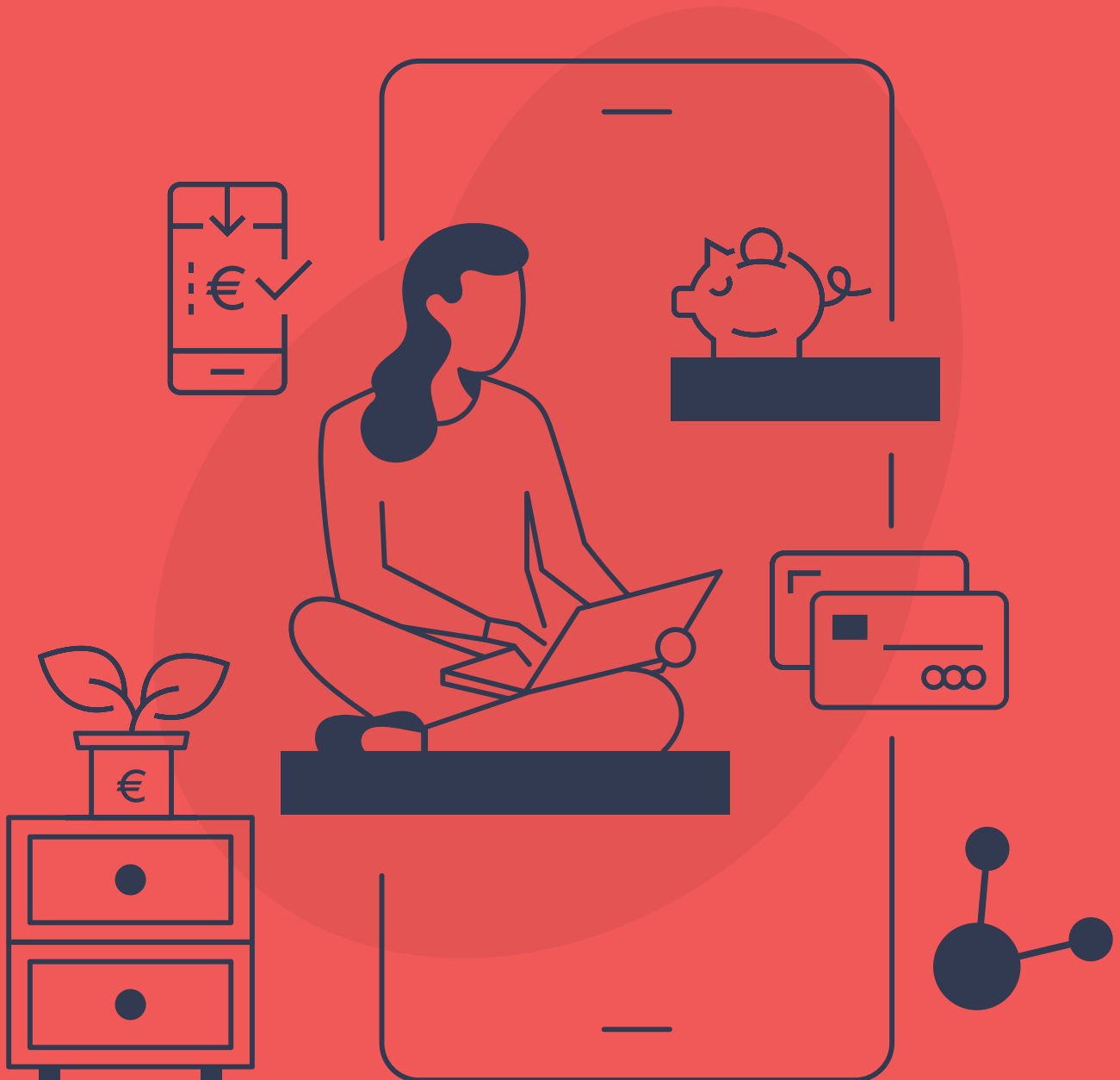


# An 'app-etite' for banking

How we bank today



# INTRO

**What does the long-term future of the financial sector look like?** A group of students from Solvay Brussels School of Economics & Management, Ghent University and KU Leuven was asked this question a decade ago. The students did extensive fieldwork, performed market analyses, launched online surveys and conducted several face-to-face interviews along with the consulting firm HazelHeartwood. They then poured their vision into a report that set out how they saw the banking model would evolve over the coming years.

