



The Future of Retail Banking

Navigating the digital banking revolution



The digital banking landscape



Market trends



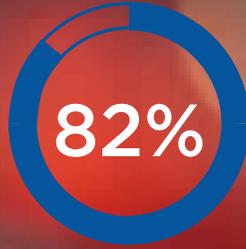
Challenges & opportunities



Digital transformation with HID Global



Mobile phone users with a bank account use mobile banking¹



Mobile banking users that have installed their bank's applications¹



Greater transaction cost in branch than via mobile²

Introduction

Mobile banking as a channel is growing fast. Its increasing use as a lifestyle engagement tool, links to social media and the rapid growth in mobile payment options, including mobile wallets and contactless payments, has enhanced the customer's experience in the banking world.

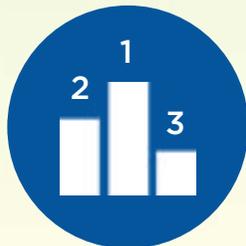
Most mobile applications supported by banks lead to greater cost efficiency. Reduced manual processing of small-value transactions is a significant advantage.

Banks must align fully with new compliance standards (e.g. PSD2, FFIEC, MAS, FSA, BaFin) to ensure secure authentication. Recent developments in mobile banking have enabled banks to create trust alongside added value services, helping to build a remarkable customer experience.





Hyper-connected world on the move



Increasingly competitive landscapes



Ever-increasing fraud, across multiple channels



New regulations

The digital banking landscape

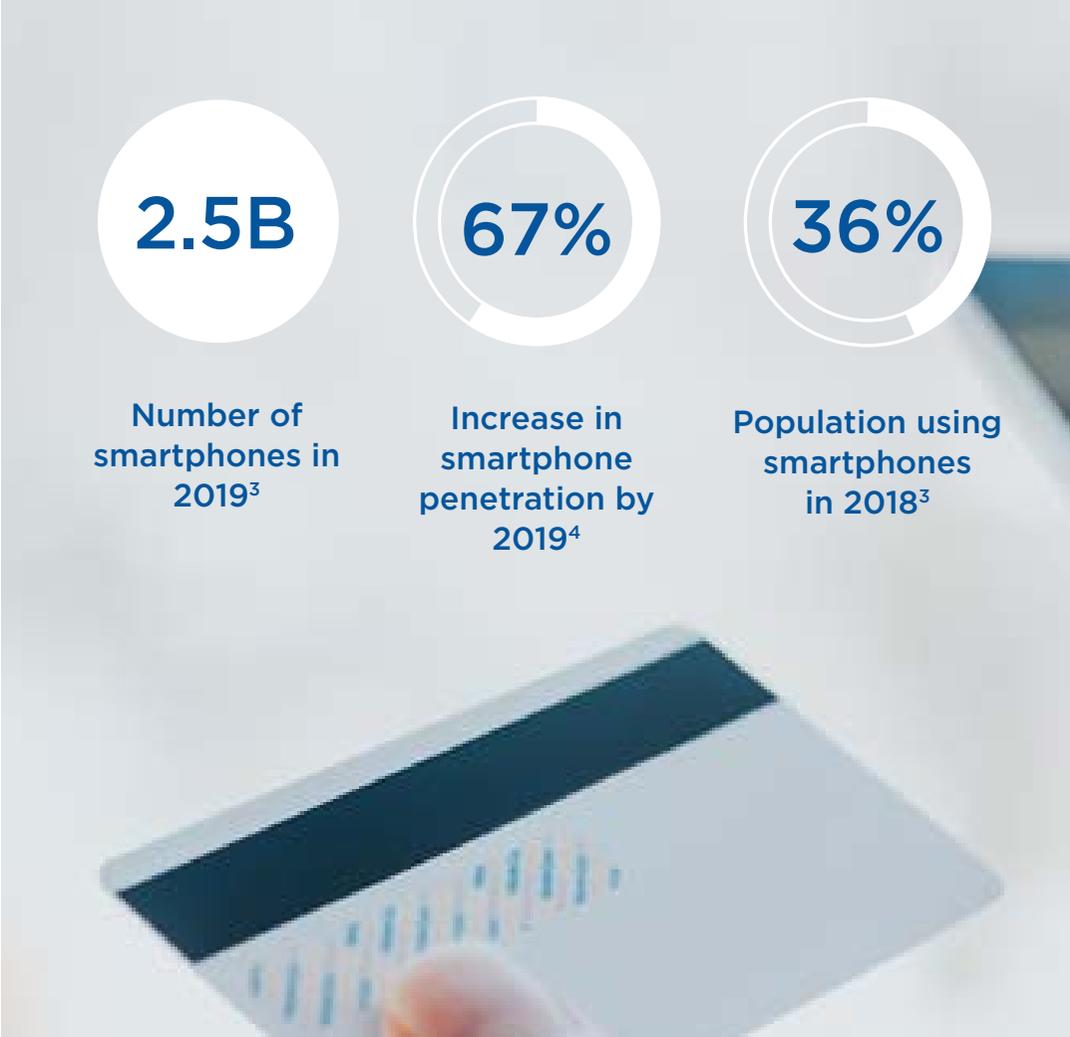
There is a greater need for banks to develop an action plan that ensures them a central role in an increasingly digital and interconnected world.

