



Purpose-Driven Banking

The path to powerful digital transformation

Is banking about to have its electric car moment?

For an example of how quickly incumbents can lose ground to an innovator with leading-edge technology and a strong sense of purpose, look no further than the rise of the electric car.

At a time when most traditional automakers were dismissing electric vehicles as a threat to their business and refusing to contemplate cannibalization of their traditional car sales, Tesla was already positioning itself to lead the new market.

Tesla found success through the clarity of its purpose—which was to prove that people did not need to compromise and that electric vehicles could be better, quicker, and more fun to drive than gasoline cars, as well as more sustainable. Last year, it delivered nearly 500,000 electric cars and claimed around one-sixth of the fastest-growing segment of the passenger car market.¹

Traditional automakers are now racing to catch up—Volkswagen, for example, has successfully adopted a fast-follower strategy and is determined to capture the lead. It tripled the sales of its electric models to 231,600 units in 2020. While this was still less than half as many as Tesla,² analysts believe Volkswagen may pull level to Tesla's battery electric vehicle sales by 2022.³ Not all incumbents are likely to be as successful, with some becoming casualties of the transition to the new auto market.

Can banks be certain that retail banking will not, too, have its Tesla moment? Commoditization of banking products and the growing maturity of Open Finance business models, along with the ways in which the COVID-19 crisis is prompting consumers to rethink their priorities, mean that this tipping point may arrive sooner than many banks imagine.





When the moment arrives, will incumbent banks be able to implement a fast-follower strategy rapidly enough to preserve their market relevance and protect their market share? And is there a business case for an incumbent bank to seize upon purpose as a competitive differentiator? We believe the relevant question is not if, but when an incumbent bank should move towards a purpose-driven banking strategy, and at what speed.

Though it will demand some difficult trade-offs—much like those old-school automakers face—the shift towards purpose-driven banking will help banks to distinguish themselves in a saturated retail banking landscape. In Europe, for instance, there are around 6,000 credit institutions and more than 700 digital native banks, payment companies, and fintechs offering consumers myriad options to address their banking needs.

Purpose could be the characteristic that determines which banks grow and thrive in a world where high service levels and robust digital channels are taken for granted. Purpose-driven banks that execute well and pair their purpose with behavior-influencing digital experiences will enjoy significant gains in customer trust and economic value. More than that, they have the opportunity to redefine their playing field and pricing model, and to shift public perceptions of banking from a necessary encumbrance to a trusted relationship.

This report takes a data-driven approach to examining banks' purpose-driven strategy and identifying the value in purpose. Our findings make a compelling case that purpose isn't just about doing the right things for customers and society—it is also a powerful way to drive growth and create shareholder value.

Purpose drives profit and shareholder value for banks

To validate our qualitative insights about purpose in the banking industry, Accenture in 2020 launched a series of Purpose-Driven Banking reports to understand how purpose can move the financial performance needle for banks. This report examines their purpose-driven strategy through the lenses of customers, employees, and products.

Our analysis finds positive correlations between purpose-driven strategies and better financial performance and market valuations, as well as correlations with higher levels of customer loyalty and retention. Over the last four years to June 2020, the Purpose-Driven Banking Leaders we identified achieved an average return on equity (ROE) that was three percentage points higher than that of the other banks in our study.

Not only did they deliver better historical performance than their peers; what is more, the market expects this group to outperform other banks into the future. They maintained a price-to-book (P/B) ratio that was more than double the rest. The best performance is found among banks that are driving more intensive purpose-driven strategies, coupled with the attainment of higher levels of digital maturity, indicating that the 'what' and the 'how' are both important.

However, we found that most banks still score poorly on customer perception metrics such as customer trust, service satisfaction, and quality and relevance of financial advice. There is thus scope for the leading banks of the future to break away from the pack by using innovative technology to restore customer intimacy and by demonstrating how they will help customers lead better financial lives.

