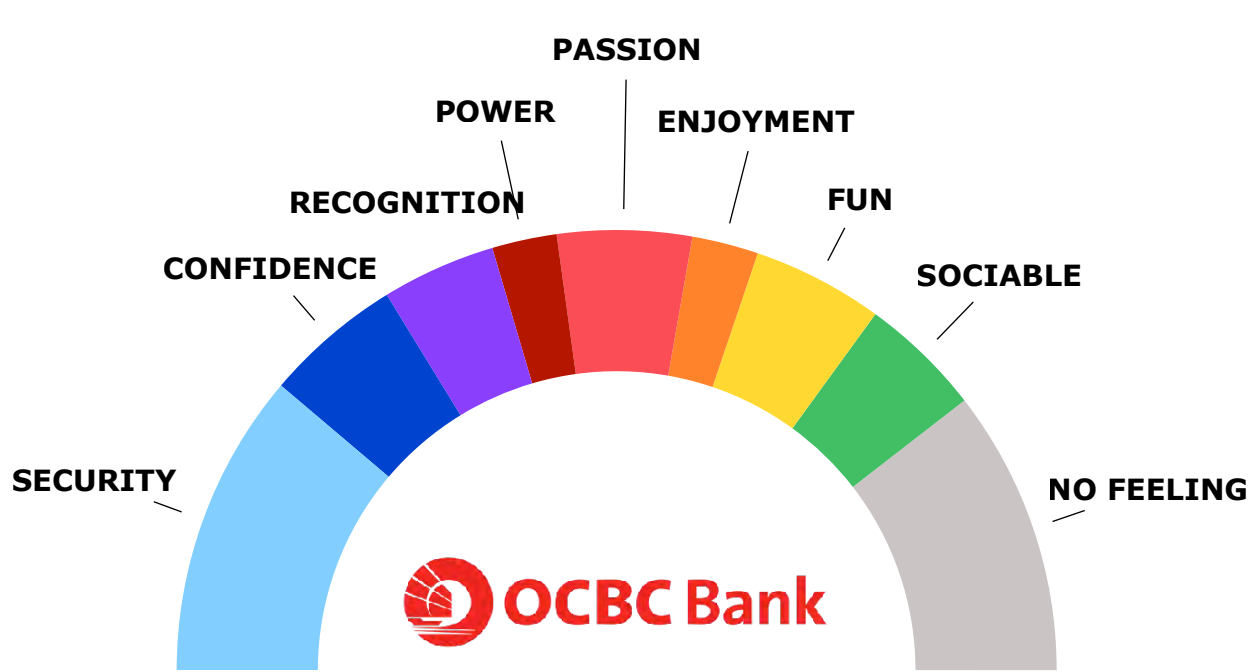
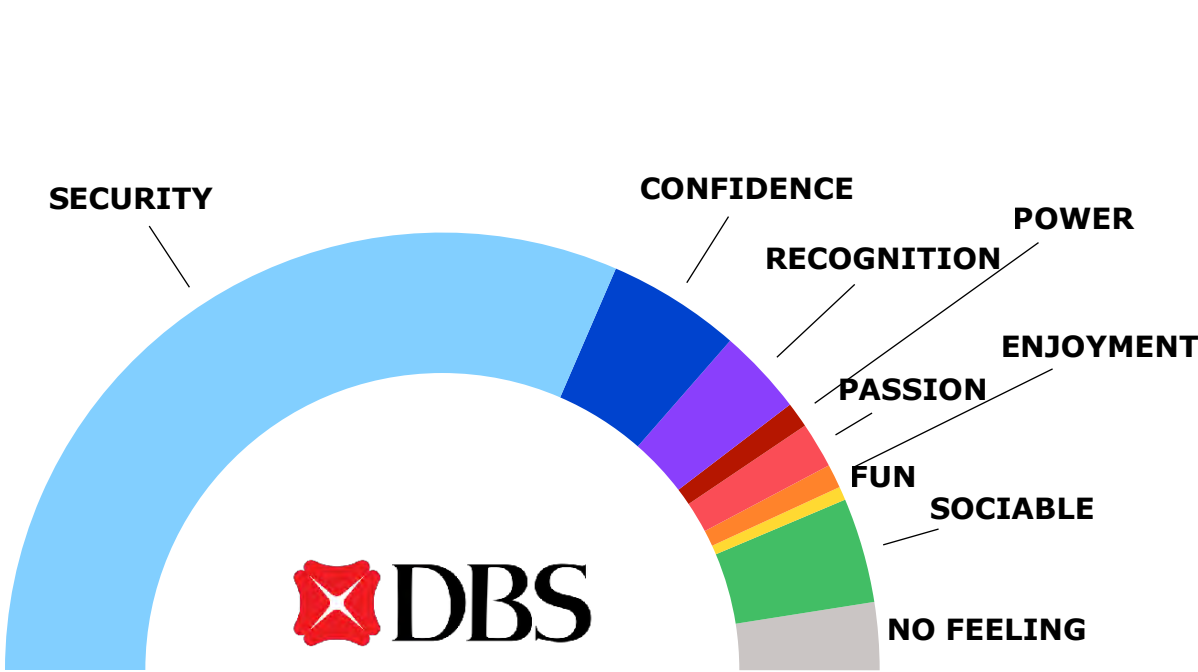
It scores lowest (less than 3% amongst respondents) for emotions like Enjoyment, Fun, Passion, and Power.



