



NEWS RELEASE

Cisco Study: In Brazil and Mexico, Banks Can Close a 'Value Gap' Between What Customers Expect and What Banks Are Delivering

2015-02-19

MIAMI, FL -- (Marketwired) -- 02/19/15 -- Cisco (NASDAQ: CSCO)

- *Banks Risk Losing Business to Customer Disconnect: 84 percent of Brazilian bank customers and 93 percent of Mexican bank customers would trust a non-traditional banking institution for banking products*
- *Customers Want High-Value Services -- Anytime, Anywhere: 93 percent of Brazilian bank customers and 95 percent of Mexican bank customers would move their money for Internet of Everything (IoE)-enabled banking experiences*
- *Banks Can Close the 'Value Gap': With digital transformation, a Brazilian bank can experience a 7.4 percent increase in profitability; Mexican banks can capture a 10.9 percent increase.*

Cisco today announced the Brazil and Mexico findings from a new global study of more than 7,200 banking customers in 12 countries. The study reveals a "value gap" between the expectations of digital consumers and what banks are currently delivering. Customers are getting less value from their banks than they expect, and trust and brand equity have eroded. New disruptors are exploiting the value gap between banks and their customers. To help banks regain customer relevance, Cisco tested five IoE-enabled banking concepts and learned that by focusing on advice and mobile solutions, banks have an immediate opportunity to re-engage customers and experience profitability gains.

Despite their vast stores of customer and transaction data, many banks have failed to turn that data into actionable customer insight to provide contextual and convenient service. We tested consumer interest in five banking concepts enabled by the Internet of Everything (IoE) that closely align to banks' core strengths: their physical branches, financial expertise, and rich customer data. The test concepts focus on ways to deliver better advice (virtual financial advice, virtual mortgage advice, automated investment advice) and more valuable mobile services (branch recognition, mobile payments).

By implementing these concepts in concert with fully digitizing business processes, Cisco found that a

typical bank in Brazil with \$5 billion in annual revenues has the opportunity to gain a \$254 million annual profit increase, equivalent to a 7.4 percent rise in profits. For a typical bank in Mexico with \$5 billion in annual revenues there is an opportunity to gain a \$372 million annual profit increase, equivalent to a 10.9 percent rise in profits.

Financial services institutions have an enormous opportunity for growth when they become just as digitized as their customers, whether in the branch or far beyond. By adopting scalable IoE concepts, banks create valuable interactions with more customers, at more times and places, than ever before.

Banks Are Not Meeting the Needs of Their Digital Customers

- In Brazil, 52 percent of customers believe their primary bank does not understand them as individuals, compared with 49 percent in Mexico and 43 percent globally.
- In Brazil, 27 percent said they would be likely to go outside of their primary bank to open their next account or service, compared with 28 percent in Mexico and 24 percent globally.
- In Brazil, 56 percent of respondents "go it alone" with their finances, without any assistance from a professional or bank. In Mexico, that number increases to 59 percent.
- Of those who do work with an advisor, in Brazil more than one in four (26 percent) felt that the advice was ineffective. In Mexico nearly a third (32 percent) felt the advice was ineffective.
- Eighty-four percent of Brazilian respondents would trust a non-traditional banking institution for banking products, compared with 93 percent in Mexico and 80 percent globally.
- In Brazil, PayPal topped the list of trusted non-banks, followed by Google and Apple. For Mexico the most trusted non-banks included PayPal, American Express and micro-financing banks.

Customers Will Choose Banks with IoE-Enabled Offerings That Provide High Quality, Contextual Advice, and Convenient, Mobile Capabilities:

- Ninety-three percent of Brazilian respondents and 95 percent of Mexican respondents would "move money" for one or more of the five main concepts tested (virtual mortgage advice, virtual financial advice, automated advice, branch recognition, and mobile payments), compared with 61 percent on average across developed countries.
- In Brazil, 62 percent would "probably" or "definitely" opt for a firm offering a fully digitized, virtual mortgage application and approval process. In Mexico, this number jumps to 68 percent and compares with 45 percent globally.
- Fifty-seven percent of Brazilian respondents and 56 percent of Mexican respondents would "move money" for a virtual financial advice service, either in the bank or on a personal mobile device (compared with 36 percent globally). The ability to meet instantly, without an appointment, was the top perceived benefit of a virtual financial advice service in both countries.
- In both countries, six in 10 (62 percent) would move at least a portion of their savings and investments to a financial services organization offering an automated advice platform, compared with 45 percent globally.
- Sixty-nine percent of banking customers in Brazil and 86 percent of banking customers in Mexico (compared with 56 percent globally) would open a new account to access a mobile payment solution. The top-ranked features for both countries were redeeming and consolidating virtual coupons and deals, and the ability to place orders ahead of time, pay, and pick them up, all within the app.
- If it was not offered by their primary bank, 69 percent of respondents in both countries (compared with 48 percent globally) would open an account at a different bank to get access to branch recognition. In this service, the customer's mobile phone alerts staff of their entering the bank, enabling quicker and more targeted service.