Their bank for 2020 was:

- a bank that turns the client into the banker
- a cooperative bank that turns its client into shareholders
- an institution without branches or ATMs in a cashless society
- a bank that operates mainly through the internet and social media
- primarily a facilitator, whose activities focus on trade and exchanging information between its clients
- an institution that proactively informs and educates its clients in financial matters, especially through electronic platforms

With 2020 now behind us, it is worthwhile looking at how closely their predictions match today's reality. How do we bank today and what about our 'app-etite' for banking?

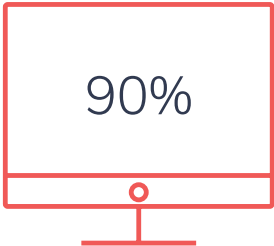


# A BANK THAT TURNS THE CLIENT INTO THE BANKER

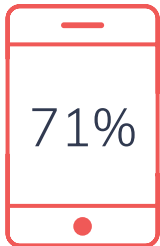
**Digital banking**, with which clients choose where and when to bank themselves, has grown massively in recent years. As mobile subscription and internet banking figures continue to rise, new communication channels such as video calling and chat functions are becoming more commonplace. The coronavirus crisis has prompted even more people to go digital. So the 'app-etite' for digital banking is certainly there. This is evident from the figures below.

## App and PC are the most popular channels for banking

A recent Ivox study<sup>1</sup> shows that the most popular channels by far for accessing banking services are the PC (internet banking) and the app (mobile banking):

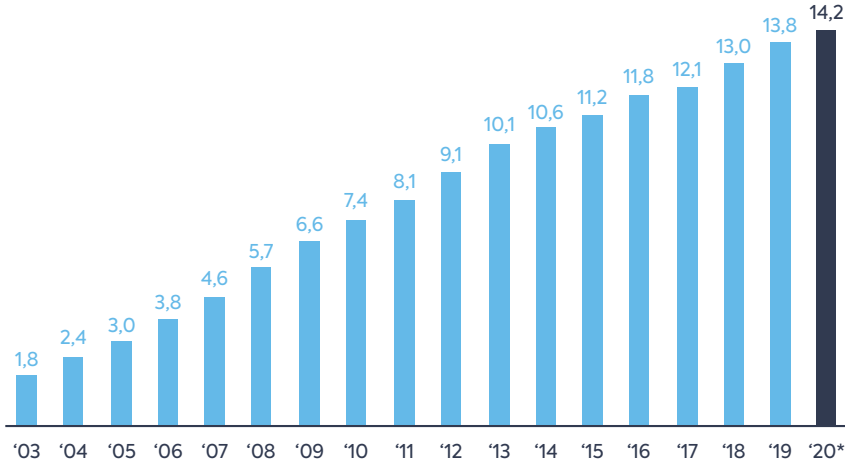


90% of Belgians say they sometimes use their PC to access banking services. We see that PC banking is also popular among **senior citizens** (91%), while young people use mobile banking more often.



7 in 10 Belgians (71%) say they access banking services through the app. This figure rises to almost 9 out of 10 among **young people**.

### Number of internet banking subscriptions (in millions)

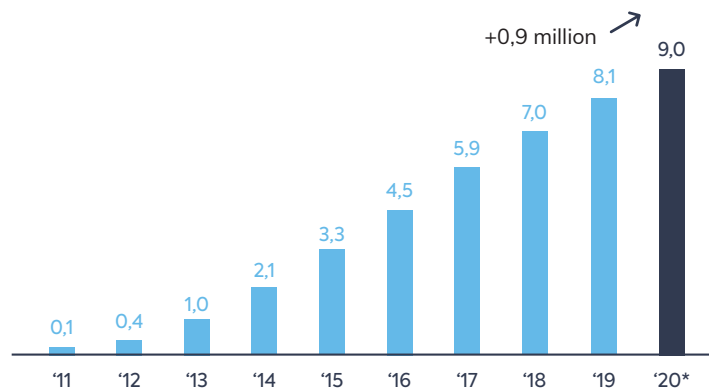


Source: Febelfin (\*provisional figure)

<sup>1</sup>Ivox study commissioned by Febelfin and conducted among 1,000 Belgians between 25 and 30 November 2020 (representative of gender, language, age and education). Maximum margin of error for 1,000 Belgians is 3.02%.