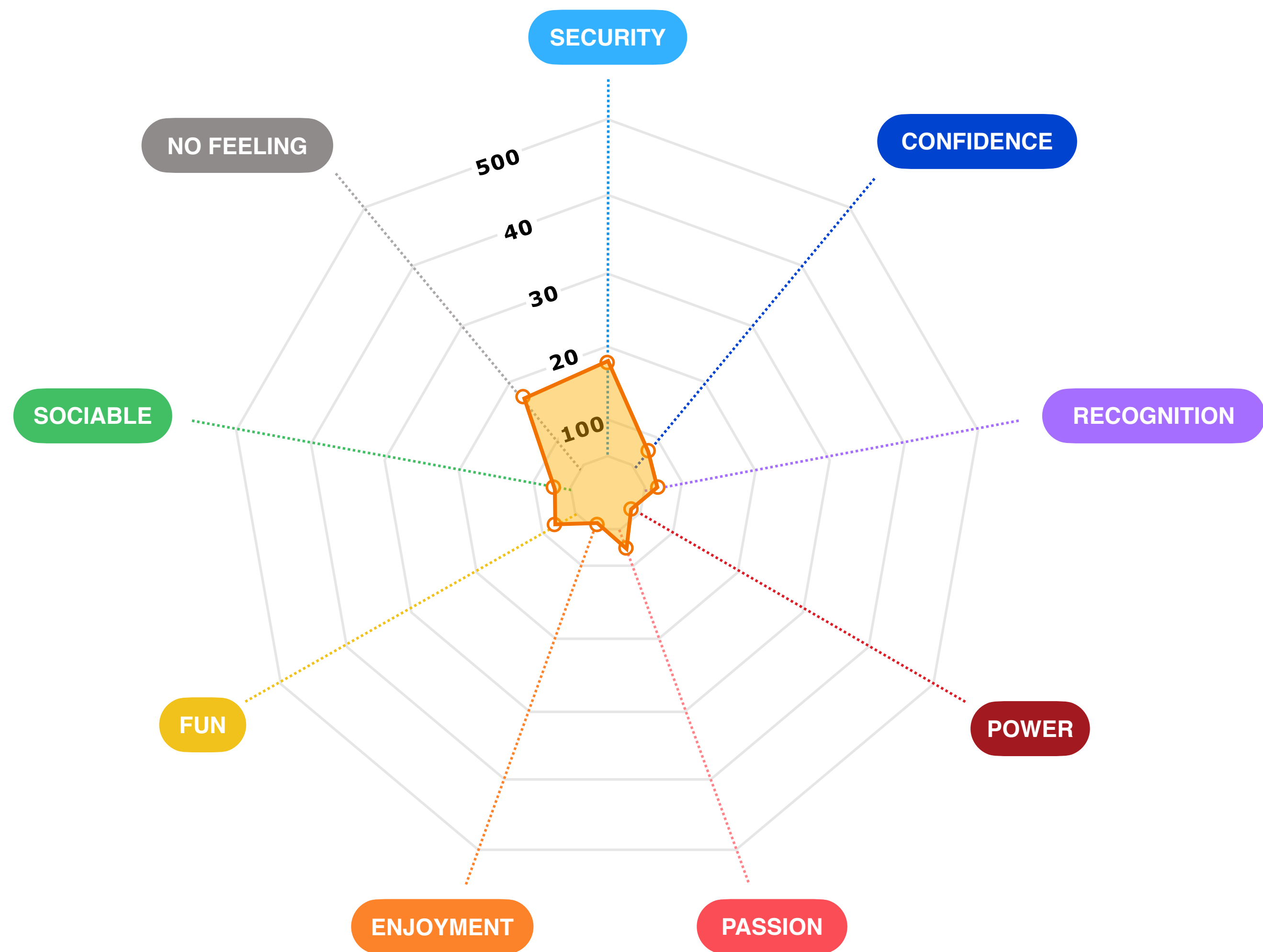
The brand dominantly sits on the Blue emotional zone of Security / Confidence, and scores lowest on 'Fun' and 'Enjoyment' (Orange zone).



