

# [ Future of European Consumer Finance Survey ]



eurofinas 

Roland  
Berger 

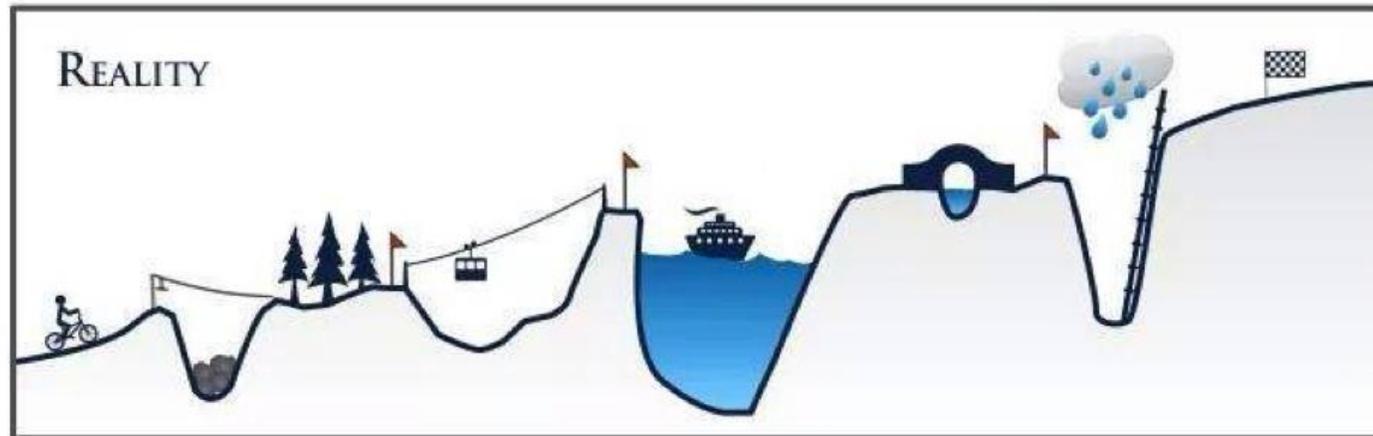
**A joint Survey by Eurofinas & Roland Berger**

**2nd edition**

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Athens, 13 June 2019**

What next two years will bring for the consumer credit industry?



- A. About Eurofinas
- B. Survey participants
- C. Main findings with focus on
  - c.1 Growth and margins
  - c.2 Market trends and challenges
  - c.3 New capabilities and key success factors
  - c.4 Summary of findings
- D. Conclusions

# What is EUROFINAS?

THE VOICE OF CONSUMER CREDIT PROVIDERS IN EUROPE SINCE 1962

AT EUROFINAS, WE FOCUS ON THREE KEY ISSUES:

## *Advocacy*

Engaging with European and international regulatory bodies and opinion makers on critical legislative and supervisory developments

## *Market intelligence*

Being the key European source of consumer credit data with the collection, analysis and provision of comprehensive European statistics

## *Policy briefing*

Bringing Europe to the industry by providing regular and tailored insights into European affairs

