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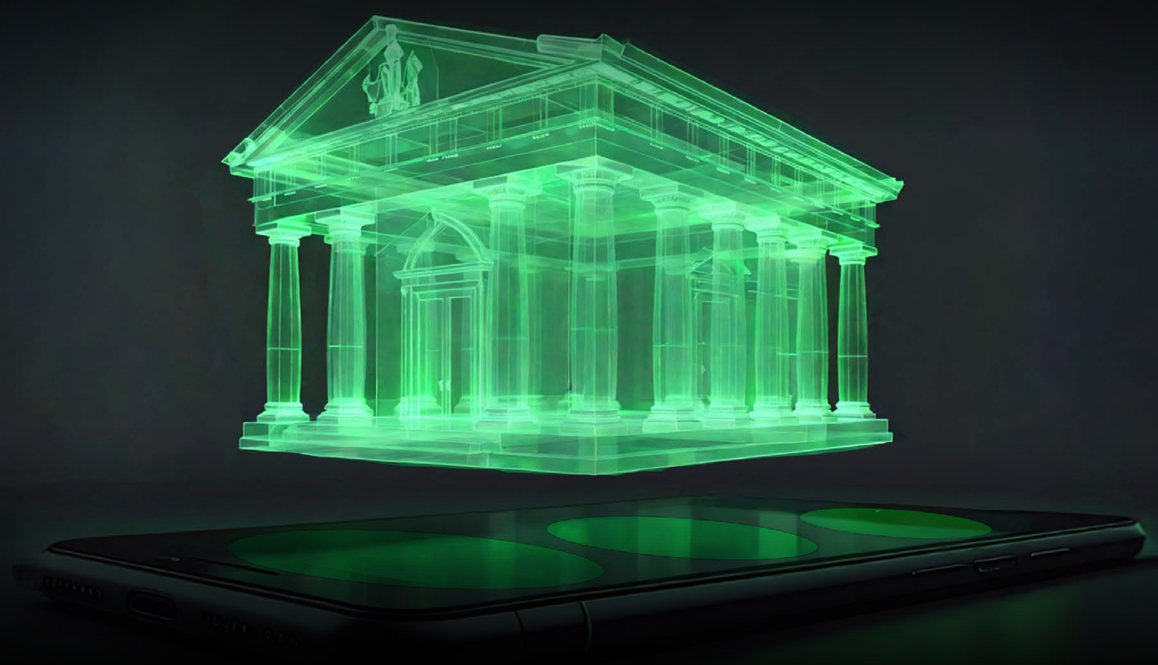

2050 | Banking beyond

The evolving landscape of proposition, product, and service

The landscape of retail banking is on the cusp of a profound transformation. As we look toward 2050, it's clear that the traditional model is undergoing a radical shift, driven by powerful macro forces that demand a proactive and strategic response from incumbent financial institutions. The future will not merely be an evolution but a fundamental re-architecture of how money flows, how services are delivered, and who ultimately controls the customer relationship.

We're exploring these crucial questions as part of Deloitte's 2050: Banking beyond series. Our team has brought together thought leaders to assemble a short list of predictions across various retail banking domains, including the competitive landscape, distribution channels, technology, customer, and workforce. Today, we dive into one of the most fundamental areas: **Proposition, Product, and Service.**

Our predictions:

By 2050, retail banking will fragment into mass-scale financial rails and premium, advice-led propositions. This fragmentation is driven by wealth polarization, new asset classes, and the embedding of money into digital ecosystems. A primary driver is the bifurcation of the US population, evidenced by the "K-shaped" economic divide. This divide increasingly separates those with substantial assets from those without, creating a fundamental wedge in the ability to serve the top and bottom of the market simultaneously. As a result, two very different customer and client markets arise by 2050: a premium segment seeking high-value, personalized advice, and a mass market demanding highly efficient, low-cost services. The "mass affluent" segment is poised to become a critical battleground for competitive advantage. This requires a strategic re-evaluation: Banks must learn to premiumize selectively for their high-value customers while simultaneously radically lowering the cost-to-serve for the broader mass market.

The financial landscape of 2050 will be characterized by an explosion of stores of value and their movement within open frameworks that may operate with limited regulatory oversight. We are already seeing evidence of this trend with the growth of crypto and stablecoin offerings, alongside the expansion of private credit markets. These emerging asset classes will introduce significant complexity to what "full-service banking and financial services" entails.

Furthermore, the growth of digital money as fundamental rails will underpin platforms and consumer experiences across entertainment, various digital experiences, and day-to-day life. This pervasive integration drives a critical need for traditional banking services and capabilities to be embedded or "platformed" directly into these ecosystems. Collaboration in new territories will become paramount for banks to maintain relevance.

AI-enabled product delivery, servicing, and experience will proliferate by 2050. This powerful technology will serve a dual purpose: significantly reducing the cost-to-serve and enhancing efficiency ratios, while simultaneously delivering more real-time, personalized advice and servicing to customers. AI enablement will also be a key differentiator for attracting and retaining top bankers. As customers become accustomed to highly personalized digital experiences, their expectations for relevant offers and tailored service will continue to increase, making AI a non-negotiable component of competitive banking.

As value increasingly migrates outside the traditional confines of banks and existing regulatory boundaries, incumbent institutions risk losing their grip on both customer relationships and the very financial infrastructure they once owned. Platforms and non-bank players are poised to become dominant forces. By 2050, financial rails will drive even more of the economy than today, but these critical arteries may no longer be owned primarily by banks. We are already witnessing the further encroachment of outside financial services players–from commerce giants offering services and actively capturing growth markets traditionally held by banks. This shift underscores the urgent need for banks to redefine their role in the broader economic landscape.

To successfully navigate this future, banks should prioritize several key areas over the next five years:

1. **Strategic "premiumization"**: Banks should develop clear strategies to deliver premium, advice-led propositions to high-value segments, while simultaneously implementing measures to lower the cost-to-serve for mass-market audiences.

2. **Agility:** Cultivating an organizational culture and technological infrastructure that fosters agility is crucial. This will enable banks to rapidly respond to the emergence of new products, novel asset types, and the fluid movement of funds in and out of these evolving financial instruments.

3. **Ecosystem mindset:** Banks should consider broadening their strategic frame from merely "banking" to understanding "how we power the fundamentals of economies." This involves a shift towards operating as an ecosystem player, collaborating and enabling economic activity, rather than functioning as a monolithic, standalone institution.

4. **Brand partnerships:** To support priority customer preferences and differentiate their offerings, banks should proactively explore and establish partnerships with entities that align with their brand values and uphold customer trust. These partnerships may span distribution, such as media, commerce, and broader ecosystem relationships; capability, including technology providers and platforms; and revenue data opportunities, such as insights, media, and merchant partnerships.

5. **M&A:** To acquire necessary capabilities and alter culture for speed and agility, banks will need to actively expand their mergers and acquisitions landscape.

The future of retail banking will be fundamentally different, marked by fragmentation, new asset classes, pervasive digital integration, and intense competition from both traditional and non-traditional players. For banks, the path forward requires a transformative vision coupled with immediate, strategic action. By embracing these priorities and evolving their role from standalone institutions to agile economic enablers, banks can secure their relevance in the decades to come.

The predictions explored in our *2050: Banking beyond* series may challenge conventional thinking, but they are grounded in powerful trends that are already reshaping the world of retail banking. Learn more about our vision for the future of retail banking at 2050: Banking beyond.

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