Over the longer term, a strategic shift to purpose-driven banking is likely to yield benefits that will endure long after the current crisis has passed. Based on the financial rewards Purpose-Driven Banking Leaders are reaping, this is an opportunity to grow revenues, profits and valuation by doing the right thing for customers and society.

Our analysis finds positive correlations between purpose-driven strategies and better financial performance and market valuations, as well as correlations with higher levels of customer loyalty and retention.

Recap

Accenture reports on purpose, empathy and structural change in banking

This report, which examines the different elements of a purpose-driven bank, is the latest in an ongoing series that examines the evolution of the banking industry from different angles.

We started by exploring how the structure of the industry is changing under the pressure of emerging customer expectations, technology-driven disruption, and growing competition from non-traditional players. Then we moved on to analyzing incumbent banks' reactions to disruption and the role of digital transformation in their responses.

Focus
Reports

Questions and insights

Market structure change		Impact of digital change efforts	How to achieve sustainable revenue growth	
2018		2019	2020	2021
Rapid Evolution Required	Beyond North Star Gazing	Caterpillars, Butterflies and Unicorns	Purpose-driven Banking	Banking on Empathy
Question: How is the structure of the banking market changing? How do banks stay relevant within the new structure?		Question: Does digital leadership matter?	Question: Can trust create win-win banking relationships?	Question: How can purpose be applied to customer interaction?
Insights: Our ‘Rapid Evolution Required’ report quantified the change in the structure of the banking industry, showing more fragmentation and a value migration to new entrants.		Insights: The report, ‘Caterpillars, butterflies, and unicorns: Does digital leadership in banking really matter?’ , highlights that ‘digital focused’ banks achieve superior economic performance.	Insights: The first issue, ‘Can trust create win-win banking relationships?’ , grounded on a survey of 14,900 consumers across 12 markets, argued that banks could rebuild customer trust by authentically and transparently putting their interests first. By introducing innovative advisory services, banks could increase retail revenue by an average 9 percent.	Insights: If purpose is about how banks create win-win relationships between themselves and customers through helping people lead better financial lives, empathy is purpose applied in client interactions across every channel.
The ‘Beyond North Star Gazing’ report argued that to compete and stay relevant, incumbents would need to respond with both clarity of business model and speed of execution to align to a new North Star.		However, this is driven by cost efficiency rather than superior revenue growth, causing us to explore a new paradigm for banks to ignite sustainable top line growth.	The second issue, ‘Purpose-Driven Banking: Looking beyond COVID-19’ , extending our analysis to include small and mid-sized enterprises, found that the COVID-19 crisis not only validated the key premise of our earlier report; it also magnified the need for the changes we recommended and compressed the timeframe in which banks need to execute them.	The report, ‘Banking on Empathy: Engaging with customers in a more human way’ , found that banks with strong capabilities for understanding and responding appropriately to the emotional state of the customer tend to outperform their peers financially.

Purpose in banking viewed through three lenses

Our earlier reports contended that purpose-driven banks would outperform their peers by building customer relationships on a foundation of trust and mutual benefit.

Our most recent research validates this hypothesis through an analysis of the intensity of purpose-driven strategies at 70 leading banks from around the world across three key areas: customers, employees, and products.

Looking through these lenses enables us to evaluate how different aspects of being a purpose-driven business impacts profitability, customer trust and market position. (Refer to the 'About the Research' section at the end of this report for further details on how our Intensity Scale was built).





Customer lens

The customer lens looks at whether customers trust banks to look after their financial wellbeing and whether they believe their bank delivers personalized, efficient, and empathetic service. Indicators we look at include speedy and efficient service; polite and knowledgeable staff; ethical and sustainable business practices; attractive digital propositions; an appealing brand; and availability of advice.



Employee lens

In the employee lens, we consider whether employees feel engaged with the bank's culture and values, as well as whether the workplace is fair, diverse, and offers opportunities for employees to improve their skills. Purpose-Driven Banking Leaders set themselves apart with a higher quality of employment metrics as well as more diverse workforces and leadership, with better representation of women and minorities.



