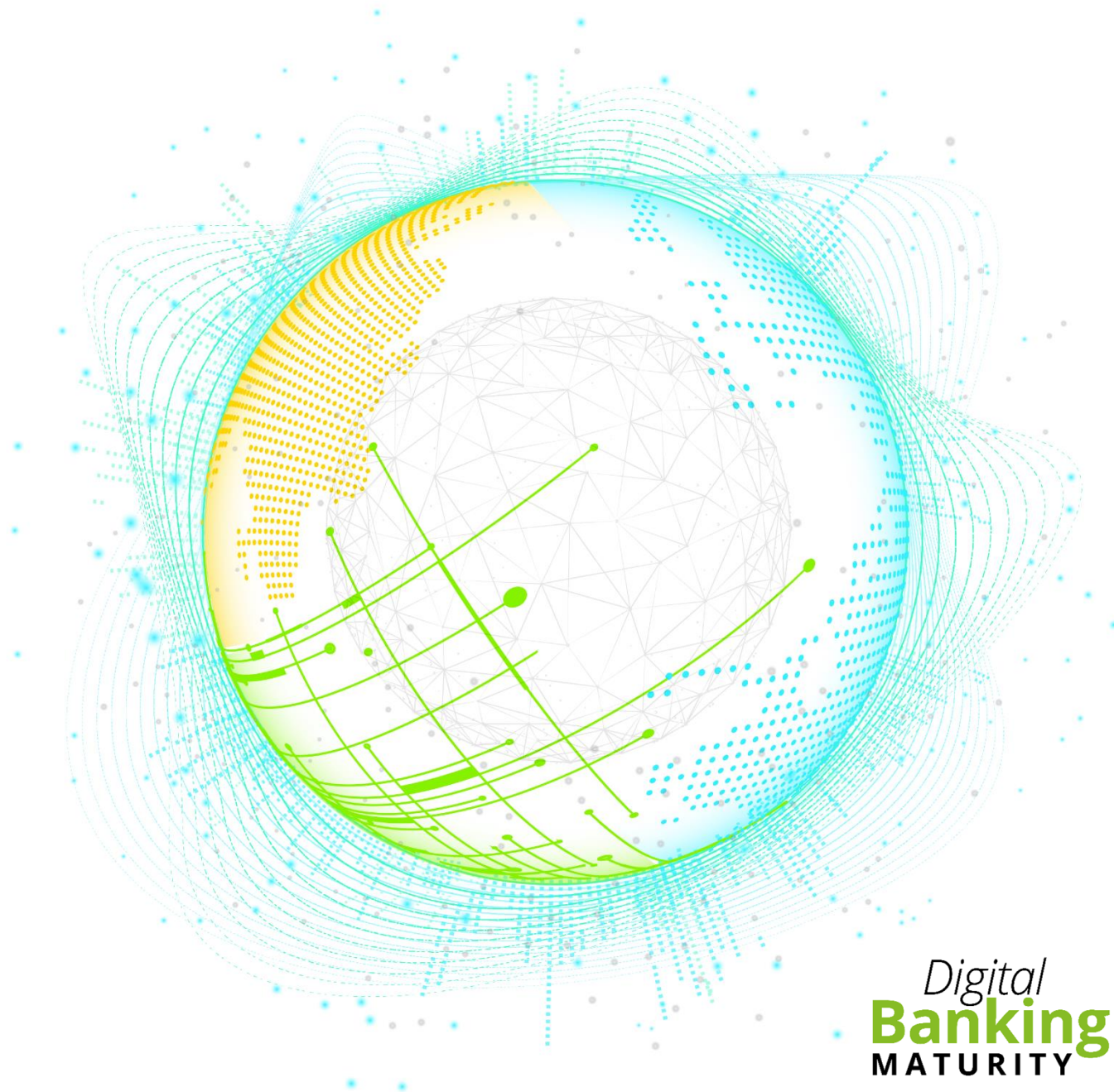




OCTOBER 2020

Digital Banking Maturity 2020

How banks are responding
to digital (r)evolution?



Digital
Banking
MATURITY

Digital Banking Maturity identifies champions and leading practices worldwide

Covering 318 banks from 39 countries, DBM analyses digital retail banking in 3 channels, based on an outside-in 'mystery shopper' assessment of digital functionalities, customer needs research and UX evaluation.

Covid-19 has changed banking and fast-tracked development of digital channels

60% of banks have closed or shortened opening hours of branches but many have also implemented new digital features, such as fully digital processes, e.g. account opening (34%), remote identification & verification (23%) and contactless payments (18%).

Digital champions outperform peers on the basis of cost/income and ROE

Digital champions don't only lead their peers in number of digital functionalities along the customer journey, those that are incumbents outperform other incumbents in their country on average on both C/I (-4.0 p.p.) and ROE (+1.9 p.p.).

Banks still need to close gaps in E2E digital sales processes to better serve online customers

Digital champions are investing in E2E digital sales processes and have widened their lead on latecomers for key products, e.g. 51% vs 23% for current accounts, 85% vs 34% for credit cards, and 84% vs 30% for cash loans.

Challengers tend to be faster than incumbents to adopt new trends and innovations

New functionalities typically gain traction faster with challenger banks than incumbents, e.g. bill split 27% vs 2%, virtual debit card 26% vs 2%, chatbots with advanced use cases 15% vs 4%, chatbots allowing transactionality 12% vs 2%.

Digital champions know UX is a key differentiator driving customer satisfaction

65% of digital champions ranked in the top 10% for analysed UX scenarios. The largest gaps between champions and latecomers are in opening an account 71% vs 23%, buying an insurance product 44% vs 7% and beyond banking service 48% vs 11%.



DBM 2020

Digital Banking Maturity 2020 is the 4th edition of the largest global benchmarking of digital retail banking channels, answering what leaders are doing to win in the digitalization race.

1. LIVING IN THE NEW NORMAL

How are banks responding to challenges caused by the Covid-19 pandemic?