Despite already exceeding 11 million in 2015, the number of **online banking subscriptions** has grown by 5% year-on-year in the past five years. The number of mobile subscriptions has increased by more than 20% per year over the same period. Number of internet banking subscriptions at the end of 2020: 14.2 million (increase of 3.1% compared to the end of 2019). Number of mobile banking subscriptions at the end of 2020: 9 million (increase of 11% compared to the end of 2019).

### Number of mobile banking subscriptions (in millions)



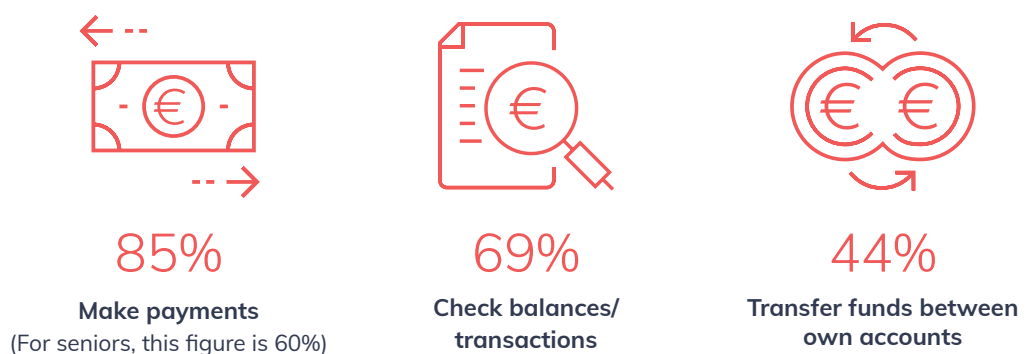
Source: Febelfin (\*provisional figure)

Especially **mobile banking** continues to grow. Over the last five years, mobile banking subscriptions have averaged more than 1 million per year. There are now **almost triple as many mobile banking subscriptions than at the end of 2015**.

The use of PC and mobile banking is also increasing: 44% of Belgians use the banking app for transactions several times a week. This not only gives Belgians a better overview of their financial situation, but also saves many trips to the branch, which in turn benefits our ecological footprint.

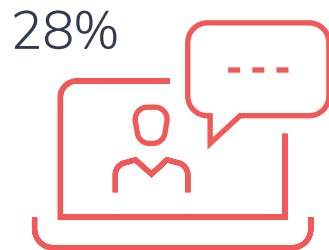
## TOP 3 services

Asked about the top three services most used for banking through the app or PC:

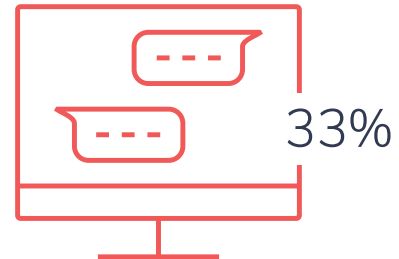


## Further growth in video calls and chat

New technology and a greater choice of communication channels are also creating new, easier and faster interactions between clients and their banks. People now have greater access to a range of banking services, whether at home, on the road or at work.



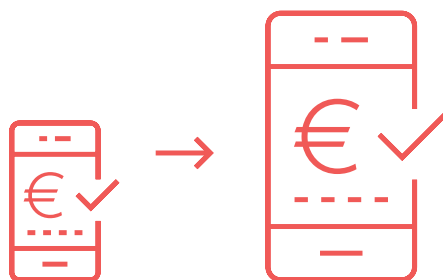
28% of Belgians sometimes use **video calls** to consult banking services. Belgian young people, in particular, use video calls for this purpose (39%). But 18% of people over 55 have already used it too.



**Live chat** is also becoming more popular: 33% of Belgians confirm they sometimes use it. While it is also mainly young people who use this channel (46%), one-fifth of senior citizens have tried it too.

## Coronavirus gave a digital push

There is an evolution underway in how we manage our financial affairs. The trend of clients increasingly using banking apps is progressing rapidly, accelerated by the coronavirus crisis.



More than **1 in 10 Belgians (13%)** say they use digital banking more often since the coronavirus crisis.

# PHYSICAL CONTACT IN BRANCHES IS DECREASING: BELGIANS FAVOUR MORE ONLINE CONTACT WITH THEIR BANK

Because of increasing online opportunities for contact between clients and banks, we see the number of physical visits to the branch decreasing more and more.