Innovative, Seamless Security Can Be a Competitive Advantage for Banks

- Forty-two percent of Brazilian respondents and 38 percent of Mexican respondents were concerned with the security of mobile payment systems, compared with 36 percent globally.
- In Brazil, 60 percent of respondents and 74 percent in Mexico are willing to use (or use more often) Internet banking that they are confident is secure, compared with 56 percent globally.
- Nearly half (47 percent) of Brazilian respondents are willing to use (or use more often) a mobile banking app that they are confident is secure, compared with 52 percent in Mexico and 41 percent globally.
- There is a great opportunity for banks to utilize innovative new security solutions. Eighty-eight percent of Brazilian respondents and 90 percent of Mexican respondents were interested in using fingerprint recognition to verify their identity and authorize financial transactions. This compared with 81 percent globally.

A Win-Win for Banks and Customers

Digital transformation in retail banks is a win-win. Digitizing to serve customers with context-aware, relevant advice and services yields substantial revenue uplift to banks. In its [Internet of Everything Value Index study](#), Cisco estimated \$1.3 trillion in IoE-related Value at Stake for the financial services industry in the next 10 years. In the financial services sector specifically, 39.5 percent of that value is going unrealized. Yet banks can begin to capture that value today by implementing IoE-enabled technologies to connect people, process, data and things.

Based on analysis for a typical Brazilian financial institution with \$5B in revenue, implementing the following technologies could increase profits in the millions of dollars:

- Virtual Mortgage Advisor -- \$128M
- Virtual Financial Advisor -- \$34M
- Branch Recognition -- \$65M
- Mobile Payments -- \$46M
- Automated Advice -- \$29M

Based on analysis for a typical Mexican financial institution with \$5B in revenue, implementing the following technologies could increase profits in the millions of dollars:

- Virtual Mortgage Advisor -- \$208M
- Branch Recognition -- \$115M
- Mobile Payments -- \$80M
- Virtual Financial Advisor -- \$44M
- Automated Advice -- \$8M

The majority of these benefits accrued (72 percent in Brazil and 82 percent in Mexico) result from increased PBT, while operating cost reduction accounts for 28 percent in Brazil and 18 percent in Mexico. In addition to revenue upside, Financial Services institutions can achieve significant operating efficiencies through automation, technology adoption, improved employee efficiency, and lower customer acquisition costs, for a total of 2.3 percent overall cost savings in Brazil and 2.2 percent overall cost savings in Mexico. By adopting an agile model, Brazilian firms can further save approximately 7.2 percent on IT costs while Mexican firms can further save approximately 7.7 percent on IT costs.

The Internet of Everything for Financial Services survey (conducted by Cisco® Consulting Services) includes results from a global survey of 7,200 smartphone users and banking customers (ages 18 and up) in 12 countries (Australia, India, China, Japan, United States, Canada, Mexico, Brazil, United Kingdom, France, Germany, and Russia).

The margin of error for all survey questions is +/- 5 percent.

Supporting Quotes

Paul Jameson, managing director of global industries, Cisco:

"The Internet of Everything is rapidly changing the expectations of today's consumers, and banking is not immune to those shifting preferences. Retail banks have a great opportunity to shift their business models and deploy solutions that deliver these services to increase customer satisfaction across all age demographics as well as increase their wallet-share."

Supporting Resources:

- [The Internet of Everything for Financial Services, Cisco Research, Global Findings](#)
- [The Internet of Everything Retail Bank Illustration \(Portuguese\)](#)
- [The Internet of Everything Retail Bank Illustration \(Spanish\)](#)
- [Bank Thought Leader Highlights Video](#)
- [Cisco Internet of Everything](#)
- [Cisco Financial Services Blog](#)
- [Cisco Financial Services Website](#)
- [Cisco Financial Services Insights Website](#)

Technorati Tags: Cisco, Financial Services, Retail Banking, banking, IoE, Internet of Everything, Wealth Management, advice, Remote Expert, video, mobile, mobile payments, smartwatch, augmented reality, digital, customer experience

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Source: Cisco