Product lens

The product lens examines whether each bank's products are simple, fair, and transparent, and whether its mobile app offers rich financial management and wellness tools. Purpose-Driven Banking Leaders are differentiated by simpler and more transparent fee structures across three product lines: current accounts, credit cards, and overdrafts.

We compared the historical and expected financial performance of the Purpose-Driven Banking Leaders—those that scored in the top 25 percent of the Intensity Scale—to see how they compared to the rest. Drawing on our Global Banking Consumer Study 2020, we looked at customer retention rates and customers' reasons for switching among the banks in our sample.

The biggest winners are pairing digital maturity and purpose

Our Purpose-Driven Banking Intensity Scale lends strong support to our contention that being recognized as a purpose-driven bank will enable a financial institution to unlock substantial value and competitive advantage.

It also highlights how much further most banks have to travel before they can be considered to be truly purpose-driven—they face a complex journey that will demand material transformation of their workforce, technology, policies, practices and products.

Some 38 percent of banks expect that the COVID crisis will affect customer attrition over 2021, according to our Empathetic Banking Survey. Purpose-driven banks may be better positioned to reduce customer churn. Our analysis shows higher levels of customer loyalty

and customer retention among Purpose-Driven Banking Leaders. Among this top quartile, the share of customers planning to switch to a new main bank in the next year averages four percentage points lower than the rest.

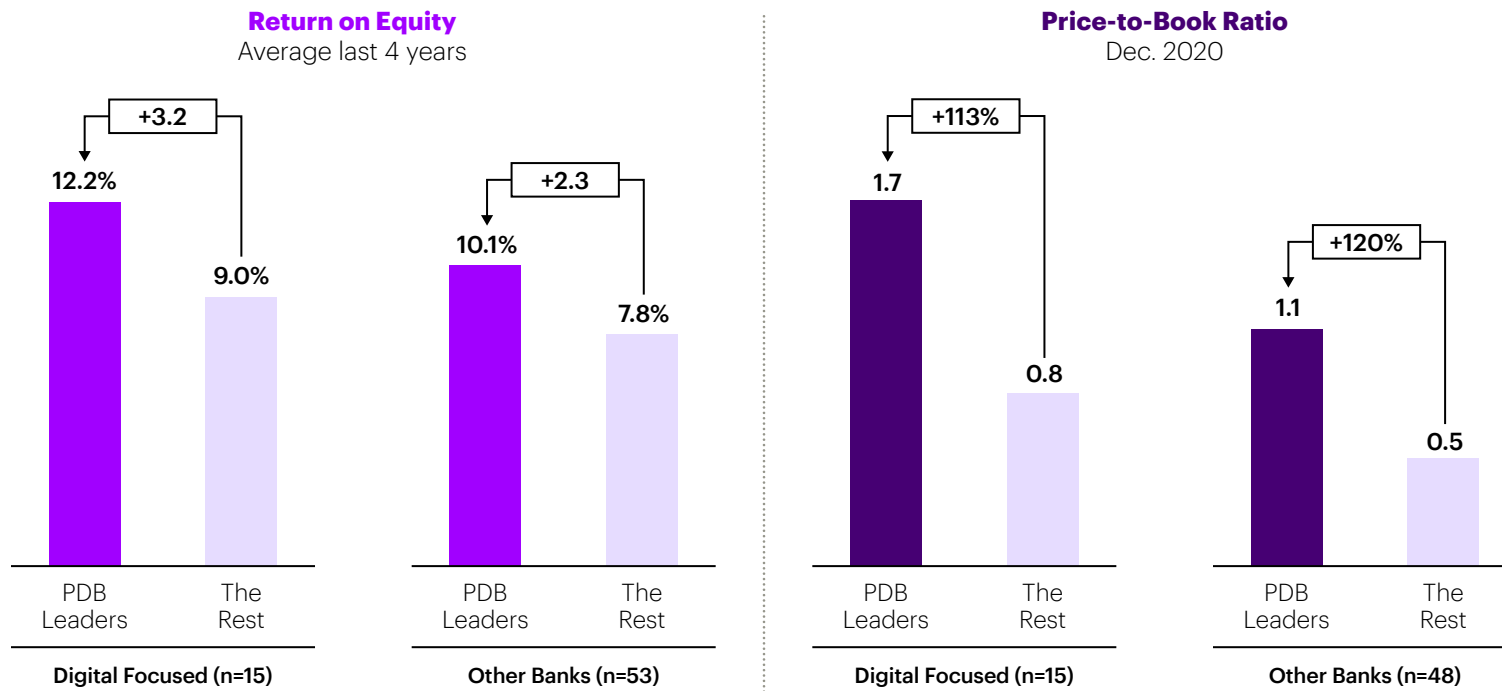
Our earlier Purpose-Driven Banking report found that incumbent banks with a clear purpose and high levels of customer trust have the opportunity to increase their retail revenue by 9 percent per year. The Intensity Scale confirms that Purpose-Driven Banking Leaders are already materializing their revenue advantage over their peers. It shows that Purpose-Driven Banking Leaders achieved double the revenue growth of their peers over the past four years.