## Physical appointments in branches are extremely limited

- As many as 60% of Belgians never make a physical appointment with their bank, or do so less than once a year. 33% of Belgians make an appointment with their bank one to three times a year.
- Visits to the bank are also limited among senior citizens: half of them never go (16%) or do so less than once a year (33%) and 45% go one to three times a year.
- These figures show that more than 9 out of 10 Belgians only physically visit a bank branch to an extremely limited extent.

**33%**

make an appointment with their bank only one to three times a year

**18%**

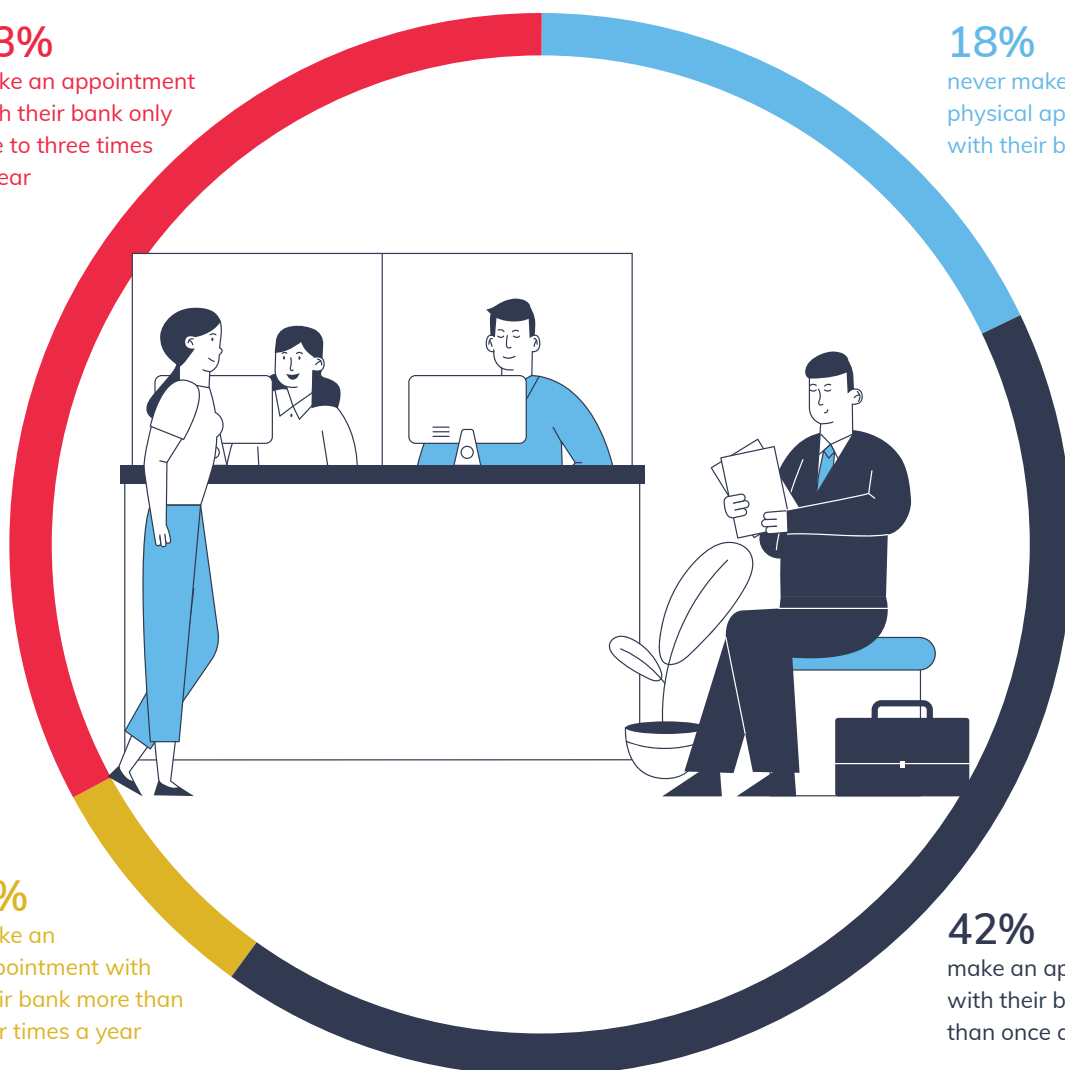
never make a physical appointment with their bank

**7%**

make an appointment with their bank more than four times a year

**42%**

make an appointment with their bank less than once a year



## Reasons for wanting a physical appointment

The study shows the popular services for which people sometimes make a physical appointment at their branch:



The bank's advisory function plays an important role here. For the above services, people mainly want face-to-face (either virtual or physical) interaction with a bank employee. The human aspect is very important here.

