With 69%(*) of the population unbanked, Vietnam remains a potential market for digital banking to develop and evolve. With having supportive government policies, a young population and an increasing supply of consumers who want to move to digital and utilize all forms of digital financial services, is your bank ready to be the leading digital bank in Vietnam? Do you know how the future of banking and what the future customers will be like? And will you prepare by being proactive or reactive?

The future of the banking industry will look very different from what it looks like today – some of what we see will be evolutionary and some will be radically different. While predictions into the future are always fraught with uncertainty, we are confident that the landscape will be far more competitive, efficient and innovative in delivering consumers “autonomous experiences” that are not possible today. The market-leading Banks of the Future will understand that technology will not limit what is possible. Instead they will harness digital capabilities to be more adaptive and put the customers firmly in control of their destination and preferred model for dealing with their bank and other service providers. Through this report KPMG would like to stimulate the thinking on how together we can transform the banking industry to be smarter and better, positively impacting on customers, their relationship with money and their financial wellbeing.

**Banks of the Future**

In the next few years, we will see more changes in the banking industry than we have ever witnessed in the past, this isn’t solely due to advancing technologies, but a confluence of inter-related, structural factors - demographic, socio-economic, regulatory and environmental changes. These changes are likely to result in the transformation of the way people live, work, play and engage with their finances, which will also be built into the Bank of the Future’s efforts to improve the financial wellbeing of customers. As its core, improving financial wellbeing will be structured around helping customers achieve their goals on meeting their financial obligations; having financial freedom to make choices to enjoy life; controlling their finances; and having financial security, even under adverse circumstances. The four primary areas that will enhance a financial service company’s ability to deliver improved financial wellbeing are:

**01 Data**

Data will fundamentally transform the nature of the financial services industry and will be at the heart of how banks deliver value to customers. It is crucial for banks to win the trust of consumers, who are much more aware of the value of their personal data and the importance of keeping it safe and secure, making banks become not only the safest place to keep their money but also their data. The successful Bank of the Future will use data to build a 360-degree view of their customers, master data-driven customer experiences across channels to increase the value of services and outcomes they offer to customers (not just for their financial needs, but beyond), empowering them with the ability to make choices more quickly and easily.

(*)Source: World Bank report - Little Data Book on Financial Inclusion 2018
02 Regulation
Government and regulating bodies are required to come up with completely new ways to identify and manage risks, regulate activities being undertaken by a broader range of participants, and judged on the outcomes they deliver to customers. Financial regulators will evolve in the way they build the structures to monitor and assess the financial institutions, be more aware of new and unforeseen risk resulting from emerging technologies and utilize new tools and technologies to ensure that there is more efficient and effective oversight.

03 Business model
Traditional boundaries within the financial services industry will disappear, with the move towards “Platformification” - where banks allow customers to choose services personalized for their needs from a range of providers and players in other sectors will begin bundling financial services with their own. The future competitive landscape and customer experience expectations will be shaped by new entrants like start-up fintech, neo-banks, “over-the-top” banking providers and the world of big technology (“big tech”). The Banks of the Future will become an orchestrator of various alliances and capabilities, through which they will explore more opportunities adjacent to their core offerings and extending their business models and propositions. Following this trend, the Vietnam banking market has and will inevitably welcome more and more players from other sectors with various disruptive business models. Some noticeable disruptive business models in Vietnam consist of, namely: technology/e-commerce companies offering digital payment service on their platforms (ie. Grab with GrabPay, Zalo with ZaloPay, Sendo with SenPay, etc…); and telco companies moving into digital banking or offering payment services (ie. Viettel with ViettelPay, VNPT with VNPTPay, etc…).

04 Technology
Technologies will make banking more personalized and ubiquitous across devices and applications. The following technologies are foreseen to give the greatest impacts to the banking industry – Artificial Intelligence & Machine learning, Blockchain, Biometrics, 5G, Cloud computing, Internet of Things, Augmented Reality (AR)/ Virtual Reality (VR) and Quantum computing. These technologies will transform both the nature of services as well as how they are delivered and consumed, making banking unrecognizable from what we experience today - changing the channels, the services and the role banks play in everyday life.

Success will require leading banks to consider changes to each of these aspects of their business, not in isolation, but rather how they combine to re-define their relationship with customers.

Customers of the Future
Banks also need to predict how their customers will be like in the future, how their behaviours, attitudes and aspirations will change. Knowing the future customers and becoming more adaptive to the new customer demands are the key successful factors for banks in the future.

Customers of the future will still need to save, borrow, invest and make payments, with digital advancement and financial literacy helping them find smarter and better ways. The key elements customers demand from leading banks include:

Simple: Help them clear the clutter and defragment their life
Smart: Know them as well as the data the bank have about them, and help them achieve my aspirations and master my financial life
Secure: Protect their money, identity and data in an increasingly untrusted world,

The increasing savviness of customers will also drive an intense and urgent new battle between incumbents and challengers to be their trusted interface of choice. At the same time, technology is likely to make banks increasingly invisible. As we move towards a fully connected way of life, banking activities will often be hidden within “super-apps” that can fulfill daily personal and financial obligations with just a few taps.

The following changes of customer behaviours & aspirations will have major impacts on how banks can serve customers in the future:

How they work?
Future customers will be likely to change their jobs frequently, have more digital skills and actively seek for an independent work environment which leads to the increased demand of financial solutions that can support the digital nomad lifestyle.

How they live?
Health - Future customers are living longer, taking
more care of their own financing which leads to the critical need for financial products that help people save towards their retirement income – ever increasing due to early retirement and longer life expectancy.

**Family** - Future customers are marrying later and cohabiting for longer periods. There is an increase in the number of single-adult and single-parent, which is reflected in the rising proportion of elderly people.

**Social & Environment** – Future customers are more aware and conscious of growing environmental concerns and the efficient use of water, energy and food resources. Banks, therefore, should share and implement more social responsibilities to promote their brand names and win over the future customers quickly. They now look to pursue rewarding experiences over products, which is reflected in the rise of new lifestyles, adventures, alternative sports and a rising demand for instant gratification like sharing their achievements to their friends, families and followers. Those banks that can bundle their products to support these new lifestyles will create that differentiated experience.

The customers of the future will have far more complex needs to in order to be satisfied and their preferences will change based on different contexts for those needs. To win customers of the future, banks should have more flexible and innovative approaches to build relationship with their customers and deliver value-added financial services to them.

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**Are you ready?**

The future of digital banking and the reasons for being well-prepared for the future are clear. The big question now is which banks will be ready to take advantage of the opportunities that future may bring to them? The sooner your bank start to prepare for your journey to the future, the more success you may get. Will your bank be a leading Bank of the Future?

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