2. ABOUT THE STUDY

How to identify *Digital champions* worldwide to learn from them?

3. INSIGHTS FROM DIGITAL LEADERS

Where are *Digital champions* ahead and where are they investing now for the future? Which innovations are gaining traction globally?

4. STATE OF UX

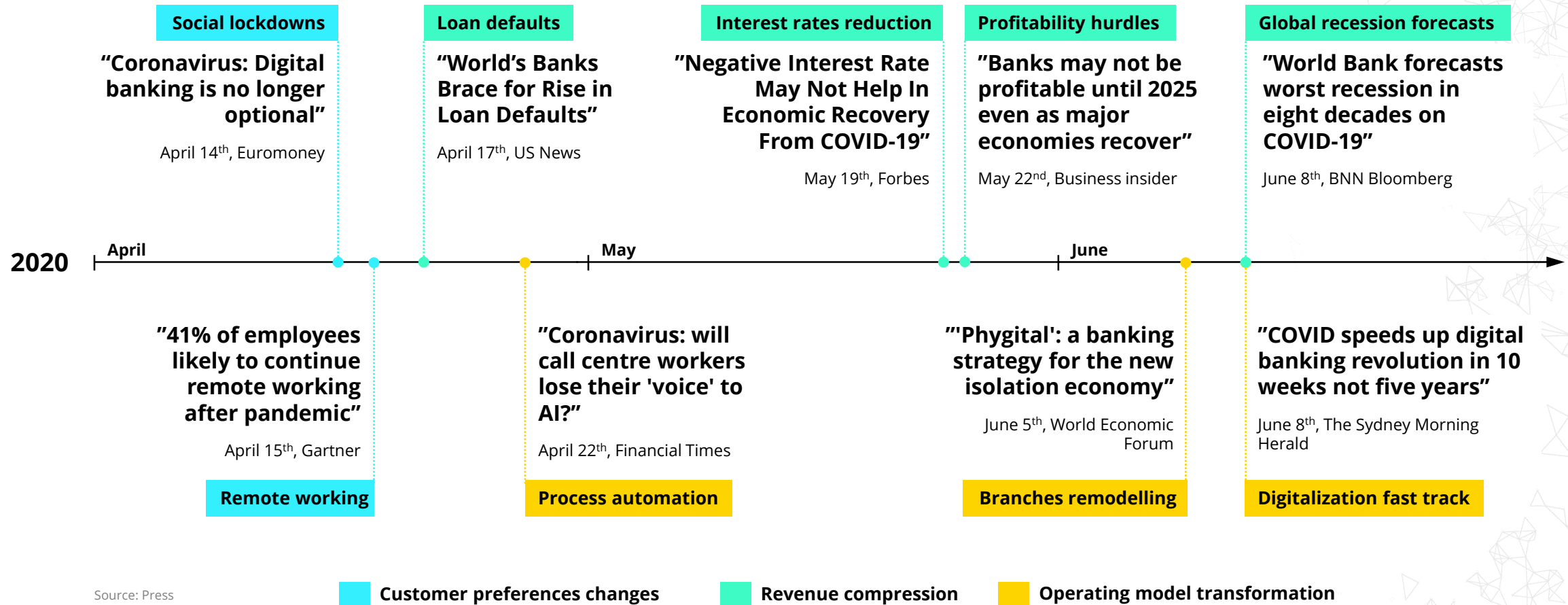
Where can banks most improve UX along the digital customer journey?

5. STRATEGY FOR THE FUTURE

How are digital investment priorities influenced by the local competitive landscape?

2020 brought a number of challenges for banks, fast-tracking digital (r)evolution

Illustrative



Source: Press

Covid-19 related restrictions triggered immediate actions from banks

LIMITATIONS DUE TO COVID-19

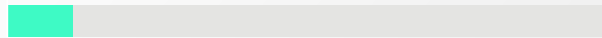
60%

of banks closed or shortened opening hours of branches



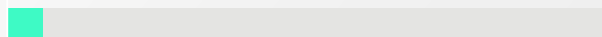
11%

of banks turned-off selected methods of account opening



6%

of banks suspended account openings or limited access to products for new clients



NEW FUNCTIONS IMPLEMENTED DUE TO COVID-19

41%

of banks increased **limit of contactless payments**

34%

of banks implemented **fully digital processes** (product opening etc.)

25%

of banks introduced **appointment bookings in branches**

24%

of banks enabled **donations to NGOs, social actions** etc.