According to the World Retail Banking Report⁵, banks overwhelmingly agree that their core systems are not able to support the future evolution of banking. In response, they are exploring pathways to transforming their core systems, which will be fundamental in preparing for the digital banking ecosystem of the future.

Ever-increasing fraud across multiple channels, coupled with new regulations and competitive landscapes, pose greater challenges for banks. Being productive will allow banks to reduce the risk of being marginalized as the ecosystem evolves. They will also be better equipped to meet rising customer expectations and to offer enhanced experiences and innovative services.



A dark blue rectangular box containing the text "Market Trends" in white, sans-serif font. The background of the slide is a blurred image of a person's hands holding a smartphone, wearing a white and blue striped sweater.



2.5B

Number of smartphones in 2019³

67%

Increase in smartphone penetration by 2019⁴

36%

Population using smartphones in 2018³

Trend 1

Hyper-connected world on the move

Market digitization is expected to accelerate the use of online mobile channels, creating greater customer loyalty and retention, and therefore positively impacting the bottom and top line for banks.

The number of smartphone users is forecast to grow to around 2.5 billion in 2019, with smartphone penetration rates to increase by 67%. The success of ‘mobile wallet’ solutions and mobile contactless payments are expected to increase the use of mobile phones for banking.

This evolving customer demand, caused by the always-on nature of personal smart devices, is forcing banks to look at ways of achieving the convergence of their online and mobile banking offerings to make them more consistent.

Drivers

The increasing affordability of smartphones, internet services and low-cost data plans, coupled with the rise of smartphone and tablet use over traditional PCs and computers, are driving the adoption of mobile banking. Alongside this, there is a growing need for banks to offer end users flexible, secure financial transactions by providing a functional, easy-to-use customer experience.



Digital and
real-time
payments



Transfer funds
between
people



Access to
account
provisions



Paying with
your phone



Asset
management

Trend 2

Market landscape

Banks have been investing in digital to serve their customers better. However, **although 95% of bank executives understand the industry is evolving towards a digital ecosystem, only 13% think their current core systems can sustain such an ecosystem.**⁵

As Google, Amazon, Facebook and Apple (GAFA) continue to enter the payment market, banks are constantly battling competition from these giants. What's more, Fintechs are rapidly changing customer perceptions and creating market disruption with flexible platforms. 80% of Fintech users say they have had a good experience, compared to 40% of retail banks.⁵

Open banking initiatives and open API platforms enable banks to drive speed and cost-effectiveness while creating new revenue models. As a result, customers can access personalized resources and take advantage of better loan terms with improved borrower risk levels, due to historical transactional data.

