



» COVID-19 European Banking Survey

Part 1: Will COVID-19 be a watershed moment for banking?

A Marqeta survey of European banking executives: what has changed, what happens now, and what comes next.

2020: The year banking changed... (almost) overnight

As COVID-19 spread rapidly around the globe in early 2020, it sent 250 million people across Europe into lockdown, grounding people in their homes and driving a complete shift in how people were able to engage with the economy.

In recent years, digital-only challenger banks have been surging across Europe, with new entrants like Starling, Monzo, Revolut, Bunq and N26 amassing tens of millions of customers between them. Until COVID-19 hit, traditional banking brands had been able to maintain an advantage in the market on the basis of their physical branch network and consumer reputation. But with Europeans unable to visit physical banks and less public access to cash machines during lockdowns, the playing field in European banking may have suddenly completely leveled.

The market impact was immediate, and drastic. Analysis of mobile app usage data saw a 72% spike in fintech app use by the end of March. Through the first three weeks of April, a BCG survey showed that 43% of respondents increased their use of social media apps to send payments. At the end of April, LINK, U.K.'s largest network of cash machines, reported that cash withdrawals were down 60% since lockdowns began.

Consumers inevitably wanted different things from their banks. McKinsey's European customer survey showed that more than 30% of consumers wanted more advice and direction from their banks, while more than 20% wanted products to directly help them through the crisis. According to Ernst & Young, contactless payment use is up 30% in Europe, use of online payment tools is up 20%, and physical card payments are up 10%.

There's been no clear winner in this market. While use of digital banking tools is up, this hasn't been of direct and immediate benefit to digital-first banks. Monzo, Revolut, and N26 all reported a slowdown in growth during lockdowns.

What has been universal, as suggested by our survey results described below, is the breadth and immediacy of the impact of the COVID-19 pandemic on the European banking industry. In August 2020, in partnership with Coleman Parkes, we surveyed 200 European banking executives about how this impacted their view of the market.

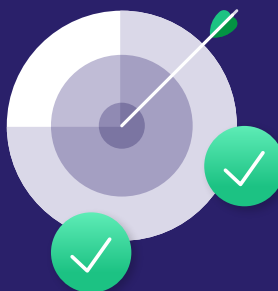
A nearly unanimous amount of executives surveyed — 99% — agreed that with the unprecedented changes to consumer behaviour in the past six months, the impact on banking in Europe will be significant. Three-quarters of banks surveyed said the impact of COVID-19 means that the business models that have got them this far have changed forever.

It appears we've reached a watershed moment, and there may be no turning back.



99%

agreed that changes to consumer behaviour brought about by COVID-19 will **significantly impact banking in Europe**



75%

said that the impact of COVID-19 had **changed business banking models forever**

1. How COVID-19 changed everything for banks in Europe

European banking has been a hotbed of innovation in recent years, as open banking regulations, new cloud technologies, and almost universal adoption of smartphones have paved the way for a proliferation of banking options to hit the market.

Banking executives surveyed by Marqeta almost all said that COVID-19 had a massive impact on their business and industry. In a market where banks were already running to keep up, the pace has only gotten a little more intense.

As many many consumers across Europe stopped using cash, switched branch visits for app log-ins, and tried out new forms of payments en masse, the pace of change caught banking executives on the back foot: 88% of people surveyed by Marqeta said their organization was overwhelmed by the demand for online and mobile banking during the COVID-19 pandemic.

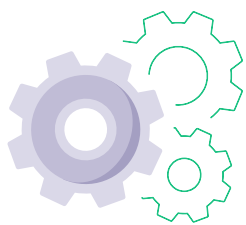
In an already rapidly-evolving banking space, 97% of executives said that new market dynamics have created an even greater need for digital

transformation, with 92% of respondents agreeing that innovation was even more important now than at the start of 2020.

Three-quarters of the executives surveyed said their organization wasn't prepared for the speed of change triggered by COVID-19 lockdowns, with 89% in agreement that COVID-19 has increased the speed of change in banking from years to months.

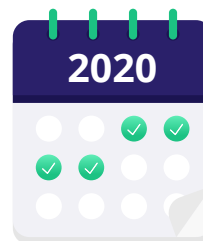
Over the course of a few months in 2020, the long-discussed future of banking arrived — much quicker than anyone expected. The trends driving transformation were already impacting markets, but COVID-19 drastically moved up the timescales, creating a new race in which the winners will be determined by who can best adjust their strategy to adapt to the new normal.