It is weakest on the Orange emotional zone of 'Passion, Enjoyment, Fun, Sociable' (13.9% total) versus OCBC (33.4%) and UOB (16.6%)



OCBC, IN VERBATIM



“OCBC feels approachable. Let’s just say OCBC is like NTUC while DBS is more like a Cold Storage.”



“Seems like they lack an ‘image’ e.g what this bank can do for you. Not very digital at the moment.”



“OCBC is like a fun bank that I don’t really trust”



“I like OCBC because of FRANK. It’s fun and for young people. Clear and simple, young vibes.”

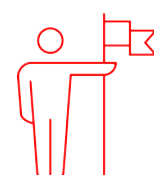


“Not really a fan of their mobile application as the interface sometimes gets really laggy. But apart from that, OCBC seems to appeal to people of my age more than older adults in my opinion”



“The products which it offers esp OCBC365, etc. But as for advertising, it’s not as good as DBS. Internet banking platform also not as user friendly and intuitive as DBS.”

IMPLICATIONS : SHAKE OFF THE BLUES TO FIND A BRIGHTER TOMORROW



At a brand emotion level, UOB has less appeal to mass consumers than DBS and even OCBC, which is well-liked by younger consumers.



The research also suggests UOB has an indistinct brand appeal to the mass (29.6% could not associate a brand emotion to UOB) particularly to the young.



UOB has banked and thrived on its brand strength of prestige and power for an older, affluent base, including SMEs. This is a brand forte, with significant growth prospects in Singapore and the region.



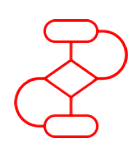
Its greatest opportunity is to translate this latent 'prestige and power' brand appeal from an older generation to new, affluent consumers including business customers.



It is a mighty challenge for UOB to appeal to the young. While it has upgraded and improved its digital banking (Mighty app), it clearly needs some innovative products and makeover to appeal to younger, affluent consumers.



One plausible way would be the creation of a younger brand such as 'TMRW' for tomorrow's generation, which it had launched in Thailand and Indonesia.



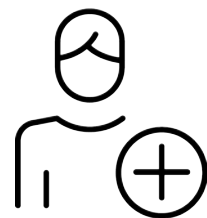
There is a repertoire of brand strategies to build on 'prestige' and translate that appeal to a more youthful, mass appeal - especially across the South-East Asia region.



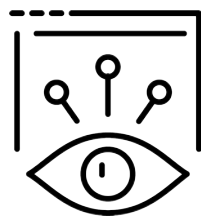
RATING FOR NEW DIGITAL BANKS

Consortiums ranked according to general consumer favourability:

	46.6%
	27.8%
	21.8%
	21.1%
	17.6%
	17.6%
	16.2%
	14.3%
	12.0%



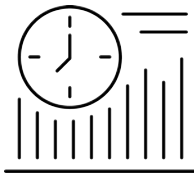
Singtel-Grab gets top attention at 46.6%, given their brand familiarity.



Consortium led by Ping An and EZLink are well-regarded for their fintech, infrastructure and customer data strengths.



While this is an early pre-launch poll, we expect the brands to up their profile and prominence rapidly once they are awarded MAS licences, as we saw in Hong Kong.

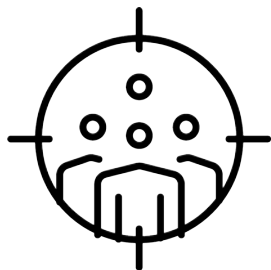


Watch out for consortiums with the digital sophistication and platforms, particularly Ping An, Ant Financial and iFast to launch and scale rapidly.