23%

of banks introduced **digital ID&V methods**

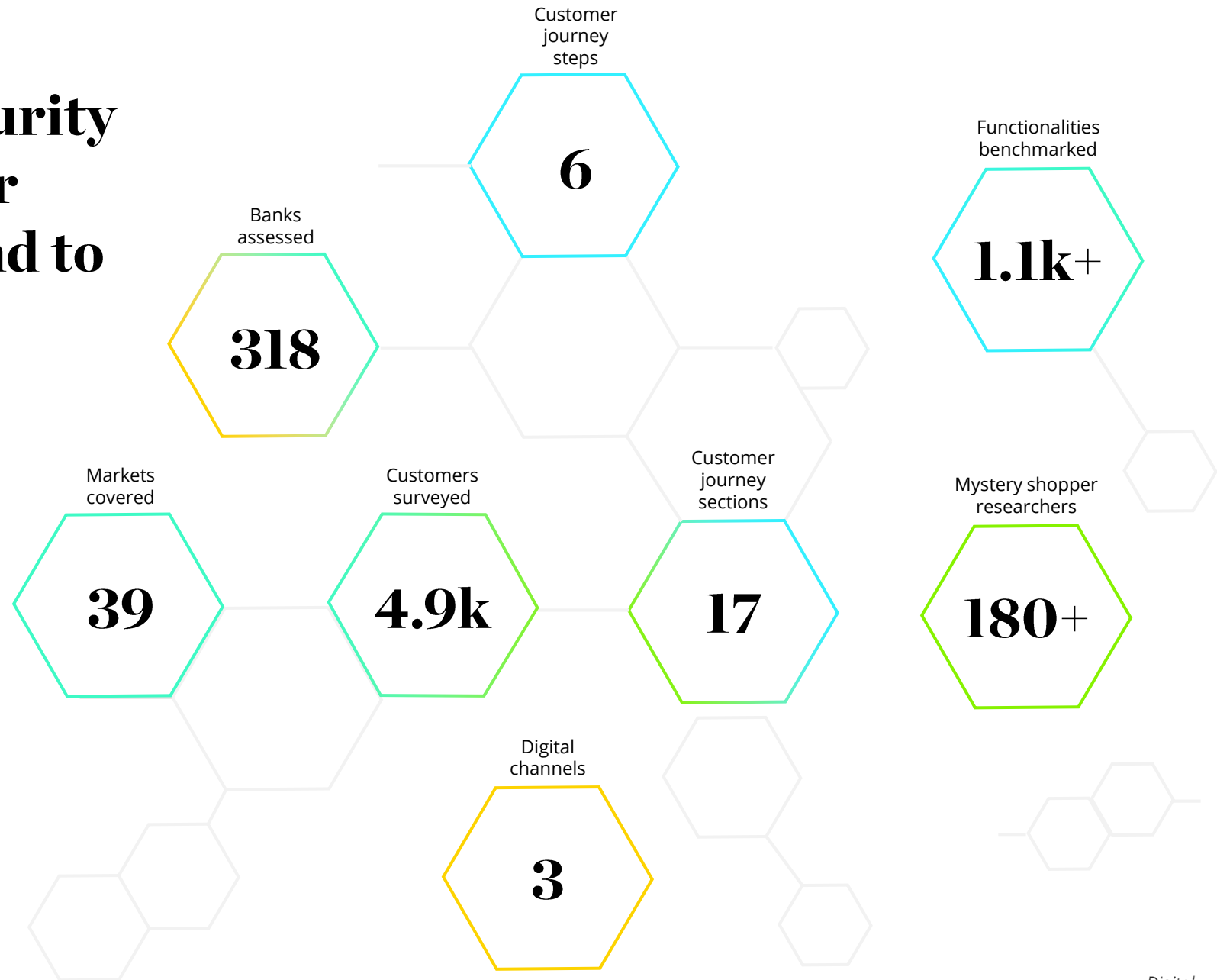
18%

of banks launched **contactless payment methods**

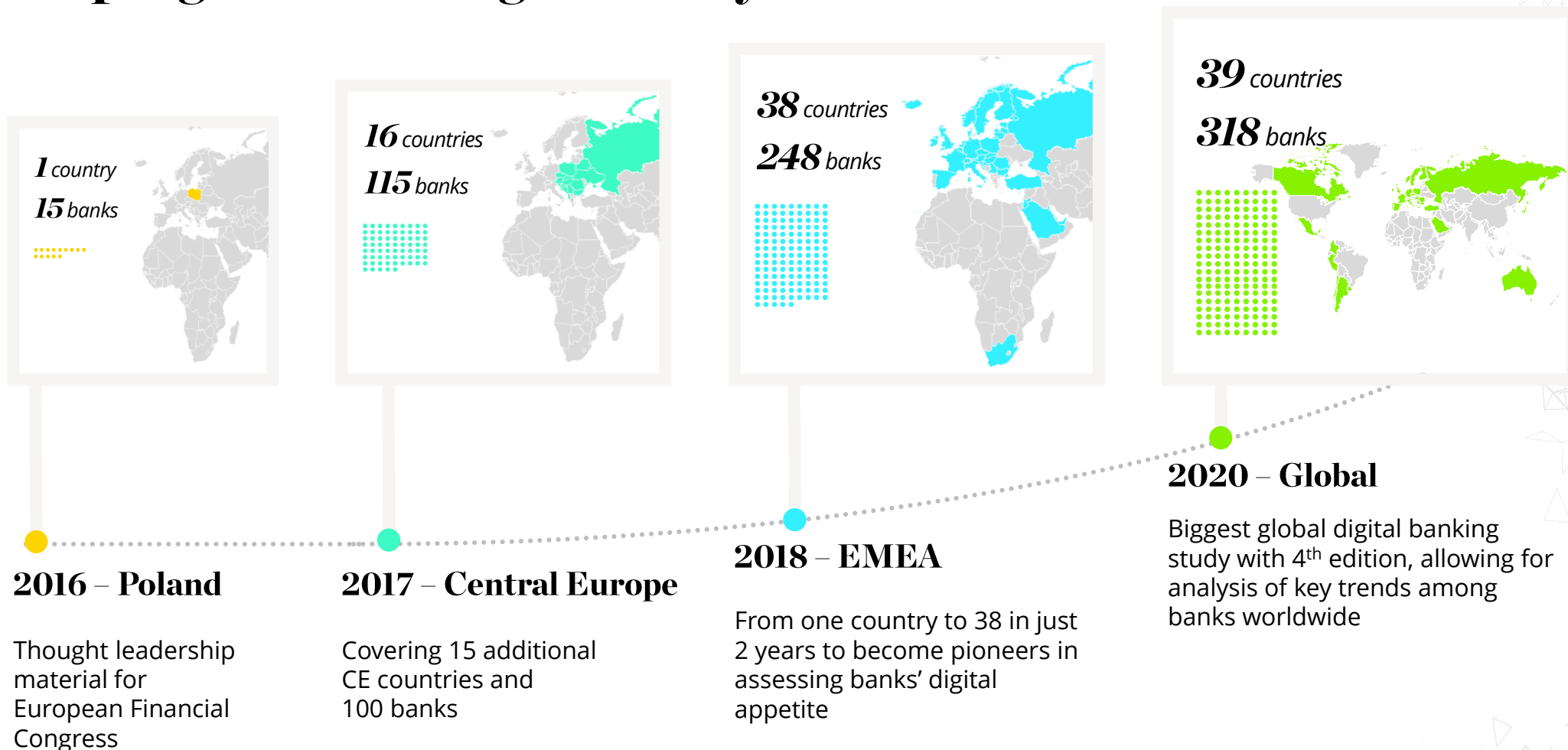
1. Survey conducted in June-August 2020 in 'mystery shopper' assessment on a sample of 256 banks participating in 2020 edition.