Also, the findings suggest that the biggest winners are banks that successfully link purpose to their digital transformation agenda. When we map the results of our Digital Leaders research to the Intensity Scale, we find the highest ROE and P/B among those that excel on both dimensions.

This indicates that adopting a purpose-driven agenda is one of the keys to unlocking the full value of investments in digital transformation. While it is better to be both digitally mature and purpose-driven, it appears that being purpose-driven is more important as long as you have adequate digital capabilities.

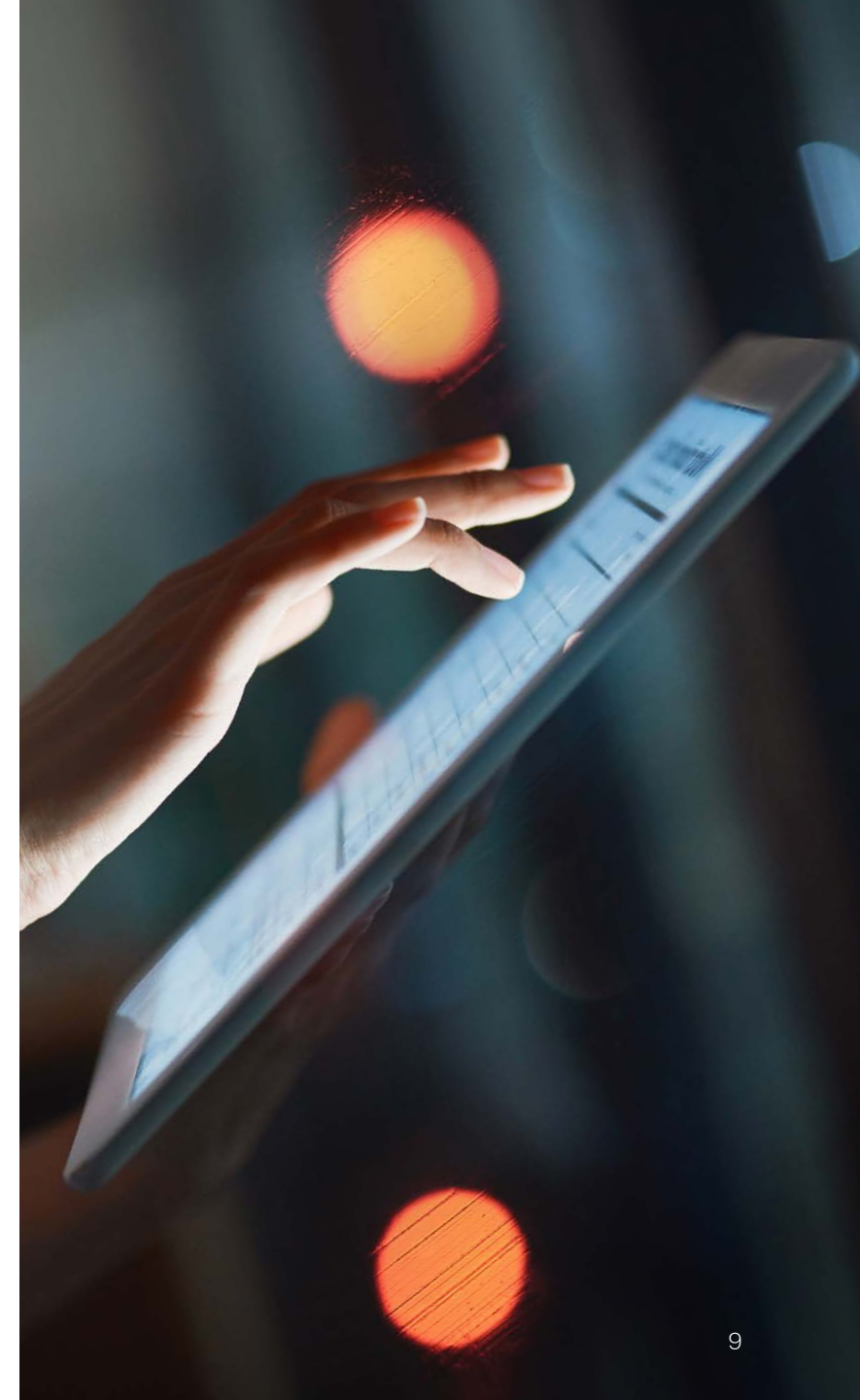
Some 38 percent of banks expect that the COVID crisis will affect customer attrition over 2021, according to our Empathetic Banking Survey.

