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The changing face of Asian personal financial services

A new survey shows big shifts in banking relationships, product and service needs, and channels.

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Banks doing business in Asia face rapidly changing consumer behavior, with big consequences for both local and multinational institutions. Consumers increasingly prefer local banks over multinationals, are less loyal to existing banking relationships, are much more cautious about borrowing, and are more open to Internet and mobile banking. These shifts in the nature of banking relationships, product and service needs, and channels are reflected in a 2011 McKinsey survey of 20,000 consumers in 13 Asian markets.¹

A preference for local institutions

Almost 81 percent of consumers in emerging Asian markets and 63 percent of consumers in developed Asian markets consider it important to deal with a local institution.² In mainland China, this percentage jumped by 12 points, from 75 percent in 2007 to 87 percent in 2011; in Hong Kong, by 21 points, to 76 percent; and in Taiwan, by 17 points, to 68 percent. Indian customers showed the highest preference for dealing with a local institution: 95 percent—20 percentage points higher than in 2007. The preference for banking with local institutions is especially pronounced in the upper-mass-market and mass-affluent segments across Asia.³

We speculate that these changes reflect Asian consumers' anxiety over the safety of foreign banks in the aftermath of the financial crisis. So multinationals face a clear challenge in repositioning their brands: they will need to invest in much deeper localization of products, services, and the overall customer experience. One way to do so is to shift from a reliance on expatriate managers and embrace local professionals, who should be better able to develop and execute a more relevant frontline, customer-centric model.

Lost loyalty

Despite high satisfaction levels, banks across Asia have seen a dramatic drop in customer loyalty since the 2008 crisis, with an average fall of 11 percentage points since 2007. In China, the percentage of respondents who said they “would recommend their financial institution to a friend or colleague” declined from 57 percent in 2007 to 47 percent in 2011. The Philippines (72 percent) and Thailand (71 percent) had the highest loyalty levels, while Japan is the least loyal market in Asia (13 percent).

¹ The McKinsey Asia Personal Financial Services Survey 2011 was conducted jointly by McKinsey's Asia-financial-services and consumer-and-shopper-insights practices. The results are based on 60-minute one-on-one interviews of financial-services consumers—mass, mass affluent, and affluent—across Asia. McKinsey has conducted the survey every three or four years since 1998.

² “Emerging Asia” refers to China, India, Indonesia, Malaysia, the Philippines, Thailand, and Vietnam; “developed Asia” to Australia, Hong Kong, Japan, Singapore, South Korea, and Taiwan.

³ In Hong Kong, for example, we segment incomes as mass affluent, with an annual household income of 540,000 Hong Kong dollars (US \$69,272) or more; upper mass affluent, 360,000 to 540,000 Hong Kong dollars; and lower mass affluent, 204,000 to 360,000 Hong Kong dollars.

An immediate outcome of this reduced loyalty is a marked increase in the number of banking relationships across pan Asia—up by 22 percent, from 2.7 in 2007 to 3.3 in 2011. In some segments, the increase was even higher: mass-affluent customers in developed Asian markets reported having 4.7 banking relationships in 2011, compared with 3.6 in 2007.

Paradoxically, even as Asian consumers engage with a broader variety of financial institutions, they say they would still like to consolidate their banking relationships. The proportion of respondents who agreed that they would “prefer to deal with one financial institution for all of their needs” jumped in China from 41 percent in 2007 to 58 percent in 2011 and in Hong Kong from 47 percent in 2007 to 53 percent in 2011. The result suggests there is a big opportunity for banks that can develop a compelling offer.

The results also indicate that seven out of the top ten drivers of loyalty reflect the quality of the customer experience and services a bank offers. Consumers value banks that are more personal, flexible, proactive, and—most important—where employees go out of their way to help resolve issues. These factors were more valued than other metrics, such as branch location, better products, or pricing, which are the focus of most retail banks.

Much more cautious about borrowing

Consumers across Asia say they are far more reluctant to borrow since the onset of the global financial crisis. The number of respondents across Asia who agree that “borrowing is always risky” jumped to 70 percent in 2011, a 27 percentage-point increase from the 43 percent of consumers who agreed with this statement in 2007.

In several major markets, the increase in the number of respondents who agreed that borrowing is always risky was even more striking: it more than doubled in China (from 39 percent in 2007 to 84 percent in 2011) and in Hong Kong (to 69 percent), and doubled in Taiwan (to 60 percent). From the perspective of credit products, despite the relative aversion to borrowing, the high-growth economies of developing Asia will continue to offer opportunities for consumer finance, especially mortgages and automobile loans.

Arrival of new channels

Asian consumers are being weaned from brick-and-mortar branches: for the first time since McKinsey began conducting the survey, 13 years ago, bank branch usage has dropped, plunging by 27 percent on average across Asia between 2007 and 2011.

This drop has been matched by an uptick in Internet and mobile banking, a trend particularly pronounced in developed Asian markets, such as Hong Kong, South Korea, and Taiwan. There, consumers now use new channels, such as the Internet and mobile devices, for their banking more often than traditional ones, such as telephones and branches: the use of new channels rose to 3.2 times a month in 2011, from 2.35 in 2007,

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while that of traditional channels dropped to 2.57 times a month, from 3.5. In China, about 18 percent of all people who patronize banks now use Internet banking, compared with only 3 percent in 2007.

That shift arises largely from the increased penetration of remote channels. A growing number of customers across income segments are getting accustomed to and comfortable with them for both sales and service. The multichannel environment has thus become a reality: our research highlights the fact that, on average, Asian consumers are using as many as 5 channels for research and 1.8 channels for maintenance.

To win in the multichannel environment, players need to identify what role each channel will play, given technology trends and shifts in user behavior. The branch network, for example, should be oriented to a sales and advisory role, while the bulk of routine transactions shift to next-generation ATMs and mobile banking. Call centers could focus primarily on service maintenance; the Internet would play a more central role in acquiring customers and in cross-selling.



The first decade of the new millennium saw rapid growth across Asian economies. Personal-financial-services businesses boomed by capturing ground in underpenetrated and supply-constrained markets. The basis of competition in the next decade, however, will be understanding customer expectations better and delivering a consistent experience through multiple channels, old and new. Players that can adapt to the customer-centric approach will be able to build a more profitable franchise through greater customer loyalty and a larger share of wallet. ○

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