Digital Banking Maturity is a global accelerator helping banks respond to change

Digital Banking Maturity is the biggest global digital banking study, providing a comprehensive **outside-in 'mystery shopper' assessment of retail banks' digital channels** and **furthering discussion about future developments**.



With the 4th edition, we are able to identify key digital trends shaping the banking industry



Our global reach allows us to discover digital leaders and map digital frontiers



In order to compare digital maturity between banks we assessed three components



FUNCTIONALITIES BENCHMARKING

Analysis of 1108 digital functionalities through 'mystery shopper' approach on real retail current accounts in each bank.



Assessment of 6 customer journey steps



Analysis of digitalization of 13 core banking products



Functionalities library with world's leading practices



CUSTOMER NEEDS RESEARCH

Survey-based research focused on identifying 26 most important banking activities and preferred channels (branch, Internet, mobile).



Customer preferences between channels in terms of most common banking activities



USER EXPERIENCE STUDY

Supplementing analysis of customers perception of user experience.



19 UX scenarios reflecting 10 areas of customer activity from all of the stages of relationship with a bank



UEQ survey covering a comprehensive impression of UX of mobile apps

DBM BENCHMARK

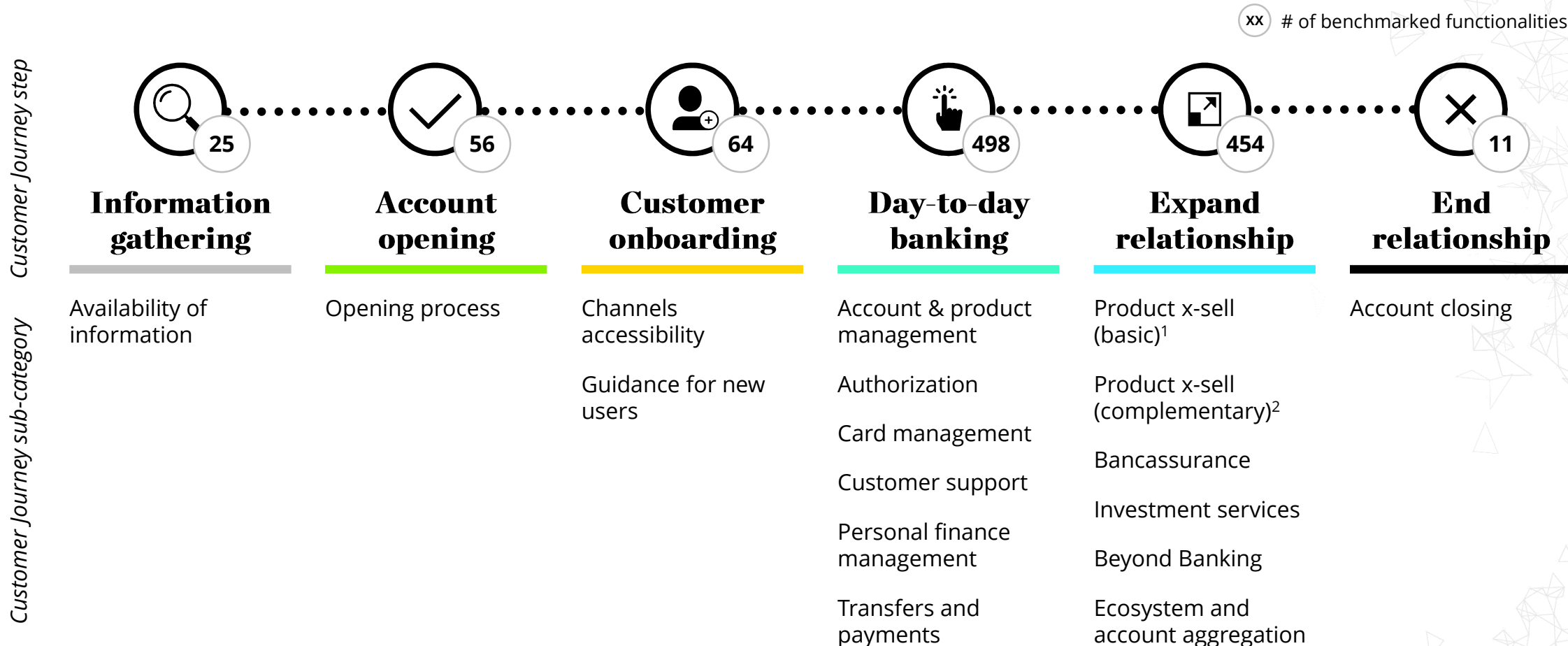
An exhaustive overview of digital maturity between banks