Drivers

In-person authentication needs to evolve and embrace new technologies in order to accelerate communication between consumers and banks. Open banking standards and APIs help consumers transact, save, borrow, lend and invest their money in better ways than they used to in the past.

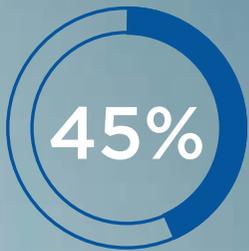




Global social networks in 2017⁸



Fortune 500 with Twitter accounts in 2018⁸



Visit their local branch fewer than x5 per year⁸



18 to 29 year-olds use social media⁸

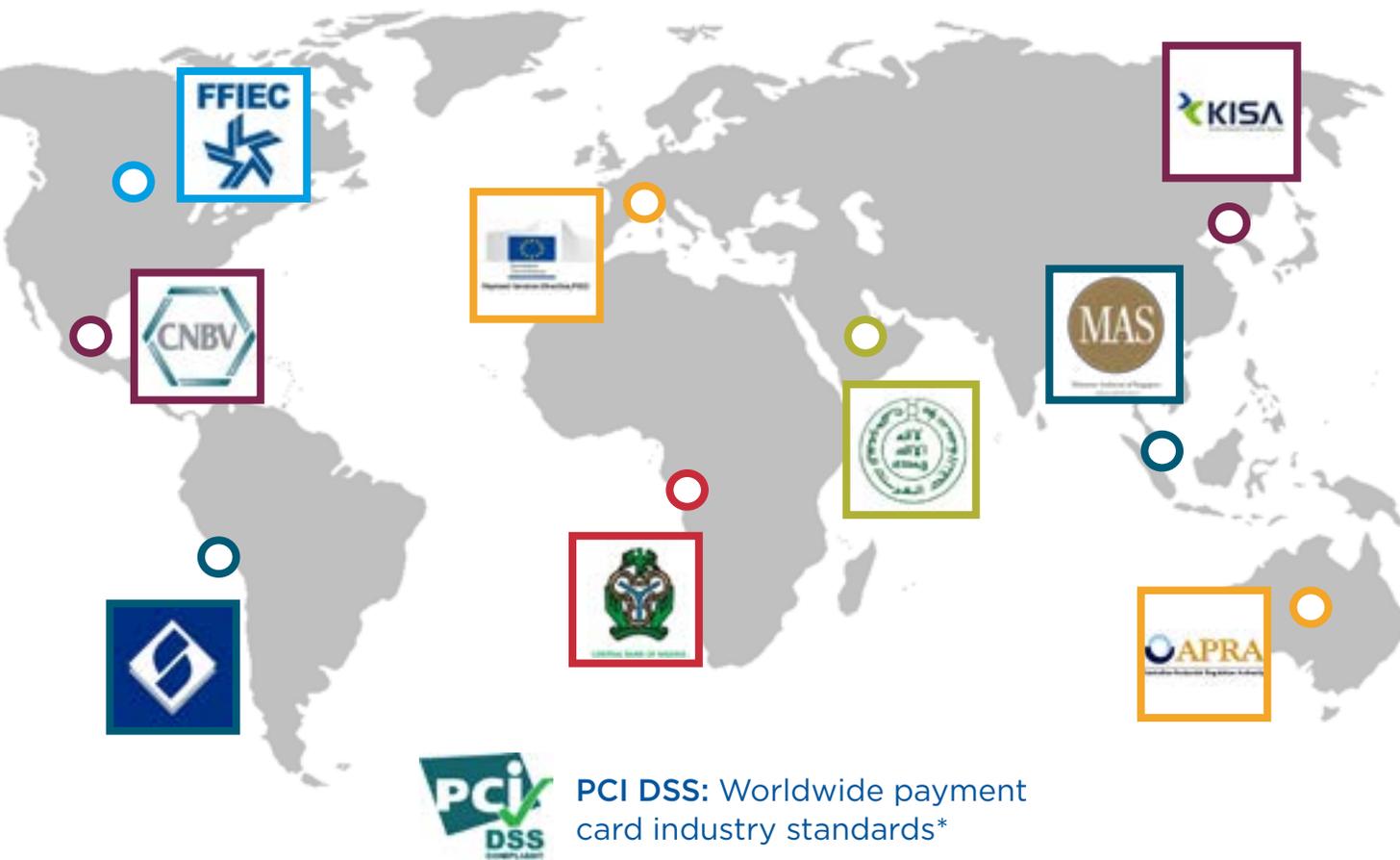


Drivers

Instead of looking at social media as a tool for outbound marketing, banks should view it as a tool for personal and relevant interactions with customers. Delivering customer service, financial advice and offers, while allowing customers to provide feedback through social media, can increase engagement and create a stronger customer experience.

Trend 3 The rise of the social bank

Security enables banks to create trust with their customers while offering new and creative ways for transactions anytime, anywhere. New technologies allow for stronger integration between social media and mobile banking. 69% of respondents to the Accenture 2014 North America Consumer Digital Banking Survey said they are active on social media. According to the same survey, **22% of millennials look for financial service advice via social media.**¹⁰



Trend 4 Regulatory changes and complexity

Going beyond two-factor authentication

A large number of regulations have been introduced to the world, aimed at safeguarding banks and their customers' interests.

Banks must translate these regulatory requirements into management actions to contain risk and protect their clients, while creating a robust market structure with increased transparency.

By adopting less risky approaches - granted by new regulations - banks can fully integrate risk management and compliance as a medium to respond to technology changes.

* Not a fully comprehensive list of all worldwide regulations

Drivers

Changing customer preferences and increasing mobility have given rise to free, and fair competition and strengthened consumer protection. Decreasing risk of fines and penalties from non-compliance of regulations is essential for banks. However, current risk management processes are failing to achieve this.