16

JURISDICTIONS

650

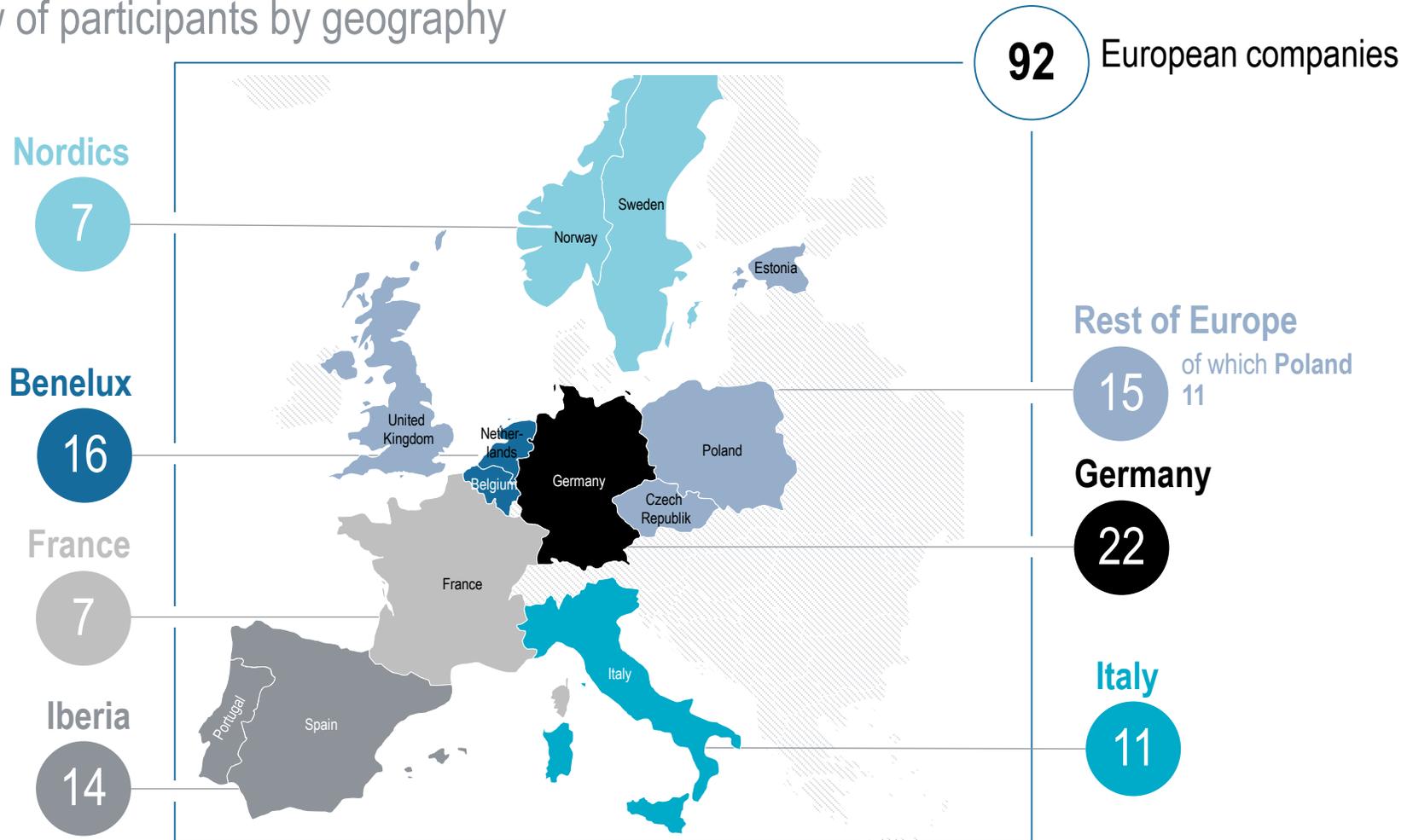
FIRMS

49%

MARKET SHARE

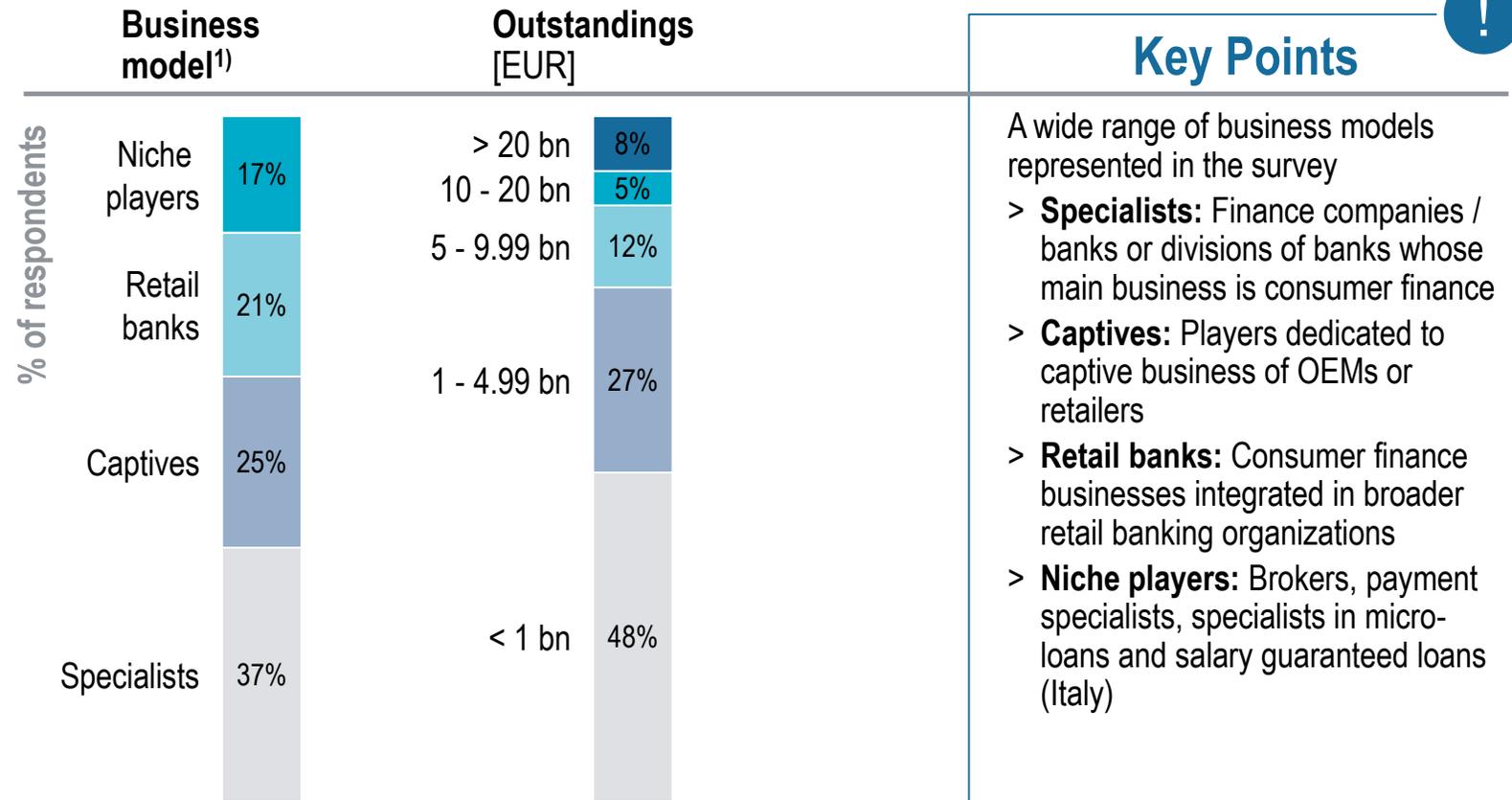
# 92 companies in 13 European countries took part in this edition of the Future of European Consumer Finance Survey

Overview of participants by geography



# Participants account for over 1/4<sup>th</sup> of the European consumer finance outstandings and represent four different business models

Business model and size of participating companies<sup>2)</sup> [2017]



1) Certain types of business models have been aggregated: (1) "Niche players" include credit brokers; (2) "Captives" include both retail captives and motor captives