UX ASSESSMENT

Assessment of digital banking channels from customer experience perspective

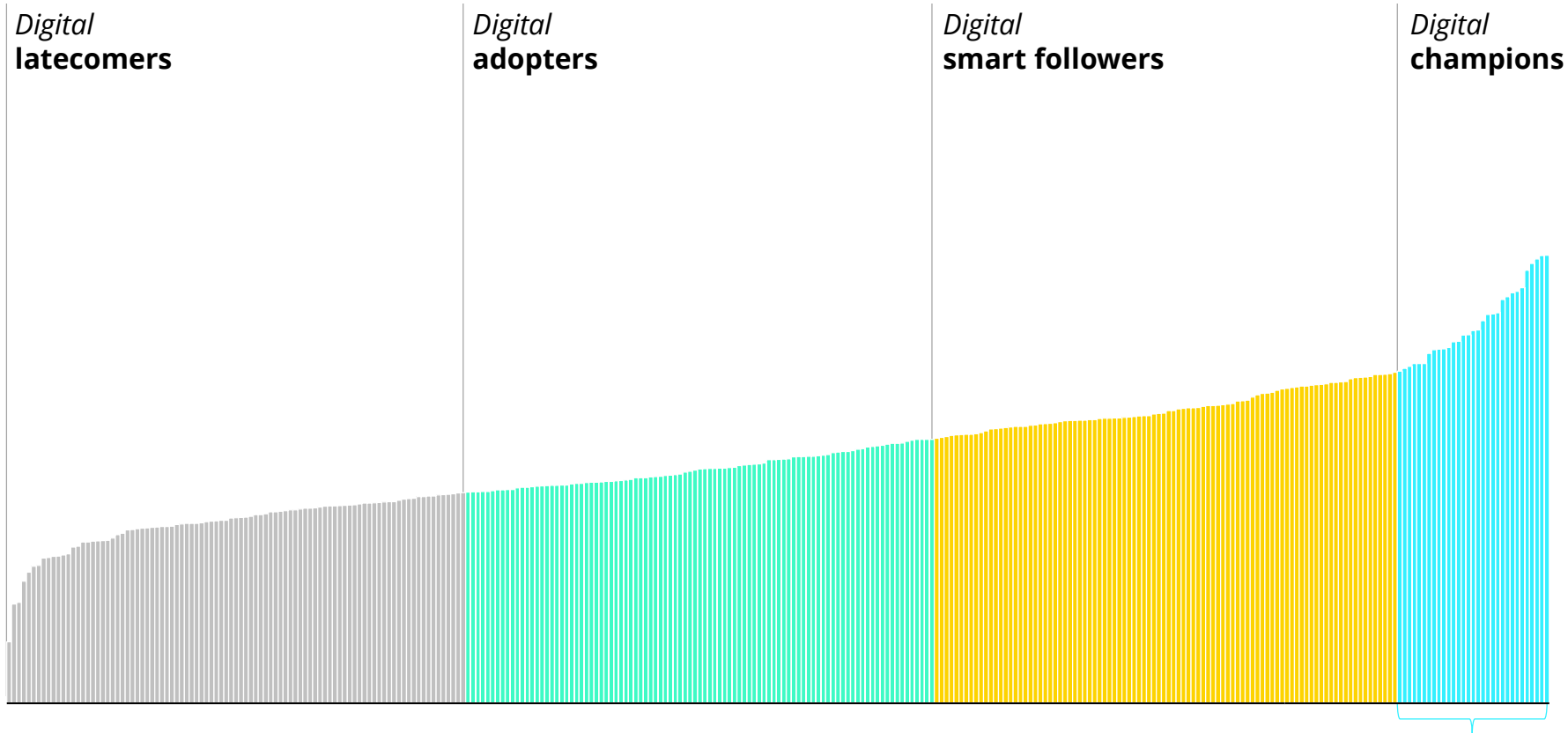
Note: Complementary assessment comprise KPIs and Covid-19 response surveys.

We analysed 1100+ functionalities to track the customer journey focusing on day-to-day banking and expanding relationship



Our approach splits global banks into four groups

DBM index¹



1. DBM index measures maturity for channels and products offered by a bank. Data for 313 out of 318 banks which participated in 2020 edition.
2. Selection of 31 banks defined as Digital champions.

Defined as
Top10% of banks²

What defines *Digital champions*?

Digital champions offer a **wide range of functionalities relevant for customers** and a **compelling user experience**.

Digital champions set **key digital trends** and have **leading market practices**, which makes them examples to learn from.

Incumbent *champions* achieve better C/I (-4.0 p.p.) and ROE (+1.9 p.p.) on average than incumbent peers

81%

of Digital champions are Incumbents¹



Selected KPIs of incumbents: average difference to incumbent peers², p.p.

ROE

1,9 p.p.

ROA

0,2 p.p.

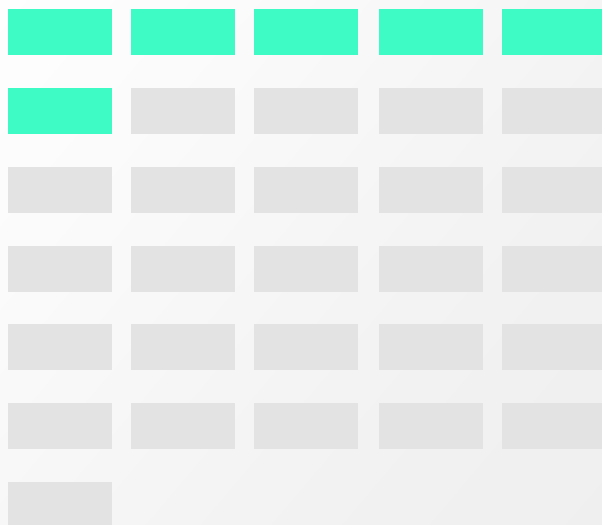
Cost/income

-4,0 p.p.