Purpose-Driven Banking Leaders that are also digital-focused banks show the best performance in terms of profitability and valuation.



Calculated on the sample of 68 banks.

Source: Accenture Research analysis.



Trust and mobile apps: purpose metrics where all banks are weakest

Customers and the relationship they have with their bank cuts to the core of what it means to be driven by purpose in a world in which 53 percent of consumers are attracted (after price and quality) to companies that put purpose before profit and do the right thing for their customers, their employees and the world.⁴

Yet this is the area where banks have most room for improvement. Trust between consumers and banks has deteriorated over the past two years.

This resonates with our Empathetic Banking Survey, which found that just three in ten banks are very confident that they can sense customers' emotional outlook about their financial situation without asking them directly. What's more, only 20 percent of banks told us that they are able to update and evaluate sales and service practices on an ongoing basis.



A lack of tools to help customers manage their finances

Our analysis of the features in banks' apps also found that institutions, on average, could do much more to add functionality that addresses customers' needs and helps people to manage their finances better. While Purpose-Driven Banking Leaders outperform the rest in providing tools to encourage savings, they are not differentiating themselves in areas such as advice, smart spending, and debt management and prevention.

This is despite the enthusiasm we see for financial management advice and tools among respondents to our [Global Banking Consumer Study](#). Some 68 percent of consumers would welcome offers based on their shopping history, for example. Banks that help customers to look after their long-term financial wellbeing will, in years to come, be better placed to resist commoditization of their services and products.

Banks could do more to communicate their purpose

We used machine learning to analyze three years of earnings call transcripts, C-level interviews and strategic documents of 70 banks globally. This revealed that banks, on average, talk about purpose-related concepts less than 20 percent of the time.⁶

Banks with a higher purpose intensity communicate more proactively about their purpose. Challenger banks and neobanks communicate more intensively about how they help customers to improve their financial lives and become smarter at managing their money.

Only 29 percent of consumers trust that their main bank is looking after their financial wellbeing, compared to 40 percent in 2018.⁵ Purpose-Driven Banking Leaders scored 6.2 percentage points higher than the rest.

Banks are making slow progress on the purpose-driven journey

Despite mounting evidence that purpose-driven organizations achieve superior results, only a few banks have taken radical steps in this direction.