HOW FAVOURABLE?

3 IN 4

Are favourable towards the new digital banks coming into Singapore.



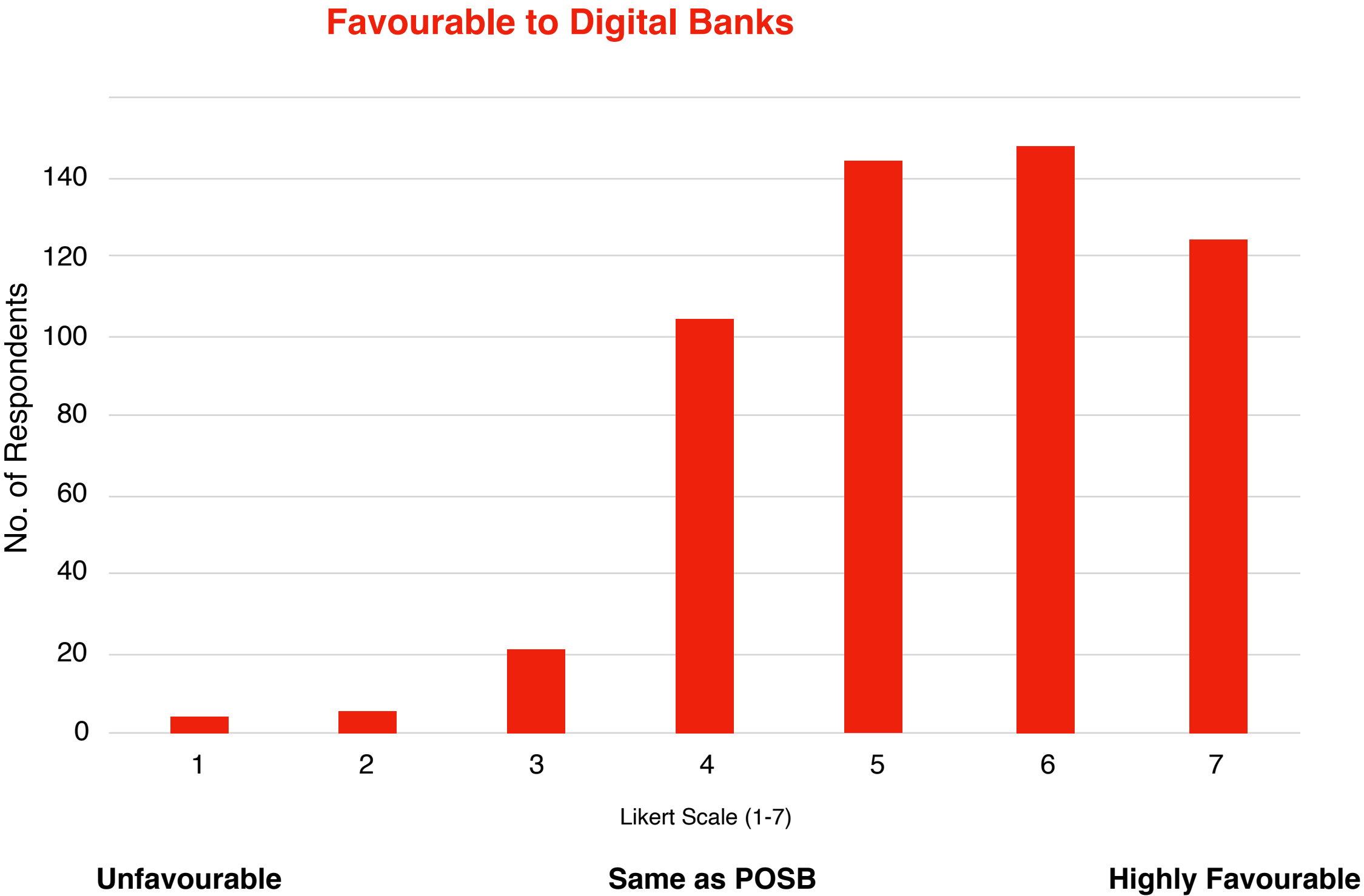
75.7% of respondents are favourable towards the arrival of new digital banks.



This rating extends across both younger (18-34) and older (35+) respondents at 72% and 83% favourable ratings respectively.



Digital affinity and appetite are expected to be stronger in Singapore than as seen from Hong Kong.