On average, banking executives said they felt they had to be more than 30% faster in bringing new products to market in order to keep up, presenting significant new time crunches and in-house demands.



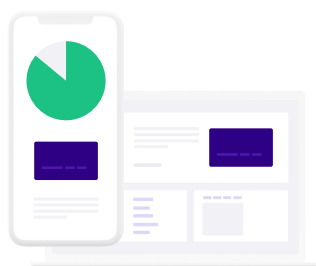
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2. How banks in Europe expect to respond to the new market demands created by COVID-19

The majority of banks surveyed acknowledged an elemental shift in their banking strategy, with 78% now intending to change their future banking strategy to adapt for the post-COVID world.

If it wasn't before, a core consideration of banks across Europe is modernizing core banking and payment systems as they move forward from COVID-19. Ninety-nine percent of executives surveyed said this has become an even more significant business priority for them. Almost three-quarters (72%) said that building new technology on top of APIs would be critical to providing consumers with more innovative banking services.

At a most immediate top-line level, banking executives indicated that digital investment will be massively prioritized over spending on physical footprint: 80% said their plans for digital transformation have been accelerated, 66% said they expect to increase investment in digital banking and services, and 61% said they expect to increase their digital innovation capabilities.

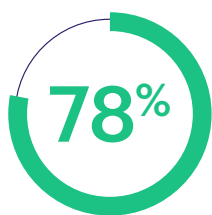
In stark contrast, more than half (54%) of those surveyed said they expect to decrease their investment in physical branch networks.

European banks exist on a new axis of innovation and priority. Improving innovations around both data analytics and technology to make better use of contextual data was singled out by 91% of people surveyed as important to help them better make lending decisions in real time and make judgements on fraud as transactions are processed. Ninety percent of executives surveyed said their organisation needed to better implement technology that enables them to control how loans are spent and provide more competitive loan products.

Marqeta partners like Capital on Tap in the UK have seen strong demand for their services throughout 2020, and have now leant out more than two billion pounds to their more than 120,000 customers, and have recently launched in Spain. Experian UK noted a 33% lift in payment fraud after COVID lockdowns. So market need is having a major impact on driving new innovation.

Keep up with the competition, modernize, and protect users from fraud

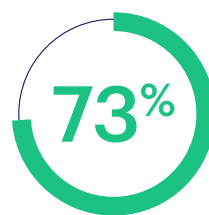
Six months in, banking executives overwhelmingly said they were responding to a clear set of market signals and adjusting their priorities in these three main ways.



said that digital transformation to improve the online and mobile banking experience had become a greater priority



said that modernizing core banking and payment platforms was a greater priority



said that investing in security and anti-fraud solutions was a greater priority

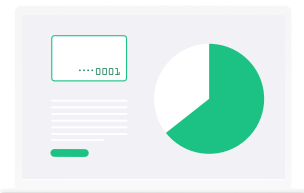


66%

said they expect to **increase** investment in **digital banking and services**

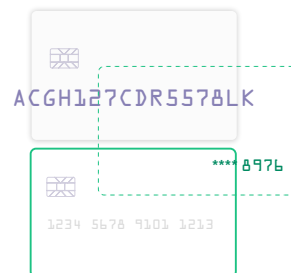
54%

said they expect to **decrease** their investment in **physical branch networks**



64%

said they expected to increase their investment in **modern card issuing programs**



84%

said they needed to speed up their internal process for creating **tokenized, virtual, or physical cards**

3. How COVID-19 will drive banks to build products for a new era of needs

You take an inciting incident like COVID-19, the corresponding recognition of its impact by banks, and a shift in strategy, and the result (hopefully) is going to be that new modern payment and banking options are going to get into the market faster.

According to a Mastercard survey, almost 90% of European consumers use contactless payments. As consumer use becomes universal, and cash use craters post-COVID, bank executives surveyed saw this as a clear point of emphasis: 82% of people surveyed said they needed to speed up their internal process for creating tokenized, virtual, or physical cards.