One example is Commonwealth Bank of Australia (CBA) which, several years ago, appointed a General Manager of Group Financial Wellbeing. He had a mandate from the C-suite to build a team of behavioral economics, digital, and social impact experts to accelerate the bank's purpose of improving the financial wellbeing of its customers and communities.⁷

The strategy has been a resounding success. Each 1 percent improvement in a customer's financial wellbeing increased the bank's return on investment in that customer up to fivefold, while customer attrition rates dropped 30 percent after CBA started to focus on using behavioral science and delivering digital tools to help customers improve their financial wellbeing.⁸





Innovative banks acting with purpose



US challenger bank Chime launched a credit card designed to help consumers build their credit history by way of everyday transactions. The card also prevents users from overspending. According to Cornerstone, 15 percent of Chime's primary banking customers either have the card or are on its waiting list.⁹



ANZ has created a financial wellbeing program to help customers manage their finances. It includes a six-week email course that provides coaching, knowledge, tips and tools to help customers get financially fit. The program has reached over 725,000 customers.¹¹



Bank of America has launched Life Plan, a digital experience through which clients can set and track near- and long-term goals based on their life priorities. By 2020, 2.3 million people were using Life Plan.¹⁰

Barriers to embracing purpose-driven strategies

We identify four common reasons why incumbent banks may be holding back from embracing purpose-led strategies, and propose actions to break through these blockages:

1 Banks do not believe there is a burning platform

Some banks believe that wide-scale disruption of the market is not imminent, partly because they are comparing themselves mostly to other banks rather than to digital leaders in adjacent segments that could threaten their business in the future. Banks may have calculated that the transition to a purpose-driven model will be a slow one and that none of their competitors will be bold enough to seek to disrupt the banking market with such an approach.

Although challenger banks have grown their customer bases, most customers still keep their main transactional account with an incumbent. Open Banking has not yet been the game-changer it was expected to be. As such, many banks do not perceive themselves as standing on a burning platform. They regard incremental improvement and optimization as the strategic choice of quickest reward, least resistance, and lowest risk.

However, there are signals that a changing market structure could further disrupt the industry:

- Emerging players are targeting new parts of the banking value chain, moving beyond payments to core lending services.
- Open finance and open commerce business models may challenge the primacy of the bank's relationship with the customer in the future.
- Electronic ID, as consumers' central reference point for financial services, could become the new current account.

Actions to consider

Banks that do not believe market disruption is imminent could keep their finger on the pulse in the following ways:

- Conduct ethnographic studies to understand customers' needs and their expectations of banks.
- Monitor net promoter score, customer satisfaction, propensity to switch and churn data, and investigate whether purpose influences these metrics.
- Consider aligning with organizations outside the bank to bring another perspective to purpose and prevent middle management from keeping the changes modest and manageable.
- Evaluate why new players succeed or fail and scrutinize their business models for their applicability to the banking industry.

2 A focus on delivering shareholder returns

Purpose-driven banking confronts banks with a classic innovator's dilemma: the choice of sacrificing existing revenues for the good of the business in years to come, or continuing to profit from today's practices and in so doing, risk falling out of alignment with the future needs of the customer. Leaders may believe in the importance of having a purpose-driven strategy, but are concerned it will distract the bank from delivering shareholder returns, especially short-term revenue and profit gains.

Furthermore, a purpose-driven strategy may create long-term sustainable value by growing customer lifetime value, yet shareholders might not support the cannibalization of traditional 'bad revenues'¹² which such a transition demands. Companies in other industries—Nike is one example—are breaking down resistance by linking executive compensation to performance on environmental, social and governance goals.¹³

Actions to consider

This research report offers strong evidence that purpose-driven banks achieve superior financial returns. However, banks need to bring all stakeholders on the journey with them:

- Develop purpose-related key performance indicators (KPIs), beyond financial metrics, and analyze how investment decisions that take them into consideration might create more shareholder value.
- Develop a clear and consistent communication strategy, to align all stakeholders on how a purpose-driven approach creates long-term value for the bank and society at large.
- Boards could put the Tesla moment on their agenda and reach consensus about the extent to which purpose should guide their strategy. Such consensus would help create enough momentum for purpose-driven strategies to reach escape velocity.