WHO'S HOT



46.6%

Singtel-Grab topped at 46.6% favourable ratings,

New digital banks are expected to bring on a new level of competition in product marketing, novel attraction and aggressive pricing, as we saw in Hong Kong.

PING AN

27.8%

Ping An-led consortium at 27.8%



21.1%.

and AMTD-Mi-SP Group at 21.1%.

While brand appeal for the new digital bank candidates are modest at pre-launch stage, this will rise rapidly at launch.



17.6%

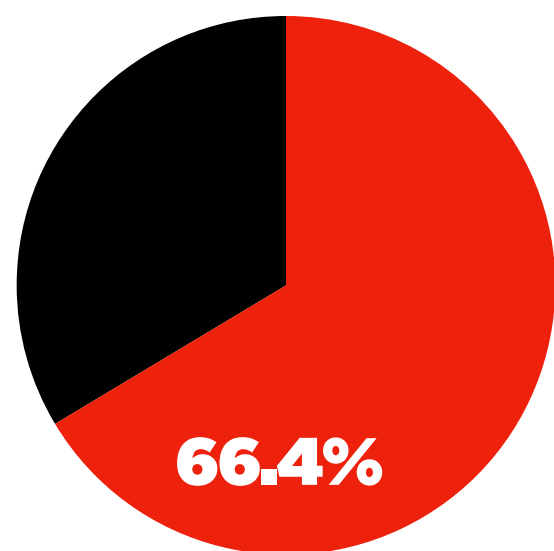
Ant Financial is a credible player at 17.6% rating and iFast at 14.3%. Each of them offers significant strengths, advantages and experience to challenge the market.

iFAST

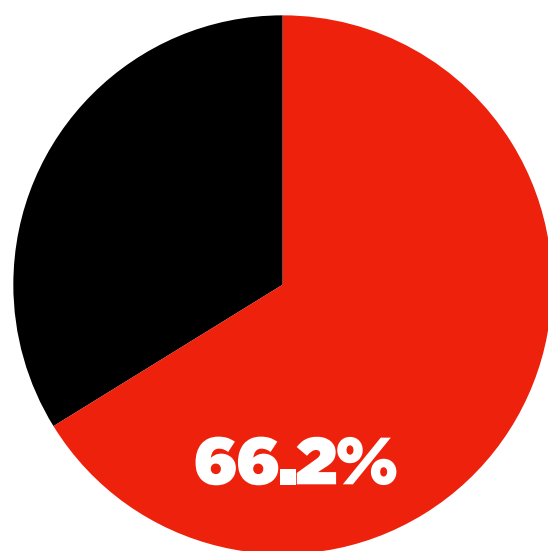
14.3%

HOT ZONES FOR DIGITAL BANKS

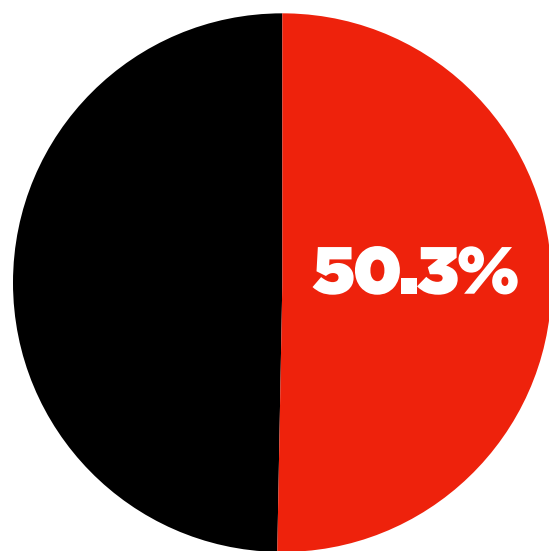
WE TESTED SOME PRODUCT CHALLENGES FROM NEW DIGITAL BANKS



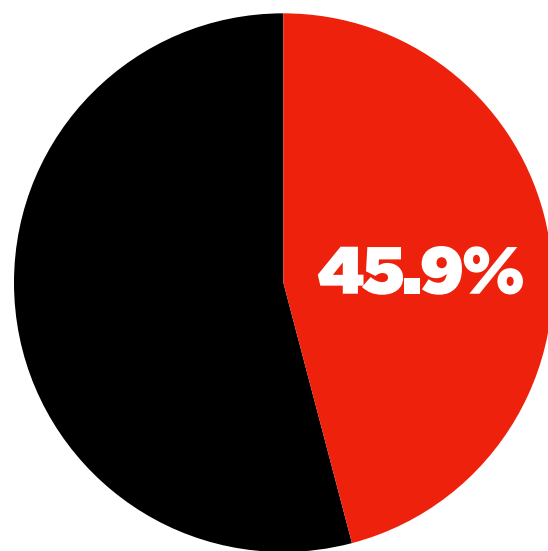
favourable to salary crediting at 2% interest