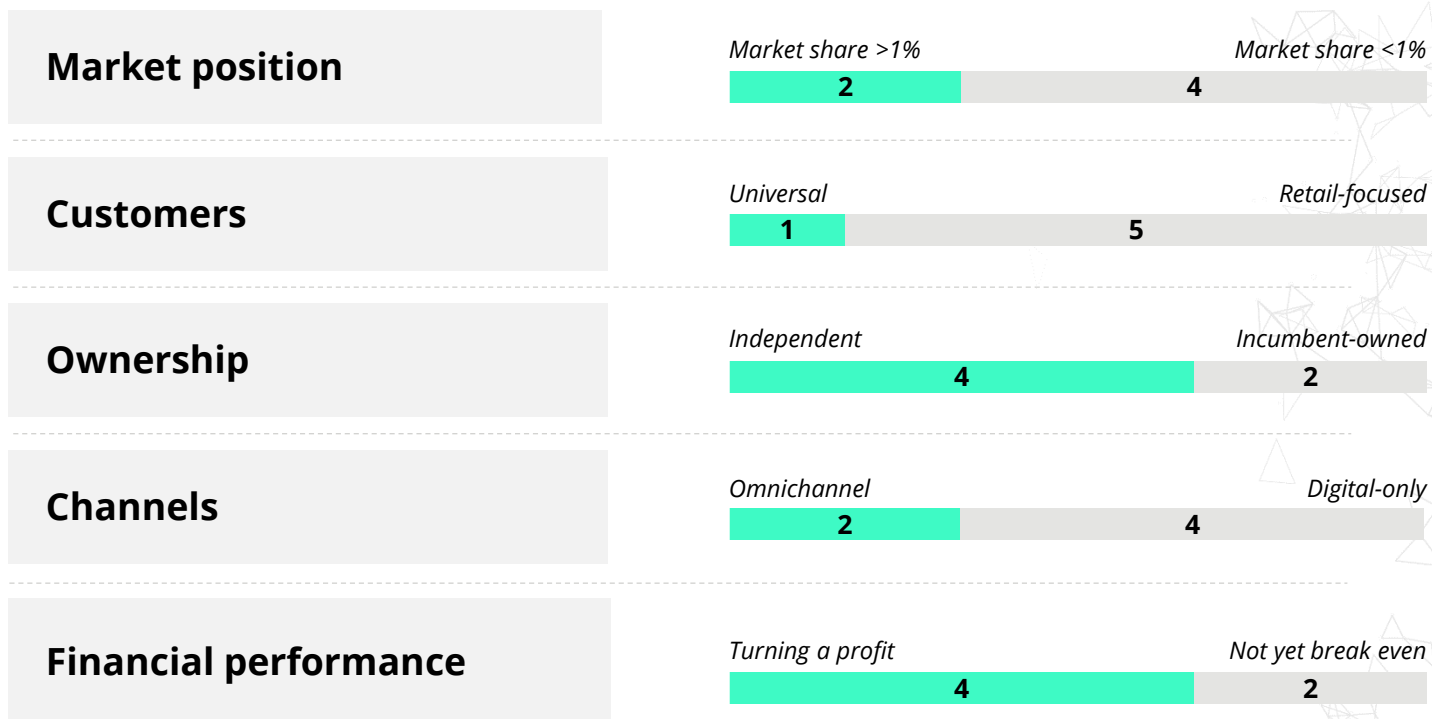
Most challenger bank *champions* remain retail focused, small and digital only

19%

of Digital champions are Challengers¹

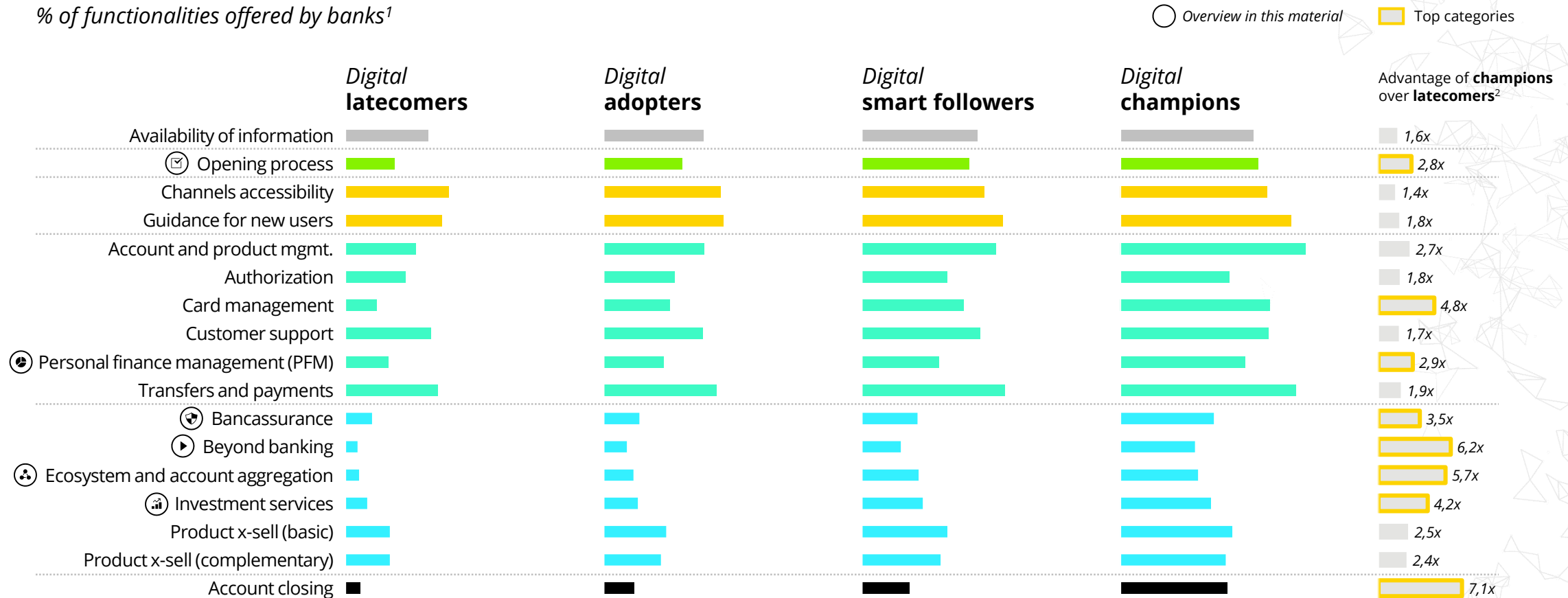


Selected characteristics of Challengers, # of banks



Along the customer journey, *champions* lead the way especially in expand relationship...