2) Percentages do not always add up to 100% due to rounding

# Consumer finance executives shared their 2018-2021 perspectives on 6 macro areas

## Survey's key dimensions



### Growth and margins

- > Growth and margin evolution by product type and business model



### Market structure and competition

- > Consolidation and roles of different business models
- > Business models most likely to grow in market share



### Market trends and challenges

- > Major trends and main threats
- > Technology
- > Customer behavior

## Clustering variables

- > **Type of business model** (Specialists, Captives, Retail banks, Niche players)
- > **Size**
  - New business volumes
  - Outstandings
  - Active customers
- > **Cost Income Ratio (CIR)**
- > **Cost of risk (COR)**
- > **Split of new business**

## The future of consumer finance



### Regulation

- > Impact of regulation on business
- > Threats and opportunities



### Digitization and customer journeys

- > Digitization of operations
- > Distribution channels and customer journeys across channels



### New capabilities and key success factors

- > Key success factors by type of business and need for improvement
- > Major initiatives to be launched

# Market growth expected but at the expense of margins for some products

## Market growth and financial margins

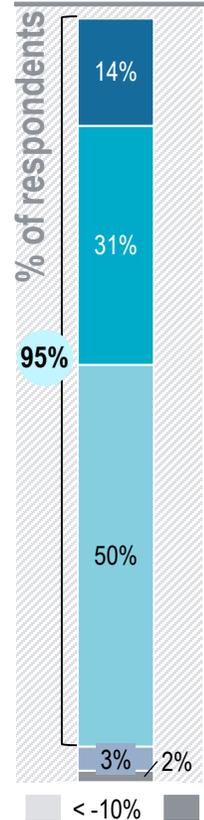
	Expected growth of new business volume (CAGR 2017-2020)	Expected evolution of financial margins (change bps 2018-2021)	<b>Key Points</b> 
 <b>Car and motor loans</b>			
 <b>Personal loans</b>			
 <b>Revolving credit</b>			
 <b>Other purpose loans</b>			

 < -5%  
  -5%-0%  
  0%-5%  
  >5%

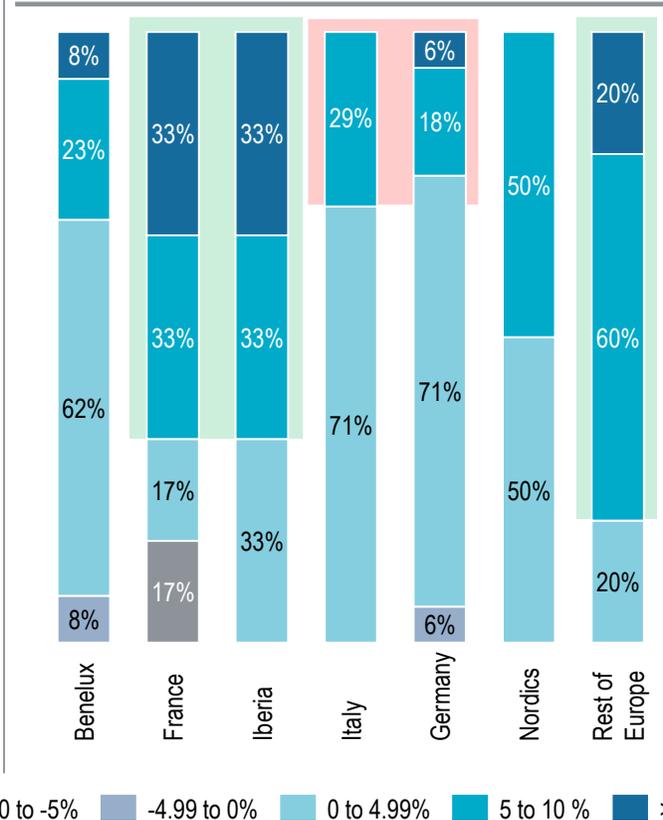
# Growth expectations are positive, with some differences by region

Market growth by geography and business model [2017-2021]