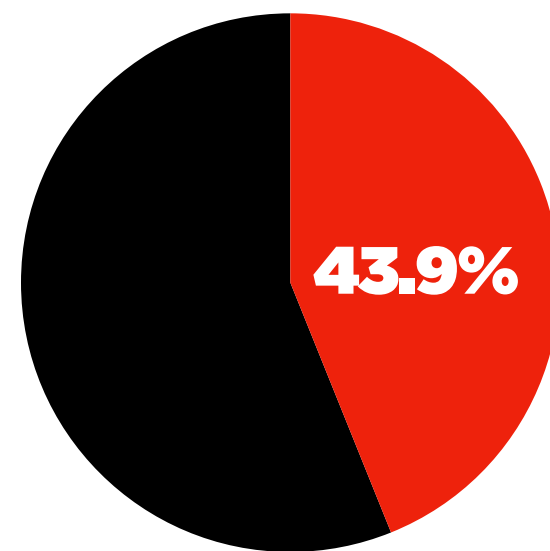
favourable to deposits, with enhanced lifestyle benefits



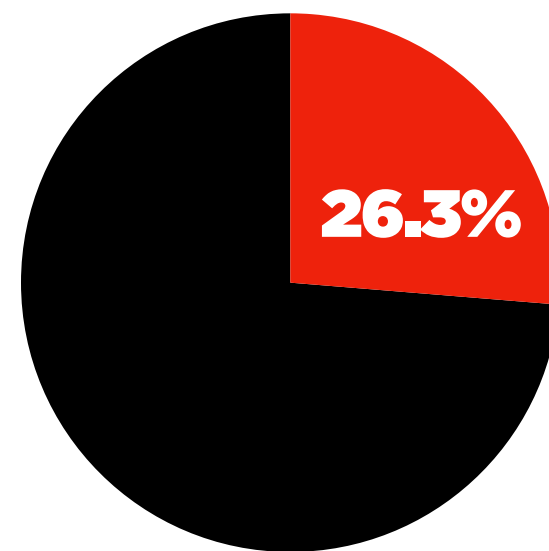
favourable to credit card offers



favourable to home loans at 2% fixed interest rates for 3 years



favourable to online stock trading at zero trade charges

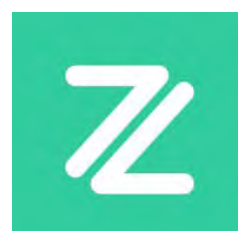


favourable to insurance plan promotions.

2 Key Moves

DIGITAL BANKS IN HONG KONG

Here are some key moves from digital banks in Hong Kong:



1

Promo deposit rates for customer acquisition

ZA Bank launched with an introductory interest rate of 6.8% for their first 50 clients – 3% more than what HSBC, Standard Chartered and Bank of China were offering. After this promotion, it followed up with a savings rate of 1% savings for deposits up to HK\$500,000 (SGD \$88,386), well above general savings deposit rate of 0.001%.

This led to similar moves by WeLab bank offering 4.5% annual rate on deposits as little as HKD\$10 (SGD\$1.77), and Airstar offering 3.6% interest for deposits up to HK\$20,000 (SGD\$3,535) for new customers.



2

Faster, more innovative account opening and loan approvals

Hong Kong's third virtual bank, WeLab bank, offered a 5-min onboarding process to open an online bank account with zero monthly fees. It takes two to five days to activate an account with HSBC.

ZA bank introduced Hong Kong's first ever 30-minute loan approval, with a pledge to give loan applicants a cash rebate of HK\$10 for every minute spent waiting for their application results after 30 minutes.

ZA bank also uses biometric recognition to facilitate remote onboarding. With no physical branches, users can still enjoy convenient banking with just their ID card, a selfie, and documents that they can send via smartphone. The record of opening an account with ZA Bank is 2 minutes and 14 seconds.