## Half of Belgians favour even more online services

But personal contact is also possible remotely. We noticed this more than ever during the coronavirus crisis.



## What about transfers?

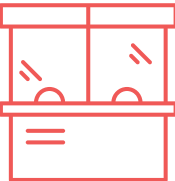
The method of making transfers also follows the same digital trend. In 2008, 21% of transfers were still done at **ATMs (self-service banking)**. By 2020, this had decreased to only 5% of transfers. **Paper transfers** have also decreased by more than around 90% in 15 years. We see the same trend among senior citizens. The Ivox study shows that only 4.2% of people over 55 still go to the branch to make transfers.



# HOW DOES THIS TREND TRANSLATE IN PRACTICE?

In 2010, the students predicted that we would have evolved to a banking landscape without branches or ATMs in a cashless society by 2020. But the process has not been that rapid and is also not the ambition of the financial sector.

## Fewer and fewer branches but still many compared to other European countries

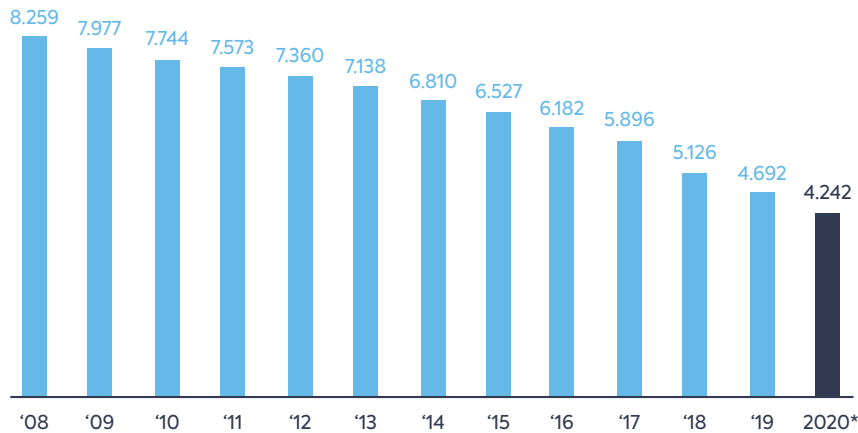


Today's banking branch is both physical and virtual. Because Belgian clients are increasingly using digital banking, they visit branches less frequently than before. And things they used to go to the branch for can now be done online: changing their credit limit, ordering a debit card, reporting a lost credit card, and so on.

Banks are monitoring this social trend closely and adjusting their branch offerings accordingly. This doesn't mean that Belgian consumers can no longer visit a physical branch: the country had 4,242 bank branches at the end of 2020. This represents a decrease of 9.5% compared to the previous year.

However, the reduction of the current branch network is an evolution that has been underway for several years and follows today's social trend – an evolution that we are also seeing in other European countries. Belgium still has one of the densest branch networks in all of Europe.

Total number of branches (2008-2020\*)



Source: Febelfin (\*provisional figure)



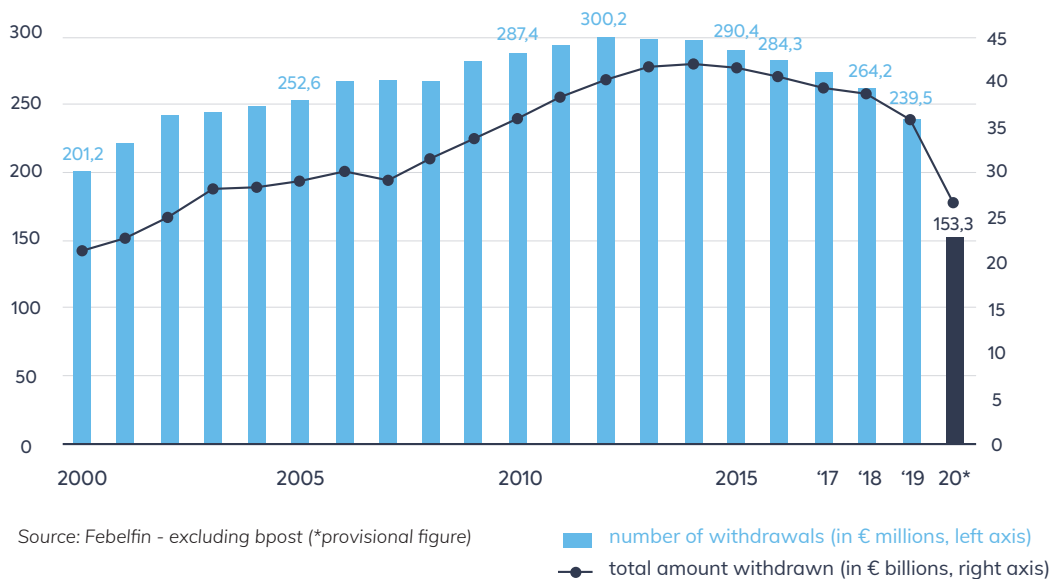
## And what about cash withdrawals? The use of cash is falling sharply