### All participants



### Per Region



### Per Business Model

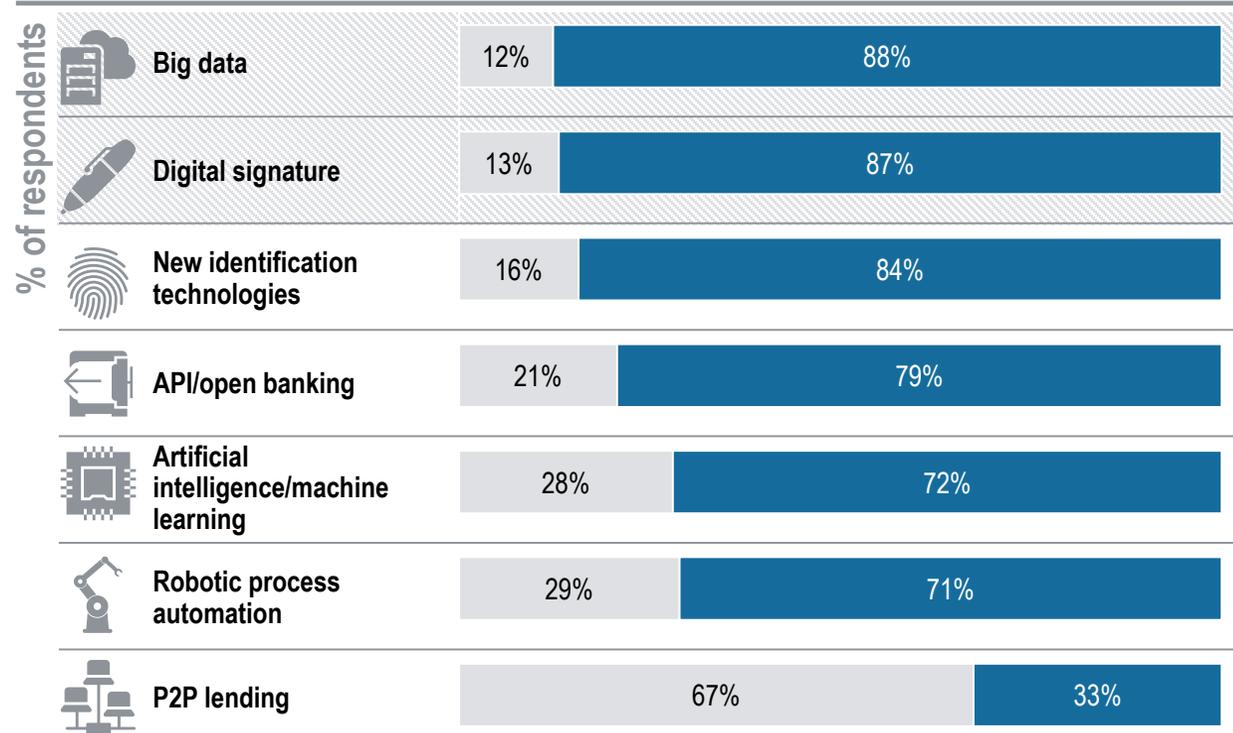


### Key Points

- > Almost all respondents (95%) expect positive growth, with 45% expecting growth above 5%
- > Big differences in growth expectations across regions, but are relatively homogeneous between different business models
- > Growth expectations in France, Portugal and Rest of Europe higher than in other countries/regions, while respondents in Italy and Germany are less optimistic

# Digital signature and "big data" are regarded as the most important technological trends for the coming years

Respondents' assessment of the impact of technological trends [2018-2021]



Not important/Somewhat important
  Important/Very important

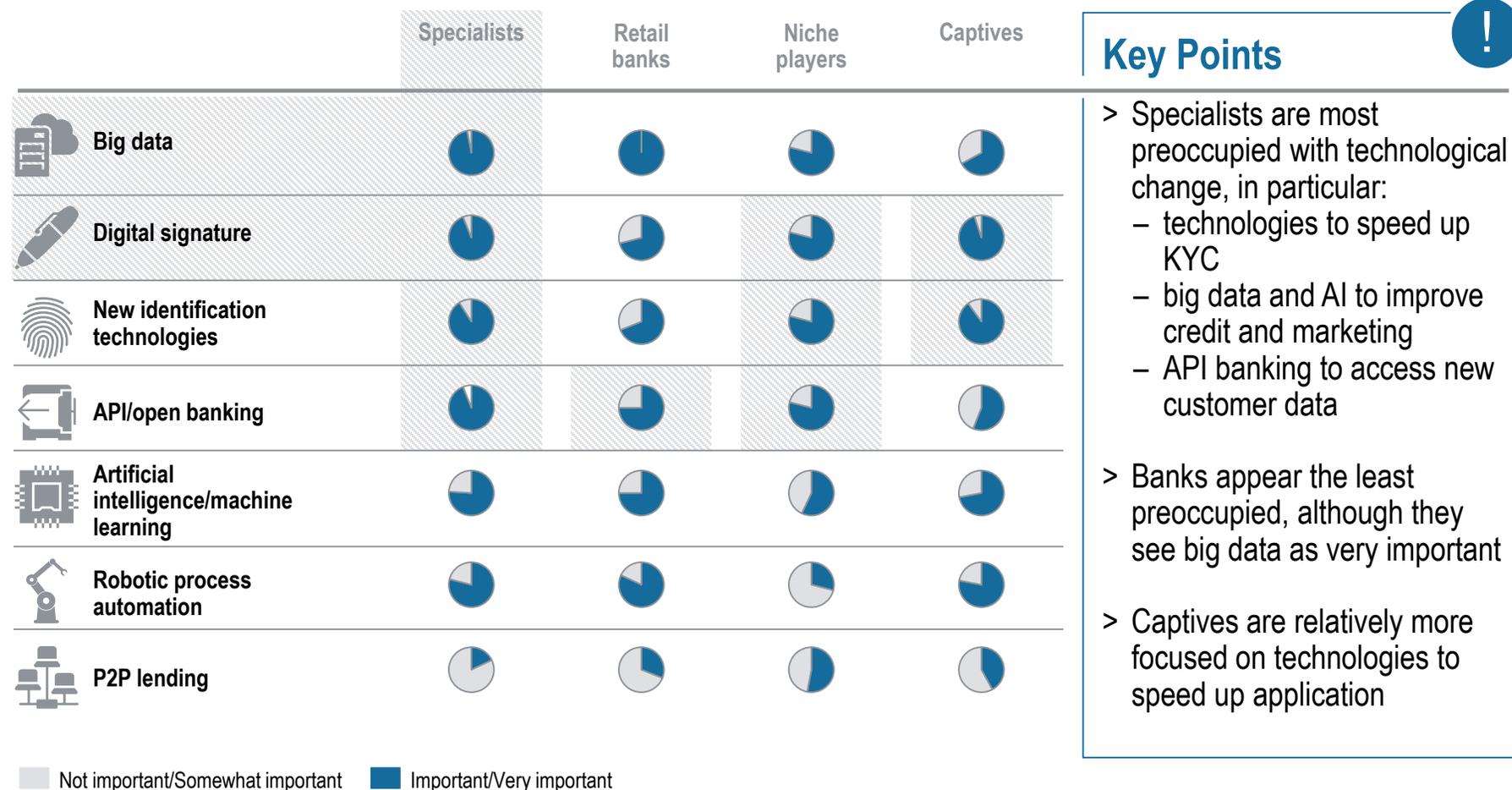
## Key Points



- > The vast majority of respondents (over 80%) considered big data, digital signature and new ID technologies as important
- > Only a third of participating firms see P2P lending as an important trend