3

Card Marketing heats up in competition and innovation

Beyond mobile banking, WeLab Bank issued numberless Debit Cards in collaboration with Mastercard, which boosted its security standing. The numberless card helps prevent fraudulent access with CVV or expiry date.

Mox Bank (Standard Chartered in partnership with HKT, PCCW and Trip.com) offered Asia's first all-in-one numberless bank card on an invitation-only basis in April 2020. First 3,000 registrants who successfully opened a Mox account are designated founding members, receiving a limited-edition metal Mox card.

Digital banks will foray and eat into card income for the leading banks.

HOW SHOULD YOUR BRAND GROW?



• ANDREW EHRENBERG • BYRON SHARP • ROBERT HEATH • DANIEL KAHNEMAN • PETER FIELD • LES BINET • PAUL FELDWICK

In recent years, the work of Les Binet, Peter Field, Byron Sharp, Daniel Kahneman, Andrew Ehrenberg, Robert Heath and Paul Feldwick have uncovered how brands produce business effects such as consumer penetration, market share, premium pricing and even loyalty.

The most successful brands excel in three dimensions: They have wide consumer penetration. They have strong emotional appeal. They are easy to recognise, experience and buy. In short, what we called 'fame, feeling and facility'.

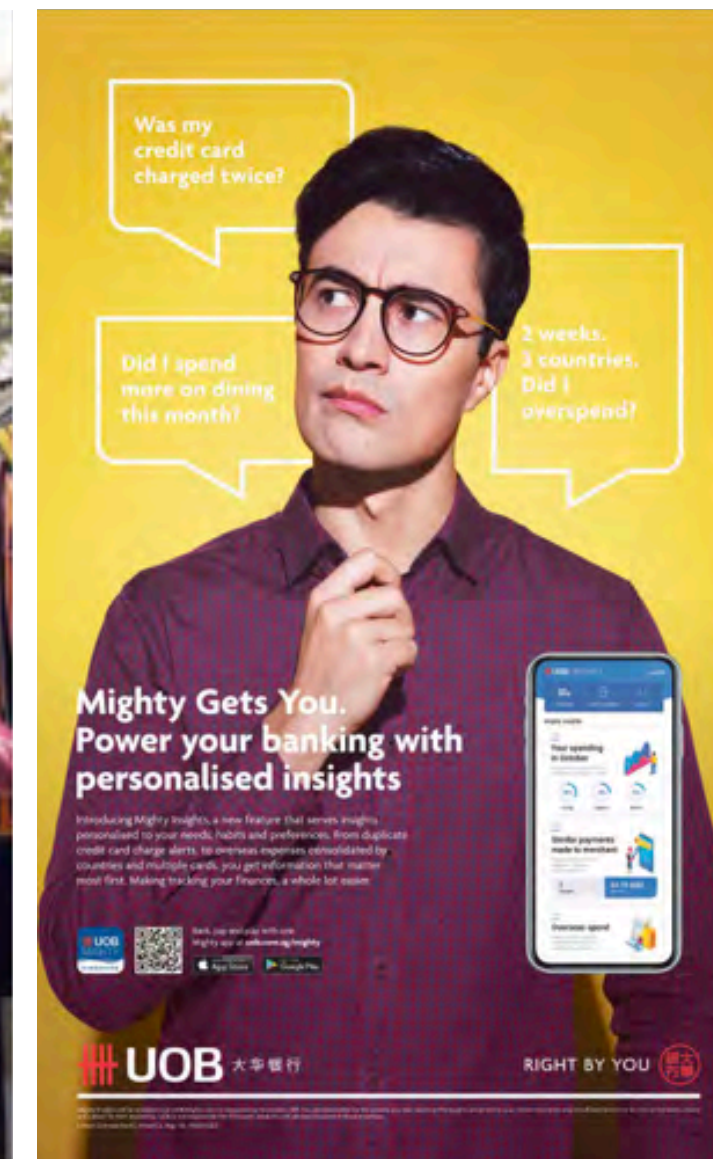
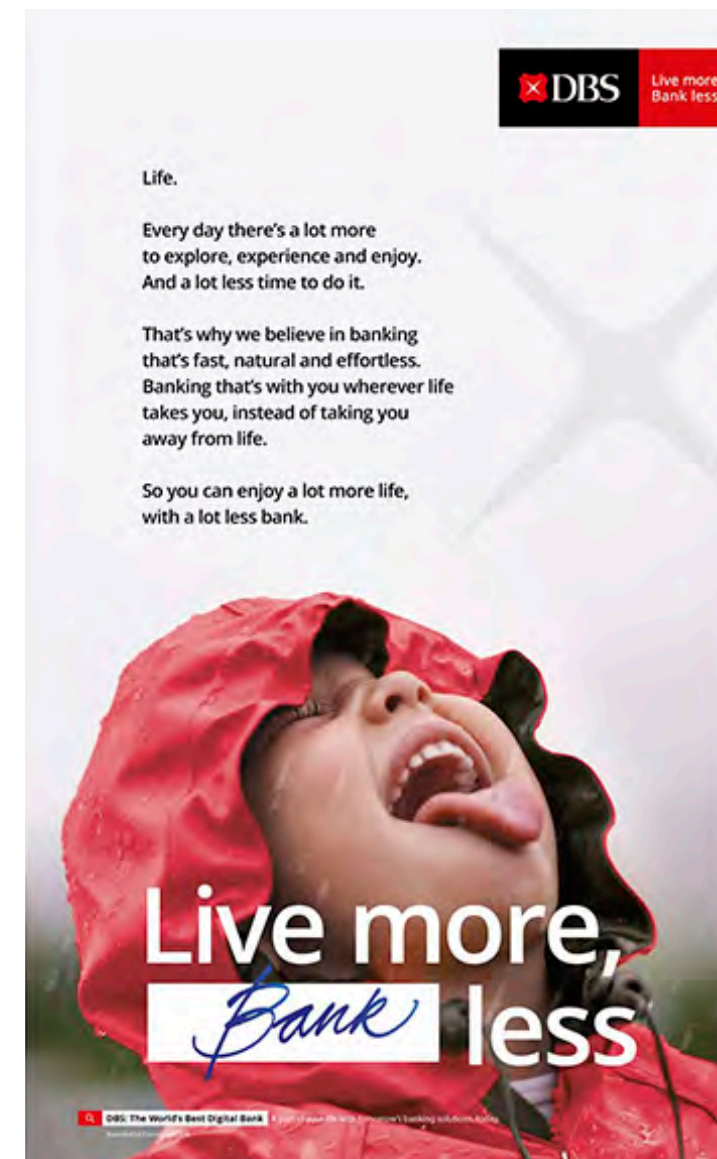
The Brand Growth Advantage measures these dimensions of brands versus competitor brands in any category. It provides an assessment of how your brand performs - its comparative strengths and weaknesses - and the levers for marketers to grow their brands and business effects.