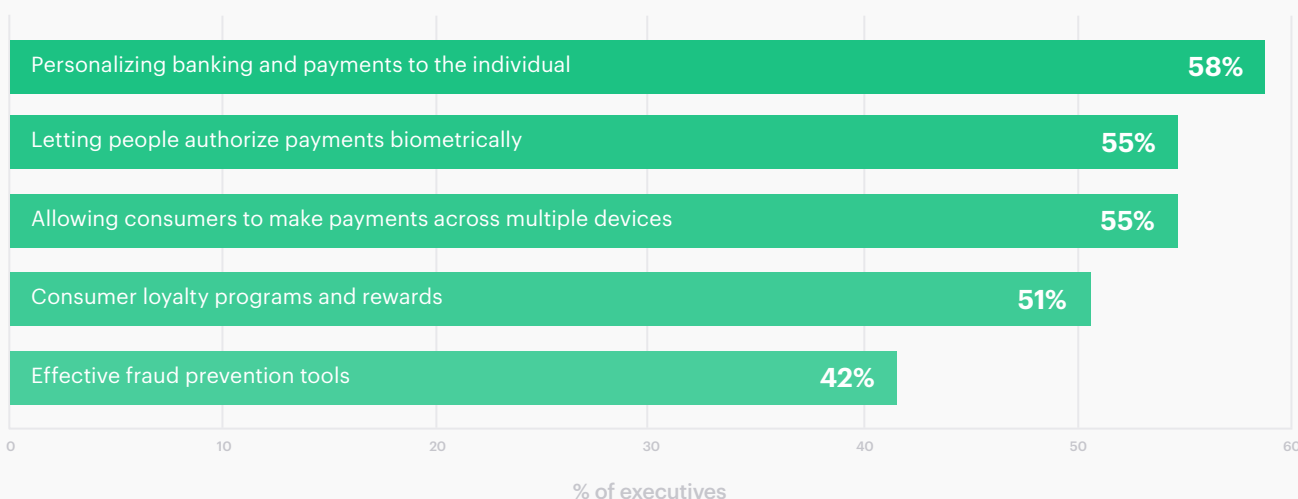
The move away from the physical branch toward online and mobile banking, made essential by a global necessity to cut down on face-to-face contact, is putting increased pressure on banks to build modern debit card programs.

Almost two-thirds (64%) of people surveyed said their organization will build in new functionality that will allow customers to manage their accounts, transfer money, reset PIN numbers, set budgets and saving goals, and restrict certain spend types — all from their smartphones.

Point of sale financing is also rising in importance post-COVID: 42% of banking executives said that it had risen in importance on their product roadmap. As consumers look to save more and move away from credit, there's a growing global market for short-term financing allowing consumers to make high-value or impulse purchases, paying back the amount in agreed instalments.

Alongside a broad set of new spending tools banks are looking to bring to market, executives surveyed coalesced around a set of payment features that had increased in importance.

What payment features do the banking executives surveyed by Marqeta think are more important due to COVID-19?

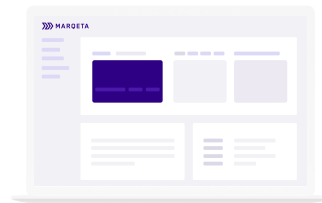


Adapt now, or fall behind.

The ultimate consequences of this watershed moment in banking were not lost on the executives Marqeta surveyed: 38% said that if they were unable to innovate they wouldn't be able to scale existing services, while a third (34%) said they feared losing market share to competitors.

Ninety-two percent of people agreed that to develop and launch the new, differentiated payment services they need to keep up, it's vital to adopt a modern payments platform.

Which is where Marqeta enters the equation: we power modern payment solutions for companies innovating new services and process flows in a digital world. Our platform, open APIs, and advanced analytics provide unprecedented control for companies to issue cards, authorise transactions, and manage payment operations with ease. Highly configurable, secure, and reliable, Marqeta built its technology from the ground up to help companies bring products to market faster, improve cost efficiencies, and reduce fraud risk. Marqeta is the global standard for modern card issuing.



92%

agreed that it's vital to adopt a **modern payments platform**



If you're a bank or large financial institution looking to launch into, or evolve with, this rapidly changing landscape, drop us a line at europe@marqeta.com



About Marqeta

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We enable modern payment solutions for:

- Instant card issuing of virtual, tokenized, and physical cards
- Real-time funding using our exclusive Just-in-Time (JIT) Funding feature
- Push provisioning to digital wallets and customizable webhooks
- Full program management resources and PCI compliance tools
- Actionable data insights, reporting, and advanced analytics tools with our DiVA API

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