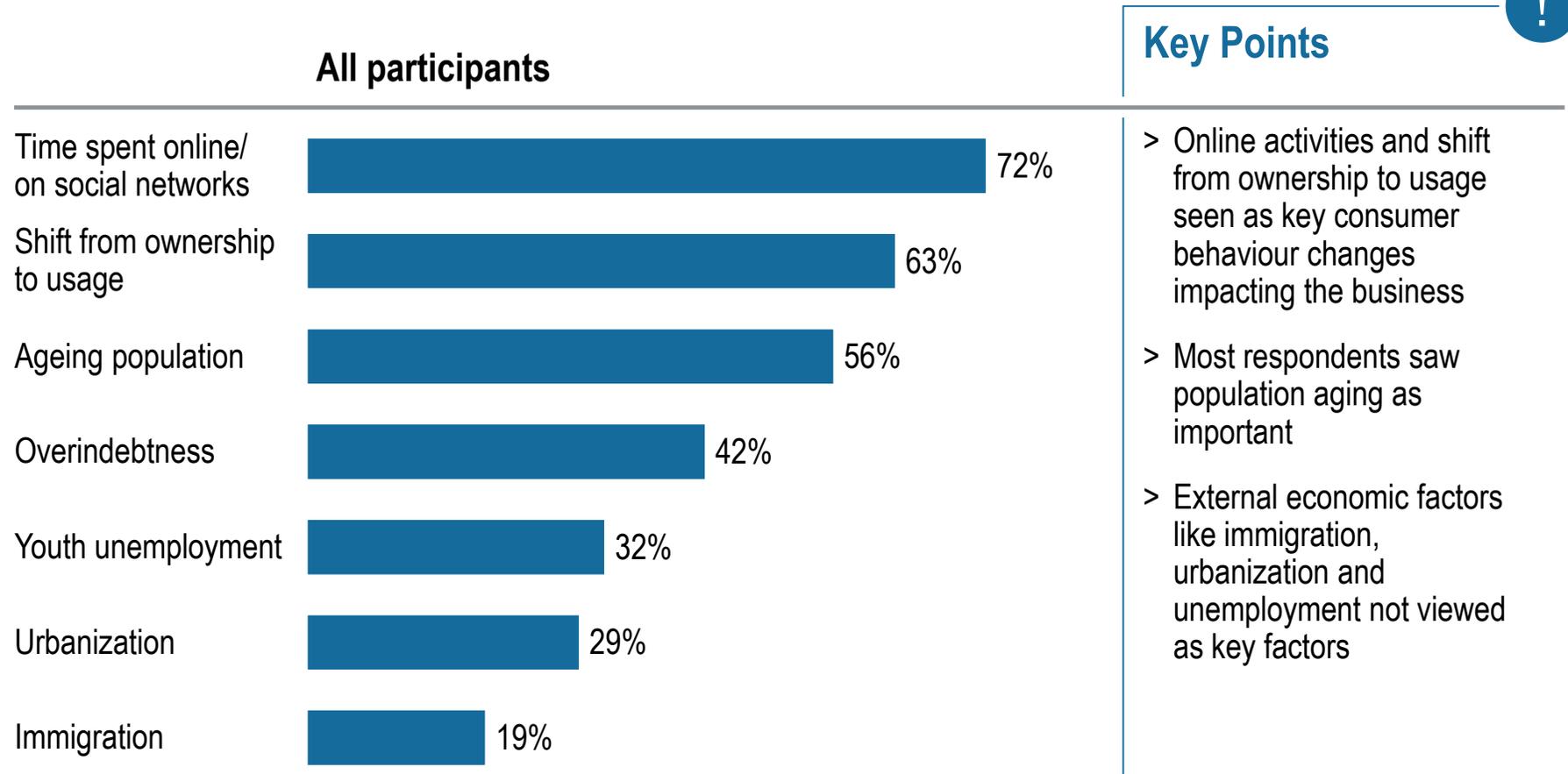
# Specialists are most likely to rate technological developments as important

Assessment of the impact of technological trends by business model [2018-2021]



