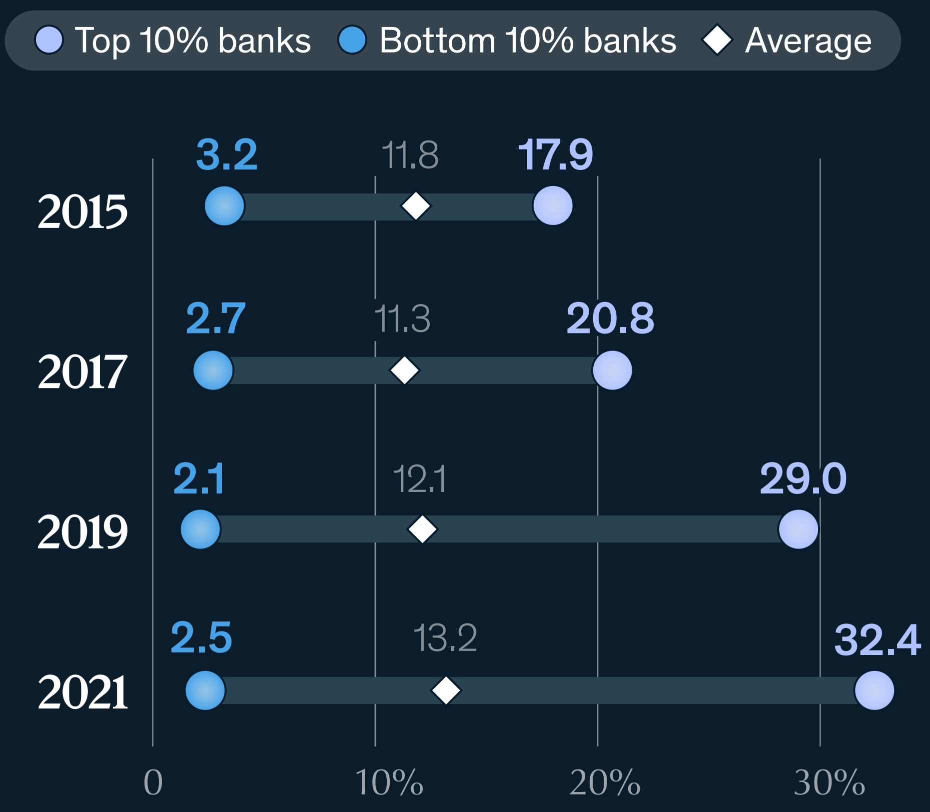
A new era of divergence

The gap is widening between top and bottom performers as the financial services sector sees increasing divergence in profitability and valuations

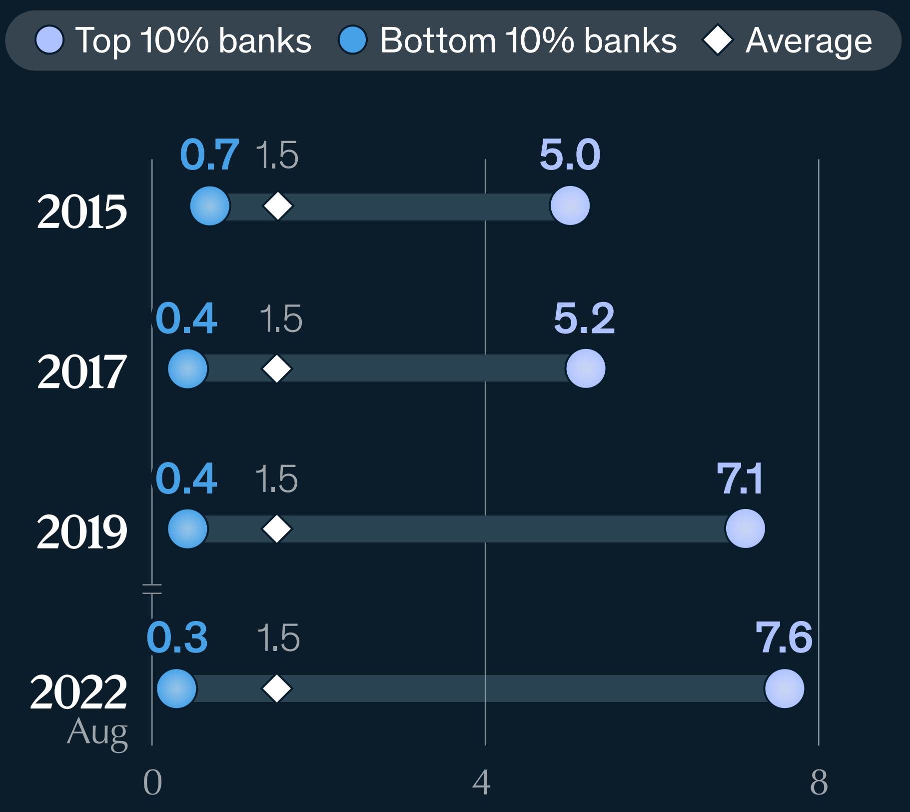
Return on equity (ROE), %

Financial services



Price-to-book value (P/BV)

Financial services



Source: S&P Global Market Intelligence, McKinsey Panorama

There are three reasons to the growing divergence:

Geography

A high source of divergence following a blip in 2015

Business model

Consistently high source of divergence

Operational excellence

Major increase in gaps in recent years

Key performance indicators	Average universal bank	Top-performing bank	Top-performing digital attacker/ fintech
End-to-end digital sales of simple products[1]	30–45%	60–80%	>90%
Number of log-ons by a customer to Banking app per month	18–22	24–28	>30
Cost to serve, index (100 = market average)	100	50–60	>40
Revenues from origination & sales[2]	40–50%	55–65%	>70%
Banking revenue growth	5%	10–15%	>30%

[1]Personal loans, Credit Cards, Deposits as a % of total sales

Top performers are building their own digital ecosystems that merge many services into one distinctive experience.

Leveraging digital channels can greatly reduce cost to serve.

[2]As a % of total revenues

Growth and profitability have shifted toward origination and sales. Top performers are rapidly growing their customer base by offering innovative, fee-based services.

Source: S&P Global Market Intelligence, McKinsey Panorama

As banks' technology transformation accelerates, operational excellence provides increasing returns and market recognition, while the cost of falling behind also grows

McKinsey & Company