3

The magnitude of the change seems overwhelming

To become truly purpose-driven, a bank will need to rewire its entire business—from customer engagement models and data architectures to product development, culture and the KPIs used to measure employee and leadership performance. As such, the bank should be prepared to embark on a difficult journey that will span several years and will need to be coordinated across the business. It will face a balancing act between managing existing change programs (cost reduction, compliance with new regulations, dealing with technical debt) and driving an agenda of purpose that will deliver tangible results on a longer time horizon.

During the pandemic, embarking on such a large strategic program of change is even more challenging and the priorities of customers and banks would appear to be misaligned. Difficult economic circumstances are compelling customers to focus on improving financial wellbeing. Meanwhile, banks are focusing on priorities such as non-performing loans, compressed revenues and cost optimization rather than on offering advisory services or delivering innovative propositions.

Actions to consider

Banks that do not have the appetite for another large change program under present market conditions may follow a more incremental approach:

- Start with a definition of what purpose means for their organization.
- Follow this with a review of customer propositions to establish whether they are aligned with the bank's brand and purpose.
- Pilot a few purpose-related use-cases with a select group of customers. This could enable the bank to track the impact of purpose on the business and to start preparing employees for a wider purpose-driven strategy.

4 No explicit mandate from regulators and government

Regulation is a double-edged sword in banking. Banks spend millions of dollars each year to comply with ever-evolving laws and regulations. Yet regulation has, in most markets, helped to shield banks from disruptive competition. Many banks are thus content to sit on the sidelines in the absence of regulations that mandate them to improve pricing transparency, simplify products, and focus on customers' financial health.

Contrast this to the prominence of environmental, sustainability and governance topics in most companies' messaging today. What started as a novelty soon became a regulatory imperative. Markets such as Singapore are showing the way. Seven banks are collaborating with the Monetary Authority of Singapore and the Smart Nation and Digital Government Group to create a digital infrastructure that allows Singaporean citizens to better understand their overall financial health by consolidating all their financial information—such as deposits, loans, credit cards and investments—across banks where they are customers and the relevant government agencies.¹⁴

The Ministry of Manpower will use the digital infrastructure to develop a digital financial planning service that gives customers a better overview of their finances. Also, banks can tap into the infrastructure to offer enhanced financial planning services to customers.

Actions to consider

Banks that are interested in taking advantage of regulatory change could position themselves in the following ways:

- Keep an eye on new regulations within and outside their home market to anticipate potential changes in direction.
- Engage regulators and government to shape the narrative for the future of banking.



Conclusion

Embrace your purpose to become a trusted lifetime partner

As the world slowly emerges from the COVID-19 pandemic, one of the changes that is likely to stick is the higher demands consumers have of banks. Differentiating on the basis of the digital customer experience will not be enough, as this is likely to become increasingly commoditized.

Leading banks will take this as an opportunity to reposition themselves as trusted lifetime partners that put customers and their financial wellbeing first. This will not be an easy journey. The strategy must be comprehensive, and the change thorough and authentic.

The concerns that banks have around cannibalizing revenues and managing a complex realignment of their value proposition and business model during a pandemic are understandable. However, inaction may pose a bigger threat. That's a lesson many auto manufacturers are learning the hard way.

As expectations of consumers, regulators, employees, investors and other groups evolve, finding purpose and acting in the best interests of customers and society may become core to creating value for shareholders—just ask Volkswagen or Tesla. Banks that define a purpose and align every aspect of their business behind it can lift customer trust, regulatory confidence and company profits all at the same time.



About the research

Benchmarking purpose-driven banking

Our Purpose-Driven Banking Intensity Scale is a data-driven approach that examines banks' purpose-driven strategy through three lenses: customers, employees and product offerings.

The analysis covers 70 banks globally—18 based in North America, five in Latin America, 31 in Europe and 16 in Asia Pacific. Under each lens, we evaluate five different indicators to gauge banks' performance and generate a score out of 100. The overall Intensity Scale score is a simple average of the three sub-indexes. This enables us to compare banks' overall orientation towards purpose and how they compare in different facets of being a purpose-driven business.