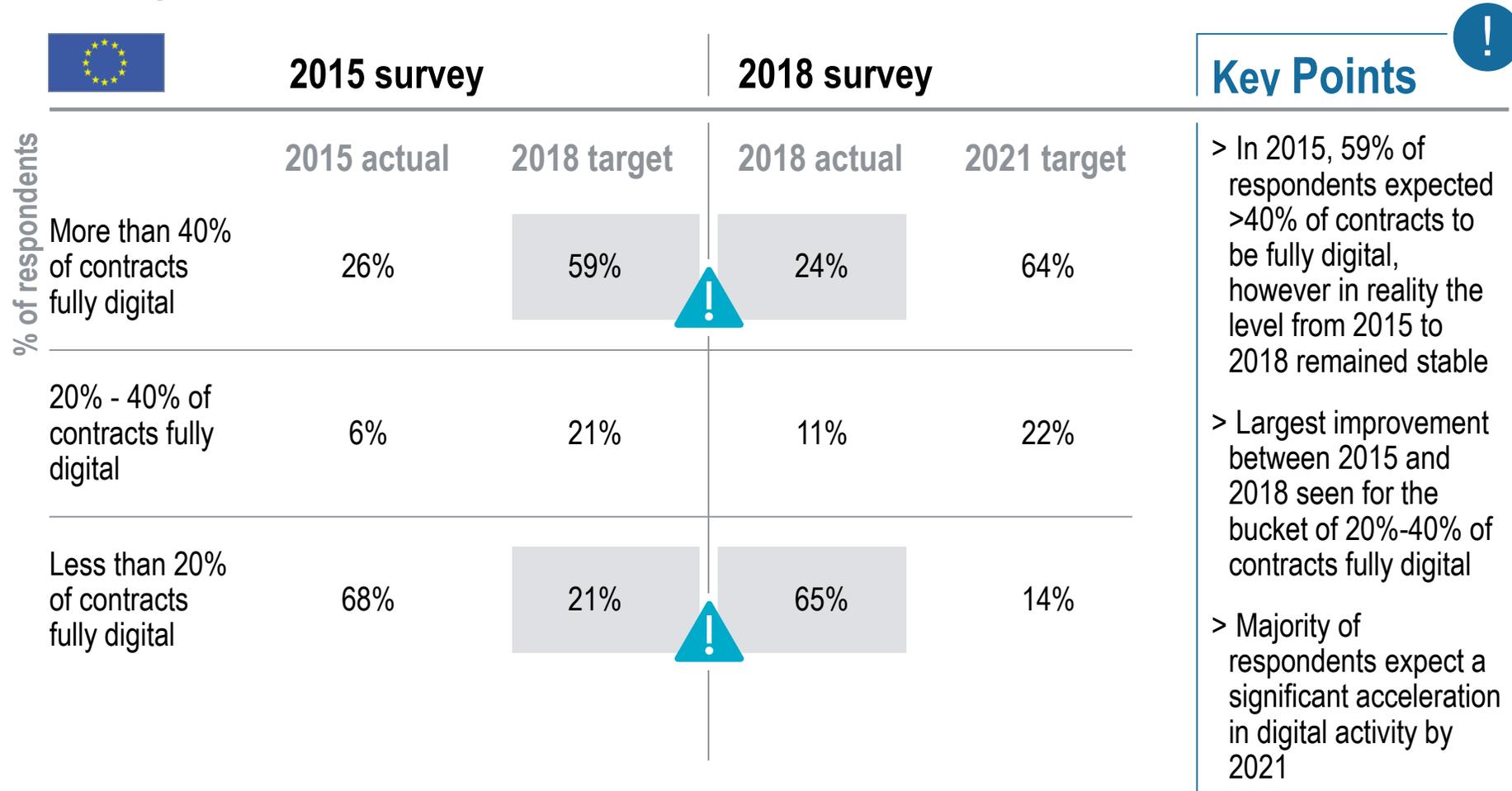
# Factors impacting consumer behaviour in particular are considered to be the most important socio-economic trends

Participants ranking factor as important/very important [2018-2021]



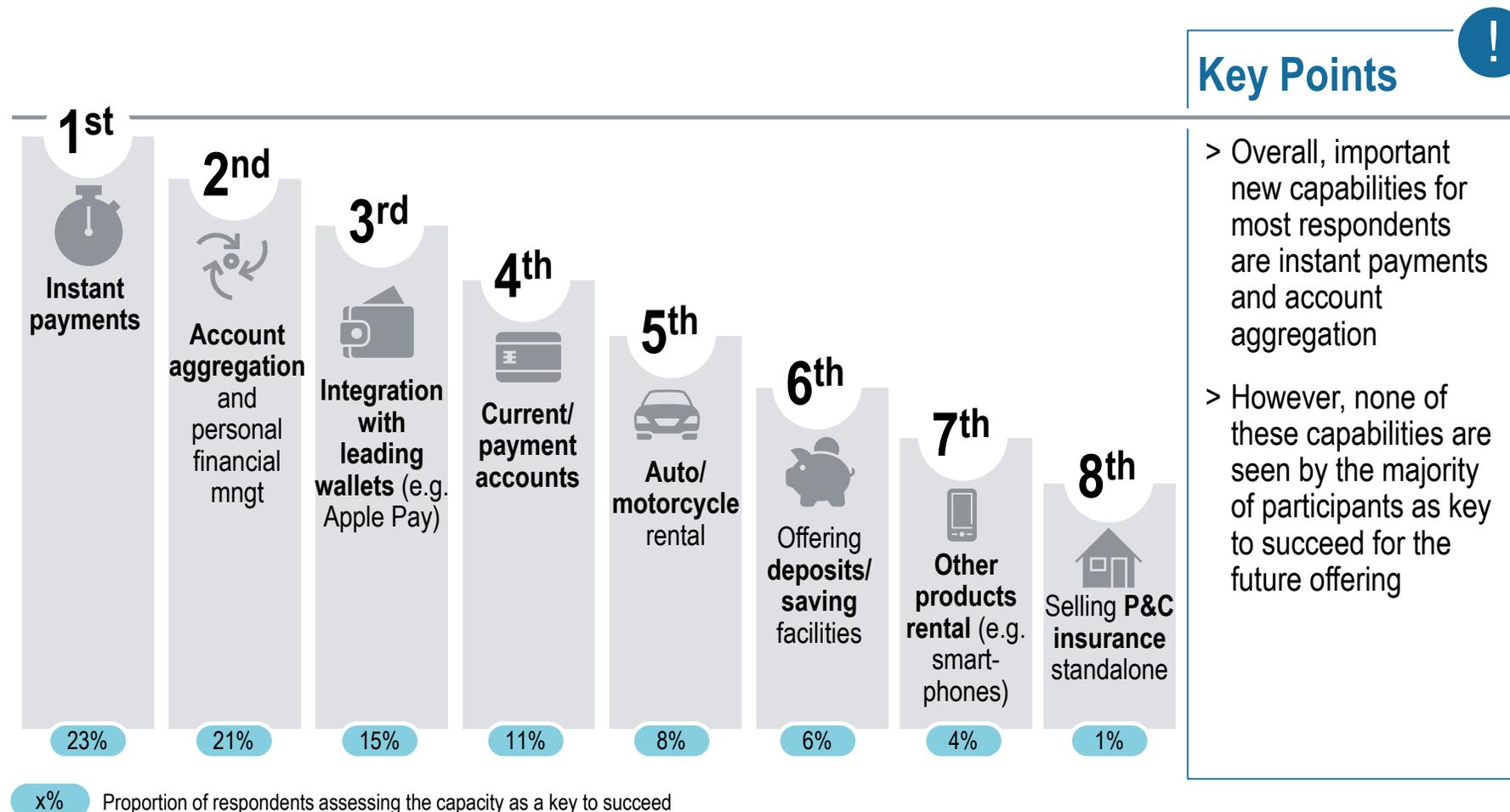
# Digitization of contracts proving to be more challenging than expected 3 years ago, but still forecast to accelerate