% of functionalities offered by banks¹



1. Data for 313 out of 318 banks which participated in 2020 edition.

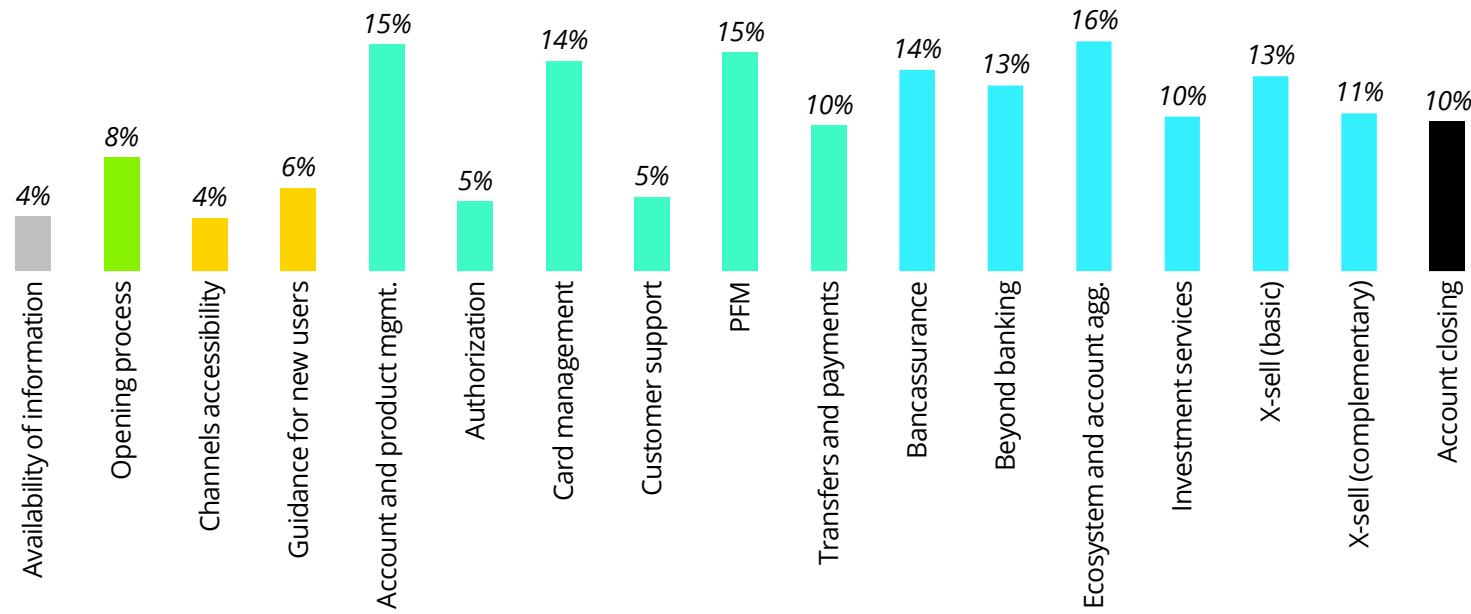
2. Ratio of functionalities % between *Digital champions* and *Digital latecomers* score.



...which, together with products & personal finance management, was the key investment priority in the last 2 years of *champions*

Digital champions increase in advantage over peers

difference between % of functionalities in 2018-2020 between Digital champions and others, p.p.



Where have Digital champions gained the biggest advantage over peers in the last 2 years?

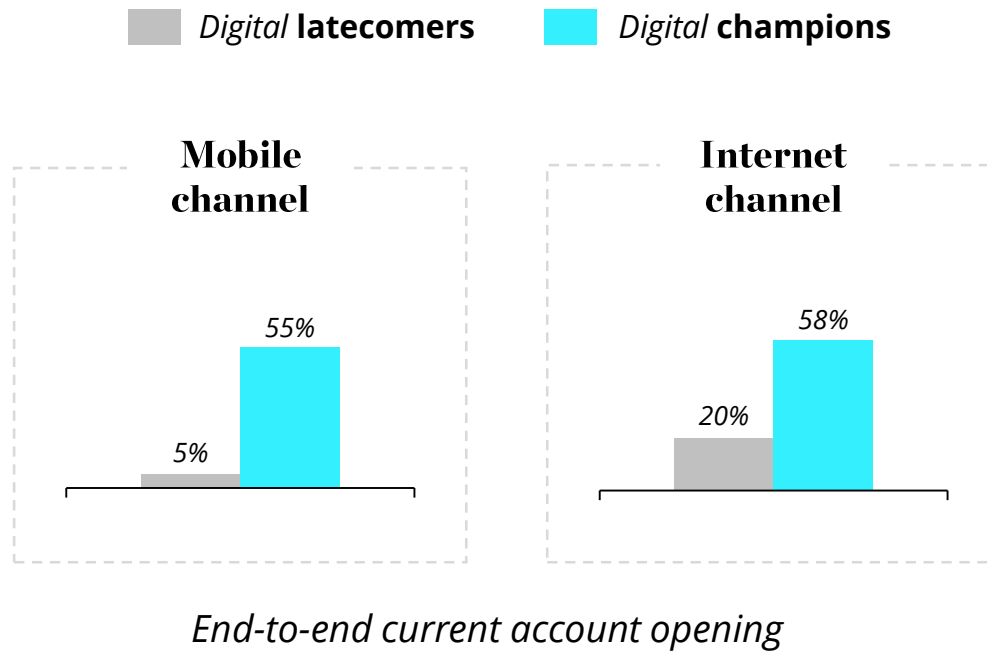
Expand relationship functionalities (avg. 13 p.p. advantage) has been a top priority for *Digital champions*, especially partnership **ecosystem and account aggregation** (16 p.p. advantage). Champions have also widened their lead over other banks in **account and product management** (15 p.p.) and **PFM** (15 p.p.).