Purpose-Driven Bank Leaders are defined as those that scored in the upper quartile of the Intensity Scale. We compared the historical and expected financial performances of the banks to see how the Leaders compared to the rest. Drawing on our Global Banking Consumer Study 2020—a survey of 47,000 banking consumers around the world—we looked at customer retention rates and customers' reasons for switching among the banks in our sample.

How the sub-indexes were compiled:

Customer lens

We used data from our consumer study as well as user ratings of each bank's mobile app in the Apple and Google app stores.

Employee lens

We ranked data about compensation, diversity, working conditions and training investments on an Arabesque scale (1 - 100) and drew on employees' ratings of the Culture & Values indicator on Glassdoor.com.

Product lens

Accenture analyzed the features and customer experience of each bank's mobile app and also assessed the pricing and transparency of key products and services.

References

1. Business Wire, [Canalys: Global Electric Vehicle Sales up 39% in 2020 as Overall Car Market Collapses](#), 8 February 2021
2. Jalopnik, [The Volkswagen Group More Than Tripled Its Electric Vehicle Sales In 2020. Still Fell Short Of Tesla](#), 13 January 2021
3. CNN, [Volkswagen could soon steal Tesla's crown](#), 16 March 2021
4. Accenture, [Debunking 5 consumer myths in the era of COVID-19](#), October 2020
5. Accenture, [Making Digital Banking More Human: Global Banking Consumer Study](#), 2020
6. We defined 19 topics relating to Purpose-Driven Banking strategy across three main categories—customers' financial problems, purpose-fit product offering and purpose related concepts—which formed the basis of our analysis.
7. CommBank, [Bringing science to banking to improve wellbeing](#)
8. Emerge, [Financial Health Network, Making the Business Case for Financial Health](#), 21 October 2020
9. Forbes, [Challenger Bank Chime Reaches the 12 Million Customer Mark](#), 1 February 2021
10. Bank of America, [70% of Bank of America Clients Engaging Digitally for More of Their Financial Needs](#), 1 February 2021
11. ANZ, [MoneyMinded helps 725,000 people improve overall financial wellbeing](#), 9 December 2020
12. Revenue derived from services that have hidden or opaque fees, or that result directly from customers' poor financial habits and decisions.
13. ESG Today, [Nike Launches Broad Set of 2025 Sustainability Targets, Ties Exec Comp to ESG Goals](#), 16 March 2021
14. MAS, [Digital Infrastructure to Enable More Effective Financial Planning by Singaporeans](#), 7 December 2020

Authors



Kim Kim Oon

Managing Director, Strategy & Consulting
kim.kim.oon@accenture.com



Alan McIntyre

Senior Managing Director, Strategy & Consulting
alan.mcintyre@accenture.com



Edwin Van der Ouderaa

Senior Managing Director, Strategy & Consulting
edwin.vanderouderaa@accenture.com

Contributors

Francesca Caminiti

Director, Accenture Research

Mauro Centonze

Research Manager, Accenture Research

About Accenture

Accenture is a global professional services company with leading capabilities in digital, cloud and security. Combining unmatched experience and specialized skills across more than 40 industries, we offer Strategy and Consulting, Interactive, Technology and Operations services—all powered by the world’s largest network of Advanced Technology and Intelligent Operations centers. Our 537,000 people deliver on the promise of technology and human ingenuity every day, serving clients in more than 120 countries. We embrace the power of change to create value and shared success for our clients, people, shareholders, partners and communities. Visit us at www.accenture.com.

Disclaimer: This content is provided for general information purposes and is not intended to be used in place of consultation with our professional advisors.

Copyright ©2021 Accenture. All rights reserved. Accenture and its logo are registered trademarks of Accenture.

This document refers to marks owned by third parties. All such third-party marks are the property of their respective owners. No sponsorship, endorsement or approval of this content by the owners of such marks is intended, expressed or implied.