## Full digitization of contracts



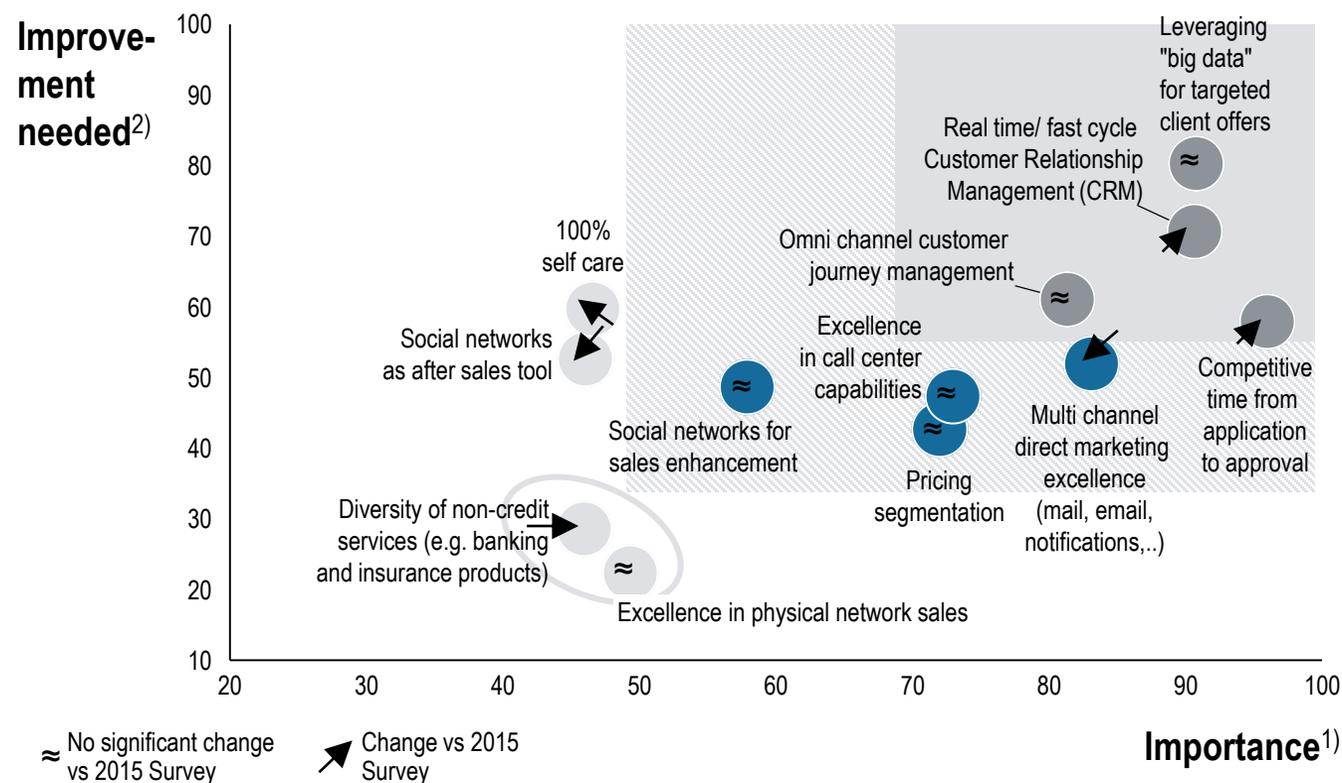
# Integration with instant payments and account aggregation are most often listed by participants as key future capabilities

Capabilities most frequently ranked as important/key to succeed [2018-2021]



# In B2C, transformation efforts concentrate on digital – few players see traditional success factors as critical or needing improvement

Improvement vs. importance for B2C business capabilities [2018-2021] with comparison to 2015 survey results



