



New G+D survey proves that the future of banking is phygital

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The new survey "Opportunities in the phygital landscape" conducted by Global Data on behalf of Giesecke+Devrient (G+D) identifies the most important trends in how banks, financial institutions and financial service providers will interact with their customers in the near future. The focus is clearly on the integration of physical and digital services.

The term "phygital" denotes the convergence of the physical and digital worlds: analogue and virtual business activities are combined into a new, customer-oriented mix. G+D has investigated how this could look in practice for the banking and financial services industry. The study "[Opportunities in the phygital landscape](#) ■", conducted in late 2021, interviewed a total of 45 mid and senior-level executives in 15 traditional banks and 11 neobanks (digital-only banks) across 15 countries. The report highlights contrasting attitudes towards physical and digital service offerings among experts.

While the findings indicate that customers will no longer bank exclusively in physical branches, the idea that this spells the end for bank branches is mistaken. In fact, most bank managers want to expand their physical touchpoints. The banking landscape of tomorrow must therefore combine physical and digital to offer phygital services. The vast majority of banks, both traditional (92%) and neo (80%), believe in the relevance of the physical payment card in the years ahead. Cards act as a unique brand element and are the symbol of the connection between the bank and the customer. In a phygital approach, the established ecosystem of banks, neobanks and financial institutions is combined with new touchpoints for online services. The increase in digital offerings is also leading to data growth, giving a paramount role to handling, analysis and integration of these data: 98% of all banks surveyed see this as an opportunity for new cross-selling and up-selling options, individual customer offerings as well as increasing the value generated by transactions.

Pathways to the phygital business model

The current banking landscape is characterised by the rise of neobanks, their focus on increasing their physical touchpoints and the growing importance of companies with large numbers of direct customer contacts, such as retailers, in generating bank-relevant data. Payment systems based on different technologies and the use of cloud services enable an end-to-end, channel-independent service experience for customers. Neobanks have so far benefited from the comparatively low costs of not having a branch infrastructure and legacy core banking systems. However, this potential competitive advantage often leads to a lack of visibility among customers and consequently to lower brand loyalty, and high churn rates. Twenty-seven per cent of neobank managers see a lack of trust among their customers as a major problem, compared to just 3% of retail banks with physical branches. Neobanks must

therefore try to increase the number of physical touchpoints in order to align their online services more closely with the wishes and needs of their customers. That said, customer centricity is a challenge for 47% of neobanks, and even higher for traditional institutions at 57%. A phygital world that focuses on the customer experience is a top strategy for 47% of neobanks, compared to only 17% of traditional banks.

Automation creates space for a physical presence

These customer experiences need to be similar or interlinked across all contact channels. However, 43% of traditional banks, and even 60% of neobanks, see a corresponding multichannel strategy as a major challenge. This approach will not be possible without greater automation, the use of flexibly scalable cloud platforms and agile business processes. Only if virtual resources, such as chatbots and automated processes, help handling the majority of transactions, it will be possible for both traditional banks and neobanks to ensure customers have access to a personal touchpoint when required and without any distraction in customer experience. However, although 20% of traditional banks see this as the most important part of their phygital strategy, only 7% of neobanks see a need for action here. Despite that, both are in agreement that it is ultimately the quality of products and services, but also the ability to provide individualised offers for the customers that determine their success or failure. Consequently, the yardstick for this is customer satisfaction, which therefore forms the basis for profitable business models.

"Banks face a significant challenge in becoming more customer-centric and developing the right mix of physical and virtual services to do so," explains Gabrielle Bugat, Member of Group Management Team of G+D, heading the Card & Digital Payment business of G+D. "Phygital strategies can enable the experience that the customer expects. As they look to strengthen this dual offering, both neobanks and traditional institutions need the right tools to allow them to create more space for physical touchpoints and direct interaction with their customers. The transformation in banking continues, bringing banks and customers much closer together."

Further information

- Whitepaper: [Opportunities in the phygital landscape](#) ↗
- G+D Spotlight article: [Are banks ready for the phygital future?](#)

About Giesecke+Devrient

Giesecke+Devrient (G+D) is a global security technology group headquartered in Munich. As a trusted partner to customers with the highest demands, G+D secures the essential values of the world with its solutions. The company develops technology with passion and precision in four major playing fields: payment, connectivity, identities and digital infrastructures.

G+D was founded in 1852. In the fiscal year 2021, the company generated a turnover of 2.38 billion euros with around 11,800 employees. G+D is represented by 81 subsidiaries and joint ventures in 33 countries. Further information: www.gi-de.com