Challenges

As financial institutions adapt to evolving demands in today's market, delivering innovative new services becomes imperative to stay ahead of the competition. This new era of digital banking brings compelling challenges that impact user experience, regulatory compliance and operational effectiveness, while also providing new opportunities for growth.

TRENDS

Mobility



Competition



Increased fraud



Regulations & compliance



CHALLENGES



A seamless user experience across different channels



Differentiation against the competition



Multi-layered approach to tackle sophisticated fraud



Investment in compliance

Opportunities

Banks have more trust than any other institution. As consumer confidence grows, banks must use new technology to win and retain these customers while offering multi-layered security.

By taking advantage of this latest technology, banks can strengthen retention, create customer loyalty and enhance customer acquisition. Developments in security have become an enabler for banks to create value, and therefore to grow.

TRENDS

Mobility

Competition

Increased fraud

Regulations & compliance



OPPORTUNITIES



Enhance customer acquisition



Create customer loyalty



Decrease operational costs



Business growth



Digital Transformation with HID Global



Adaptive multi-layered authentication

With HID Global, financial institutions can inspire confidence and increase adoption of online and mobile channels by offering their customers a worry-free, secure and convenient experience, which in turn contributes to their bottom line.

Our solutions comply with the key banking authentication regulations around the world, offering an unparalleled user experience, ideal for banks and financial organizations looking to enhance their digital offering while increasing security for the customer.

Our approach enables multi-factor authentication for all leading mobile phones and tablets, and has a pluggable platform that is extensible for future authentication methods. In a landscape of evolving threats, banks should embrace regulatory changes and complexities to contain risk and protect their customers.



