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Super app or super disruption?

Reshaping the banking experience

A new breed of tech giant is emerging out of the East — Super apps — and they are already encroaching on traditional financial services territory. Do you have a strategy for success in a super app world?

If you reside in the West, you may have heard of super apps. If you live in Asia, you probably spend most of your 'screen time' using one. So what exactly are super apps and why are they so revolutionary?

Super apps essentially serve as a single portal to a wide range of virtual products and services. The most sophisticated — apps like WeChat and Alipay in China — bundle together online messaging (similar to WhatsApp), social media (similar to Facebook), marketplaces (like eBay) and services (like Uber). One app, one sign-in, one user experience — for virtually any product or service a customer may want or need.

Due in large part to their versatility, super apps have quickly become ingrained into users' daily lives. It is not unusual for a WeChat user in China to set up a date with a friend via instant messaging, make dinner reservations, book movie tickets, order a taxi and pay for every transaction along the way, all using one single app.

The threat within

While the rise of super apps in the East may seem like a fairly peripheral trend to the banking sector, the reality is they have the potential to up-end it. There are three reasons why bankers should take heed of the developments very closely.

1. **They are disintermediating banks from their customers.** Super apps like WeChat and Alipay offer a range of basic banking, savings and investment products to customers. While (for now) these products are being originated and underwritten by traditional financial institutions, this still means that these institutions are being moved one step further away from their customers. Much like what happened in the insurance sector with platform plays and aggregators, traditional financial institutions may quickly find they have been relegated to performing the regulated activities while the super apps retain the customer experience and relationship.
2. **They are using their vast wealth of data to deliver better services.** It's not just that super apps have access to an unprecedented amount of customer data, it's that they know how to use it to deliver better customer experiences. They are using their data to improve operational processes — like using social media and transactional data to risk-assess loan applicants, and they are using their data to better target financial products to customers, at the exact time they need them. Traditional banks, with their siloed data and mainframe technology estates, are struggling to get as good a view of their customers.
3. **They are building their brand reputations in financial services.** Offering payment services within the app may seem fairly innocuous at first; a marketplace without a payment mechanism may be doomed from the start. Currently, the vast majority of these payments are flowing through traditional banking and card issuer infrastructure. However, most of the bigger super apps now also have strong relationships with banking arms (WeChat has WePay for payments and WeBank for banking products; Alibaba has AliPay and Ant Financial) who are using the super app's brand reputation and reach to access new customers and build trust in financial services.

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Tempest in a teapot?

It would be easy to dismiss super apps as a China phenomenon, but the reality is they are emerging in almost every market around the world — and they are coming from unconventional places.

In South East Asia, for example, two super apps have emerged from the leading ride-share platforms, Go-Jek and Grab. Both apps now offer a range of other services from food delivery through to medical advice, and both are competing to help consumers select and purchase financial products. In markets — like Indonesia, a key battle ground for the pair — where the majority of the population are unbanked and lack access to basic banking infrastructure, they have come up with novel ways (like using their ride-share drivers as mobile bank tellers) to tap into new customers.

The West is also starting to move in a similar direction, albeit at a much slower pace. In part, the shift towards more all-encompassing apps is being driven by competition. Companies in almost every industry that do not want to become disintermediated by a super app are thinking about how they can become the West's answer to WeChat and Alipay.

An evolution in consumer preferences is also driving the shift towards super apps in the West. Indeed, our research and experience suggests that — after nearly a decade of fragmentation and unbundling of services in their lives — consumers are starting to revert towards rebundling. Instead of having multiple apps for ordering food, ride-sharing and payment options, they want just one. Consumers may not be specifically demanding super apps, but they certainly want the convenience and simplicity that super apps can offer.

Becoming the super hero

It might be difficult to try to compete in China against the likes of WeChat and Alipay, but it likely won't be long before key players start to take an equally dominant position in other emerging markets like Indonesia, the Philippines and Malaysia. If your longer-term plans include setting up a digital offering in any of these markets, you may want to start thinking quickly about how to partner with the current market leaders.

In markets where no market-leading super app has yet to emerge — there is still time and opportunity for banks to take the lead. One approach would be to leverage open banking architecture and application program interfaces (APIs) to bring an ecosystem of different industry players together within a single app. A cursory scan across the marketplace suggests there are already a number of tech firms stretching to do just that.

The other alternative is for established leaders to combine their power to create a Western super app. Many different combinations could be used to create a winning formula; not all of them require banks to be in the lead.

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Super steps towards super apps

What can banks be doing to prepare for a world dominated by Super Apps and mobile financial services? Our experience suggests that — almost regardless of size and scope of line of business — bank executives should be considering four key aspects to future success:

1. **Partnerships and ecosystems.** The rise of super apps is yet one more indicator that the world of industry verticals is giving way to a world driven by consumer experiences. In this environment, the value of a bank will be measured by the value of their ecosystem as much as the value of their balance sheet.
2. **Open data and APIs.** Much of the success of today's super apps is predicated on the fact that they are able to share data across various service areas and lines of business to develop a better view of their customers. Banks will need to consider how they can use APIs and open data architecture (something our colleagues discussed in a previous article) to emulate the rich data flows.
3. **Data and analytics capabilities.** Having great customer data and knowing what it means are two very different things. Banks will need to redouble their investments into improving both their data management and their analytics capabilities if they hope to compete on a level playing field with super apps.
4. **A vision for the future.** Banks will need to decide soon whether they plan to be a front-office player within a super app, a back office enabler or simply a piece of regulated infrastructure in the future — and then start investing and evolving towards achieving that vision.

Our view suggests that, at least for the next decade or so, the trend among consumers and businesses is towards super apps. The big question is whether banks understand how they will deliver value in a world dominated by super apps, and whether they have the ability to move quickly enough to respond before super apps become a super disruption.

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About the authors

Andrew Huang
KPMG China
T: +861 08508 7920
E: andrew.huang@kpmg.com

A Partner with KPMG China, Andrew has more than 16 years' experience in the financial services sector and currently leads auditing and consulting services for many financial technology companies across the region. His areas of expertise include business processes, service models, internal control and related accounting treatment of financial technology enterprises.

Mitch Siegel
KPMG in the US
T: +1 404 222 3263
E: msiegel@kpmg.com

Principal and National Financial Services Strategy and Transformation Leader, Mitch offers C-suite and Board level guidance to financial institutions on business and operating model strategies intended to drive revenue growth and cost efficiency, with an emphasis on rapid digital transformation through fintech and customer experience enabled strategies.

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