**Digital payments** experienced a further breakthrough in 2020, partly due to the coronavirus crisis. Paying by card or smartphone is an extremely safe and hygienic way of paying for purchases, especially if done contactlessly. Belgians adjusted their payment behaviour accordingly and seem to be continuing this new digital habit.

In 2020, we therefore saw a huge evolution in cash withdrawals from ATMs. The number of cash withdrawals fell by more than one-third (36%) in 2020 compared to the year before, with a drop of 28% in the amounts withdrawn. If we compare this with 2012, the number of cash withdrawals has roughly halved. While the trend towards fewer cash withdrawals has been happening for some time, it now seems to be shifting up a gear. The government also aims to oblige traders and self-employed professionals to offer a digital payment method besides cash in future.

Cash withdrawals from ATMs (number and amount)

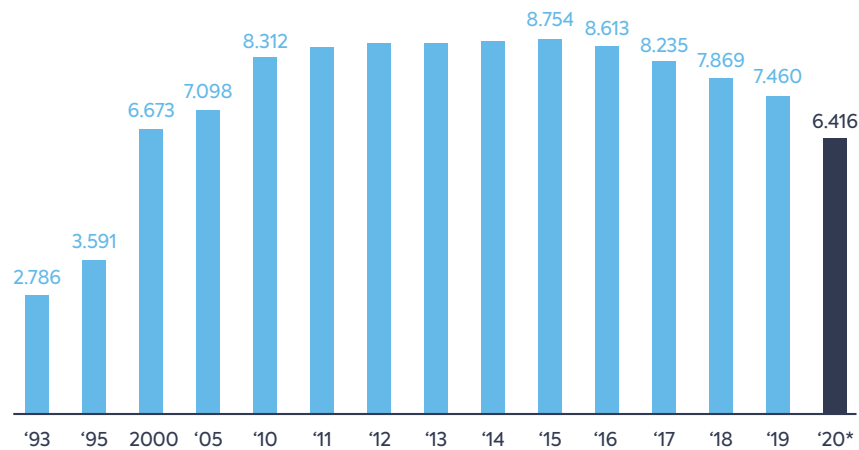


## Changing client behaviour translates into fewer ATMs

Banks regularly evaluate how they interact with clients to see how they can best serve them, obviously in line with their individual commercial policies. This evaluation considers technological evolution and changing client behaviour, among other factors. We note, for example, that clients are increasingly banking and making their payments electronically. Since 2015, we have noticed a decreasing trend in the number of cash withdrawals.