Adaptive security approach



PSD2 multi-factor authentication

Application security

Replication prevention

Transaction signing and pattern-based intelligence

Transaction signing and pattern-based intelligence

Browser protection

Confidentiality, authenticity and integrity of the data

Device authentication

User authentication (MFA)

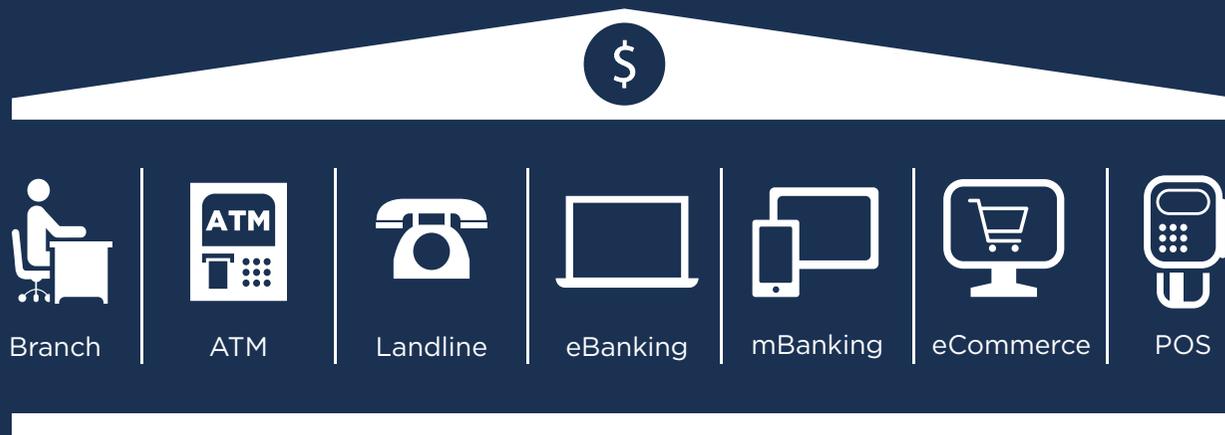
- Something **you know**
- Something **you have**
- Something **you are**

User authentication (MFA)

- **Knowledge** (passwords)
- **Possession** (token or tokenless)
- **Inherence** (biometrics, behaviour metrics)



Secure Multi-Channel Banking



Methods



The HID Global approach

HID Global's ActivID® Authentication Server and Threat Detection Service provide corporate, financial and government organizations with risk-appropriate, cost-efficient user authentication. The solution enables end users to have convenient anytime, anywhere access to sensitive data from their smartphones, tablets, computers and virtually any other device.

Deployment is simplified too, through the platform's pre-integration with major cloud apps, VPN systems, application servers, banking applications and other third-party systems.

As banks enhance online and mobile channels in response to competition and user demand, they must successfully address risks associated with authenticating their customers and employees, and integrate their front and back-end systems with a central ActivID® Authentication Server.





Use cases



Transaction signing

No matter the place and time - buying a coffee, purchasing a book online or withdrawing cash from the ATM - the user can conveniently process transactions by receiving a notification which ensures verification and validation. As a result, customers are confident and have full control of their account debits in a fully secured environment.



Banking anytime, anywhere

With the acceleration of digital activity, users need to bank anytime, anywhere with the guarantee of staying secure. The expectation for secure authentication, even when users behave unsafely, is growing and many banks are challenged to deliver a safe banking environment without compromising on convenience and user experience.



Call center verification

Establishing trust is one of the most valuable assets between banks and customers. Therefore, a reliable way of ID verification and mutual authentication is critical for prompt, seamless banking. When the user calls the bank's call center, they will receive a push notification to authenticate. This mutual authentication is safe and the user is in full control.

Multi-channel for all banking use cases





**ActivID®
Authentication
Platform**



**ActivID®
Threat Detection
Service**



**ActivID®
Trusted
Transactions**

GET IN TOUCH

If you would like to find out how you can provide your customers with a more secure and convenient banking experience, you can now request a free consultation.

[Request consultation](#)

www.hidglobal.com



Additional resources

INFOGRAPHIC

Top 5 Considerations:
What to Look for
in a Mobile Banking
Security Solution

INFOGRAPHIC

FAQ: Why Banks Need
a Dedicated Mobile
Banking Security
System



Sources

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2017-08-11-hid-iam-banking-eb-en PLT-03240