

[Future of Banking Video - Prof Prabhu Guptara UBS and Dr Patrick Dixon \(2002\)](#)

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Summary

Future of banking and financial services in Europe? Rapid European consolidation - Huge reduction in bank branches - Huge growth in online financial services activity - Struggle to be key global finance players - Giants will partner with small players to develop new retail and wholesale financial products and services rapidly - Relationship and trust will always dominate top-end premium banking relationships - One-click bank account changes will be on the horizon - Credit / charge card use will grow as written cheques all but disappear.

The next banking revolution will be well under way by 2004, with a fresh wave of aggressive global consolidation, mergers and alliances in order to achieve maximum market dominance in financial services.

National mergers will produce many finance giants, but even these will be vulnerable to hostile takeovers from outside the country, unless they develop a strong global presence, especially in investment banking and wholesale banking services. In the process many household name brands will disappear altogether.

At the same time margins will come under sharper pressure with bank / trading commissions and other charges falling rapidly in every area. New technology will make traditional client relationships redundant in the mass retail market, as more people become detached from their area branches and bank managers.

Banks will respond by moving upmarket as fast as they can, chasing premium "relationships" in private banking and corporate finance sectors. Differentiating through service rather than just price will be a key feature of corporate banking throughout the next half decade.

Many retail banks will be faced with a huge, urgent challenge of winding down and closing large numbers of branches, with social, political and image issues. At the same time they will be dealing with complex post-merger problems of culture, product and IT integration.

Many larger banks will find their capacity to change or develop is limited by these post-merger clean-ups. The most successful mega-banks will be those able to acquire, integrate rapidly and move on, maintaining momentum in the financial services market.

Banks will spend huge amounts on electronic customer relationship management, trying to stay closer to people while reducing staff. However non-bank competitors will hit back with better data and closer weekly access - for example supermarket chains. New entrants will surprise many with their creative energy and success.

Watch out for:

- Spectacular growth in use of online banking facilities to manage money, rather than just for account reporting - in both retail and corporate sectors
- Major shift towards charging for investment advice rather than for commissions
- New digital signatures legally binding in many countries leading to entirely new patterns of consumer activity
- Huge growth in wireless banking and payment services using next-generation mobile phones, 3G etc while WAP will remain a poorly used option for managing accounts
- Plans by financial services intermediaries to allow customers to move loans or accounts between financial institutions authorised by a single mouse-click, with legal safeguards and special security arrangements. This will have a profound long term impact.