This is now made into an online survey which benchmarks brands across categories.

**THE MOST SUCCESSFUL BRANDS
EXCEL IN THREE DIMENSIONS:
THEY HAVE WIDE CONSUMER
PENETRATION. THEY HAVE STRONG
EMOTIONAL APPEAL.
THEY ARE EASY TO RECOGNISE,
EXPERIENCE AND BUY.**

This Omnibus Survey tracks consumer usage and rating of digital banking by current Big Banks in Singapore. It also probes the appeal and likely moves of 9 digital banks applicants including Grab, Singtel, iFast, Ant Financial and Ping An Insurance, and highlights key moves from digital banks launched in Hong Kong.

FRANK
BY OCBC



The survey also tracks the brand growth of DBS, OCBC and UOB, based on brand fame (penetration), feeling (emotion) and facility (ease of purchase). DBS commands wide popular appeal, with its ubiquitous brand bigness. OCBC scored memorably for its products with notable mentions for OCBC365 and even Frank Card. UOB thrives on its brand heritage, even as it promotes new apps and mobile banking.

Research based on 800 respondents, with 70% of prime earning ages of 25-54. 59% of respondents have a degree or higher. 68% were PMETs.

A 60-page report is available as a syndicated study.

For more information, please contact Michael Lung, research director at RocSearch: michael.lung@rocsearch.com

AN OMNIBUS CATEGORY RESEARCH SERIES BY ROCSEARCH

RocSearch is a world-leader in customized Business Intelligence solutions, providing business insights, market and financial research and data analytics.

It has delivered over 50,000 research and consulting assignments to clients globally including Fortune 500 Companies, Investment and Professional Services Firms and Government organizations across categories and industries.

RocSearch has consistently been ranked No.1 in strategy research and analytics services by multiple independent customer satisfaction surveys since its inception in 1999.

This Omnibus is part of a global series of category research tracking emerging issues and brand performances.