## Key Points

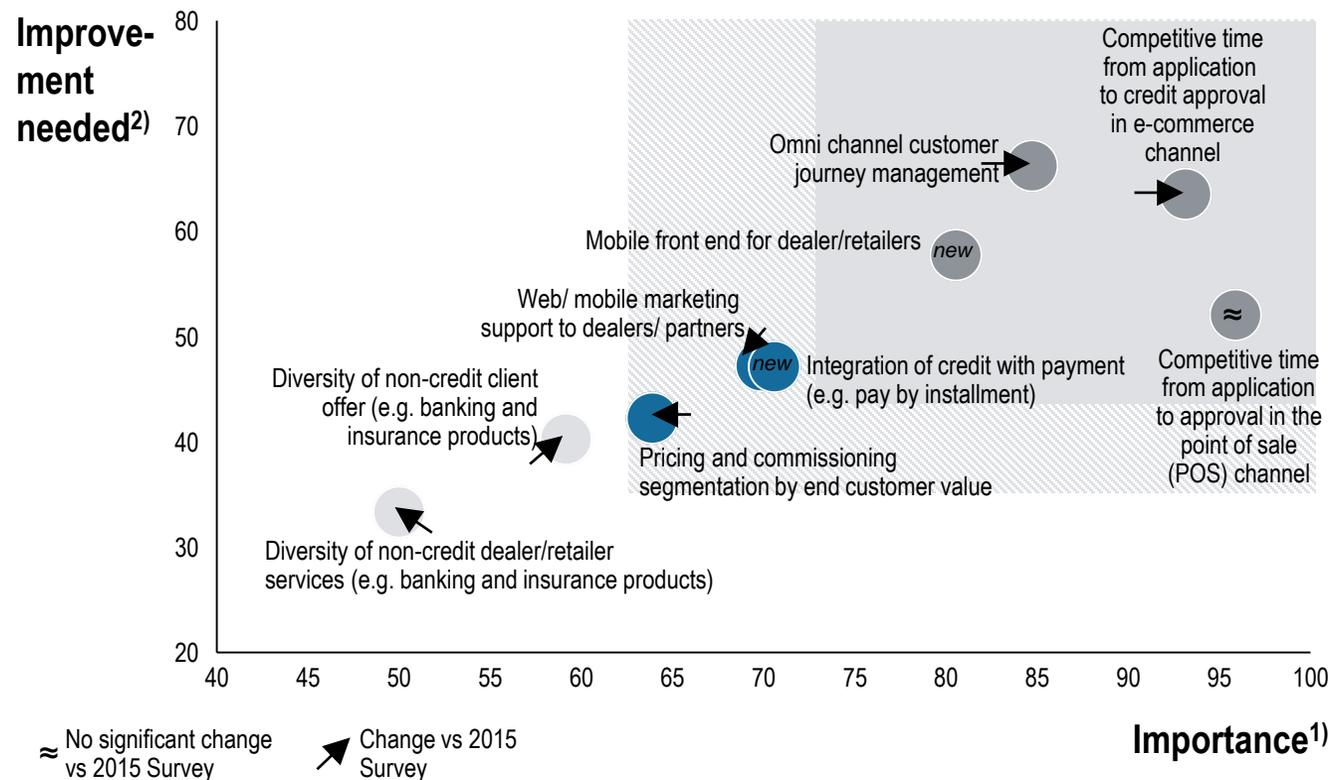
- > Time to approval ranked as most important element
- > Big data is still seen as the most important factor requiring improvement...
- > ...followed by other digital factors (eCRM, journey management)
- > Excellence in traditional factors (e.g. sales force excellence, range of products) dismissed by most participants

1) Percentage of respondents indicating that a certain business capability will be (very) important in 2018-2021

2) Percentage of respondents indicating that a certain business capability will need (very) significant improvement in 2018-2021

# Likewise, in B2B2C the main priorities are time-to-yes and best-in-class journeys

Improvement vs. importance for B2B2C business capabilities [2018-2021] with comparison to 2015 survey results



## Key Points

- > Time-to-yes at physical point of sales continues to be the main success factor
- > Factors related to eCommerce and omnichannel are seen as key areas requiring most improvement
- > Non-credit services less likely to be identified as important

1) percentage of respondents indicating a certain business capability will be (very) important in 2018-2021

2) percentage of respondents indicating a certain business capability will need (very) significant improvement in 2018-2021

# Consumer finance executives' perspectives for 2018-2021 on three major topics

## Growth and margins



- > **Positive growth outlook** on volumes (95% of sample expect growth) – Most positive outlook for personal loans
- > **Slight decrease of margins** expected for all product types, with motor loans experiencing highest pressure

## Market trends and challenges



- > **Digital transformation and big data** expected to disrupt business models by >85% of respondents
- > More than 70% believe that the **time customers spend online** and on social networks is the most important socio-economic trend
- > Pace of **digitization slower than expected** when comparing the level today with expectations stated in 2015, but the process is accelerating

## New capabilities and key success factors



- > **New product capabilities** will be required to succeed, including: integration with new payment systems, account aggregation, instant payments
- > **Main success factors** that require improvement are related to digital transformation: big data, omnichannel journeys, CRM
- > **Time to yes / cash** still an important success factor and a challenge especially in B2B2C (eCommerce)

# Based on the survey we believe transformation priorities pose different challenges by business model

## Roland Berger assessment of key areas for strategic transformation

Transformation areas	Specific challenges	Specialists	Retail banks	Niche players	Captives
<b>I Review value proposition</b>	Switch from product to relationship	●	○	○	○
	Increasing share of non-interest linked revenues	●	○	●	●
	PSD2 offers to better serve, understand and retain customers	○	○	○	○
<b>II Rethink B2C "end customer" journeys</b>	Transforming sales people into omni-channel advisors	●	●	●	●
	Radical simplification of UX	●	●	●	●
	Mass personalization of journeys	●	●	●	●
<b>III Re-invent partnership model</b>	Products designed for usage economy	○	○	○	●
	From credit provider to omni-channel partner	●	○	●	●
	Increasing presence in e- and m-commerce	●	●	●	○
<b>IV Build new data skills</b>	Integration of new data in marketing, credit decisions, customer services	●	○	●	○
	Improve time-to-market	●	○	●	●
	Data and web talent	●	○	●	●
<b>V Excellence via digitization and automation</b>	100% paperless	●	●	●	○
	Advanced automation/cognitive AI	●	●	●	○

Importance of transformation efforts: ○ Low ○ Medium ○ High ● Very high

For further questions or to obtain a copy of the report, please contact:

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