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# Capitalizing on Asia's digital-banking boom

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Our new survey shows Asia's finance consumers are rapidly switching to online banking, presenting risks and opportunities for companies.

**Since 2011, adoption of digital-banking services** has soared across Asia. Consumers are turning to computers, smartphones, and tablets more often to do business with their banks, while visiting branches and calling service lines less frequently. In developed Asian markets, Internet banking is now near universal, and smartphone banking has grown more than threefold since 2011. In emerging Asian markets, the trend is similarly dynamic, with about a quarter of consumers using computers and smartphones for their banking. And despite some structural obstacles, we believe this surge will continue—and incumbents and market entrants alike should prepare for the consequences.

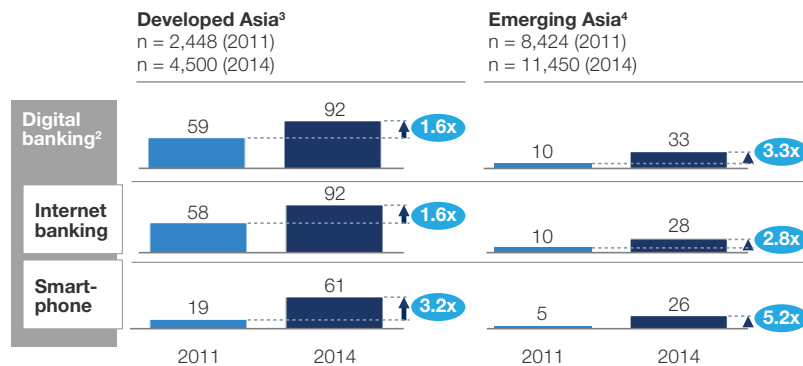
Last year, we surveyed about 16,000 financial consumers in 13 Asian markets,<sup>1</sup> and the results showed drastic shifts in behavior compared with a similar survey in 2011 (exhibit). Put simply: Asian financial-services consumers are going digital, and fast. While this rise of digital banking has been anticipated for many years, several factors have combined to accelerate it, most notably the rapid increase in Internet and smartphone adoption and growth in e-commerce. Both have helped demand for digital banking move from early adopters to a broad range of customers.

For incumbent banks, the stakes are particularly high. Among the consumers we surveyed in developed Asian markets, more than 80 percent said they were willing to shift some of their holdings to a bank that offers a compelling digital proposition. In emerging Asia, more than 50 percent of consumers indicated such willingness. Many types of accounts are in play, with respondents saying generally that they could shift 35 to 45 percent of savings-account deposits, 40 to 50 percent of credit-card balances, and 40 to 45 percent of investment balances, such as those held in mutual funds.

<sup>1</sup> McKinsey's Asia Personal Financial Services Survey was conducted from July through September, 2014. For our analysis, developed Asia comprised Australia (700 respondents), Hong Kong (750 respondents), Japan (750 respondents), Singapore (750 respondents), South Korea (750 respondents), and Taiwan (800 respondents). Emerging Asia comprised China (3,500 respondents), India (4,000 respondents), Indonesia (1,100 respondents), Malaysia (700 respondents), the Philippines (700 respondents), Thailand (750 respondents), and Vietnam (700 respondents).

**Exhibit** There has been a significant increase in the use of digital-banking channels.

Penetration of banking channels,<sup>1</sup> %



<sup>1</sup>Based on respondents' use of channel.

<sup>2</sup>Digital-banking penetration figures denote respondents who use Internet banking via PC or smartphone.

<sup>3</sup>Australia, Hong Kong, Japan, Singapore, South Korea, and Taiwan.

<sup>4</sup>China, India, Indonesia, Malaysia, Philippines, Thailand, and Vietnam.

Source: 2014 McKinsey Asia Personal Financial Services Survey of about 16,000 financial consumers in 13 Asian countries

Across Asia, we estimate more than 700 million consumers use digital banking regularly, with a significant portion in fast-growing markets like China and India. In developed Asia, 92 percent of respondents in 2014 said they had used Internet banking, compared with 58 percent in 2011. Also, 61 percent had accessed banking services using smartphones, more than three times the penetration seen in 2011. Behaviors in emerging markets showed a faster shift, although from a much smaller base. Internet-banking penetration in these markets rose from 10 percent in 2011 to 28 percent in 2014, and smartphone access rose from 5 percent in 2011 to 26 percent in 2014.

Further, customers across Asia are using digital banking more frequently. In developed Asia, customers connect with their banks over the Internet or via smartphones more often each month than over traditional channels. In emerging Asia, these traditional channels, especially ATMs, still dominate, but customers are using Internet and smartphone banking almost five times more often than in 2011. Across Asia, consumers made fewer branch visits and calls in 2014 than in 2011.

### Risks and opportunities

The rapid shift toward digital banking might suggest the demise of the bank branch, but several factors assure that branches will retain an important role in Asia for the foreseeable future. For example, consumers are using multiple channels, rather than turning solely to online or branch

services. Regulatory requirements, demand for personal advice, and a sense of security support the continued need for branches, the survey shows.

Drawing in digital consumers will require more than an online presence, even one that is best in class.<sup>2</sup> Our research shows that in developed Asia, consumers value the quality of basic services, the strength of financial products, brand reputation, and the quality of customer service and experience. Among these, they are typically least satisfied with the financial products offered and with customer experience. Survey results from emerging Asia were less conclusive, indicating these markets are at the early stages in digital banking.

Our findings also show that simplicity and security are crucial aspects for online offerings. Of banking customers who have not made any online purchase of banking products, 47 percent in developed Asia and 35 percent in emerging Asia said the primary obstacle is that the products are so complicated that they needed a person to explain them. At the same time, security concerns stopped about 56 percent of the respondents in emerging Asia and 44 percent of those in developed Asia from purchasing products online. [□](#)

<sup>2</sup> For more on how companies should respond, see Joe Chen, Vinayak HV, and Kenny Lam, "How to prepare for Asia's digital-banking boom," August 2014, [mckinsey.com](http://mckinsey.com).

[For the full report on which this article is based, see \*Digital Banking in Asia: What do consumers really want?\*, on \[mckinsey.com\]\(http://mckinsey.com\).](#)

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