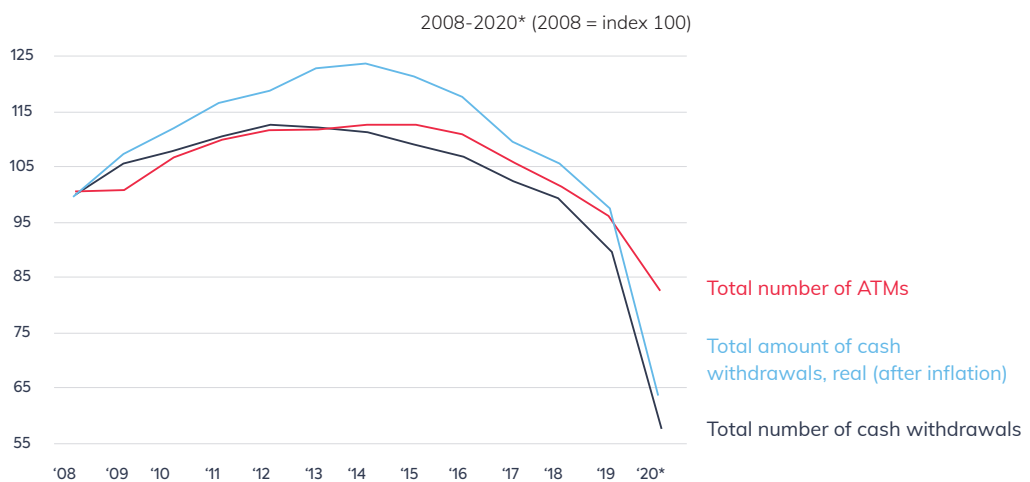
Even so, the demand for cash remains and access to cash is a key objective of the financial sector. The ATM network is still important in Belgium. In 2020, Belgians had access to 6,416 bank ATMs, a decrease of 14% compared to the previous year. Two initiatives are now being rolled out with Batopin and Jofico to ensure continued access to ATMs for everyone.

### Total number of ATMs



Source: Febelfin - excluding bpost (\*provisional figure)

### Evolution of ATMs (number) and cash withdrawals (number and amount)



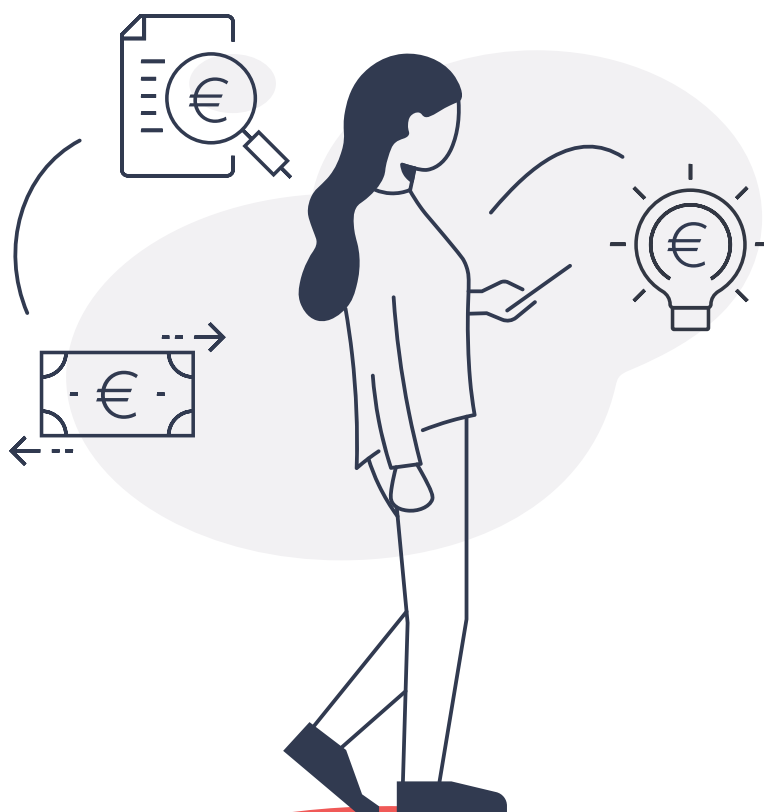
Source: Febelfin - excluding bpost (\*provisional figure)

# CONCLUSION

As evidenced both by the trend towards more and more digital payments and the results of the Ivox study, the 'app-etite' for digital banking is more prevalent than ever. This shows that people are making increasingly fewer physical appointments at branches, and there is a desire to expand online services even more. This changing client behaviour occurs in all age categories, from young people to senior citizens. But the financial sector is aware of the importance of digital inclusion, and the need to help and provide guidance for those yet to jump on the digital bandwagon. Several initiatives have already been launched, such as the 123digit.be module that provides assistance with mobile banking, and 'J'adopte la banque digitale' (I'm going digital), which organises sessions and helps with the transition to digital banking.

As digitalisation is an irreversible social trend, we are ready in the financial sector to provide the necessary support and guidance to get everyone on the digital train. We want to continue keeping our finger on the pulse and to develop further initiatives in consultation with local authorities, consumer, senior citizen and welfare organisations.

The banking sector is thus fully committed to the **'multi-channel'** approach adapted to clients' needs. Bank branches, ATMs, contact centres, video calls, PC and mobile banking all have their place.



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