1. Based on the data for 152 banks which participated in 2018 and 2020 edition.

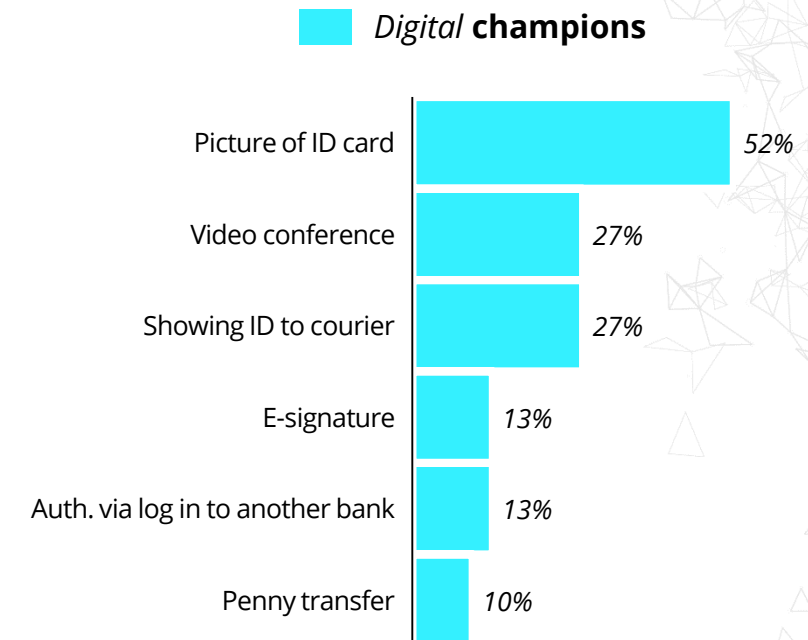


The mobile channel is as important as internet for *champions* in account opening

% of banks offering end-to-end current accounts (CA) opening method¹



% of banks offering remote CA opening methods¹

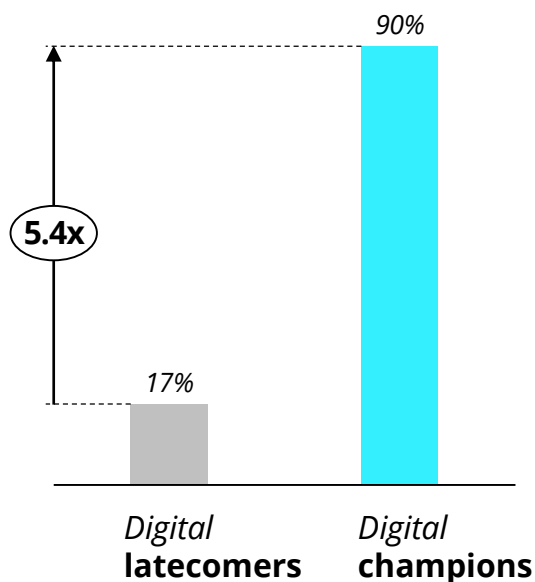


1. Data for 31 banks classified as Digital champions and 93 banks classified as Digital latecomers which participated in 2020 edition.

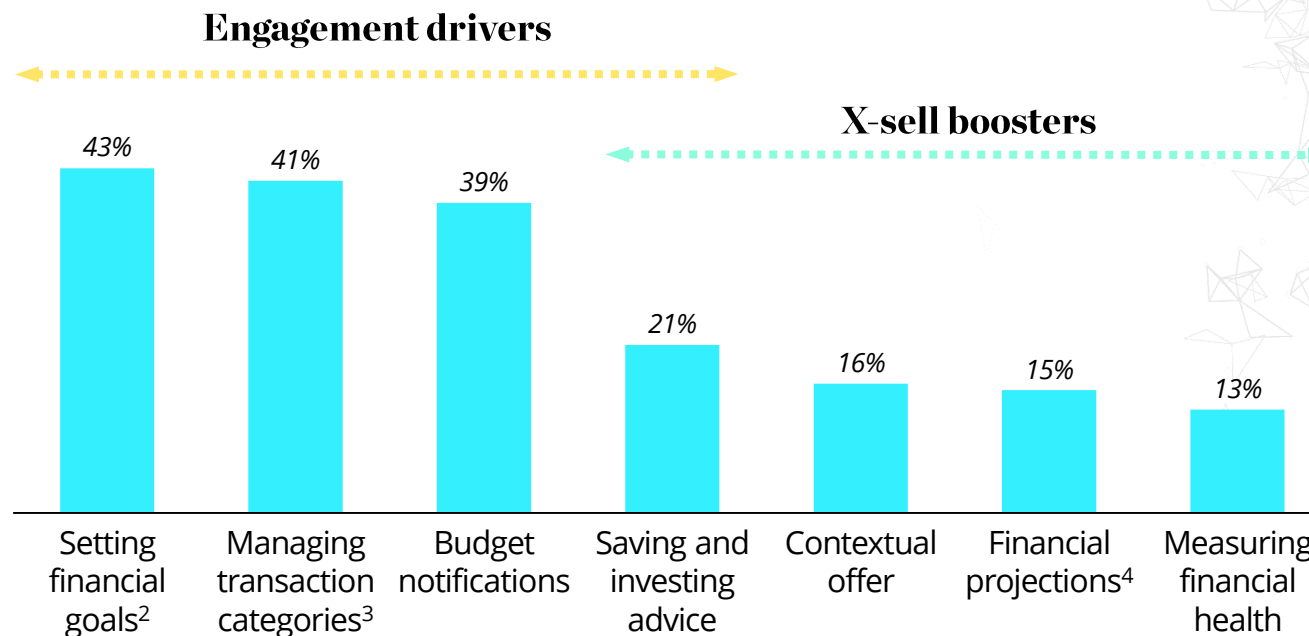
Champions deliver much more value-added PFM thanks to engagement drivers and x-sell boosters

Personal Finance Management

% of functionalities offered by banks¹



% of Digital champions offering given functionalities¹



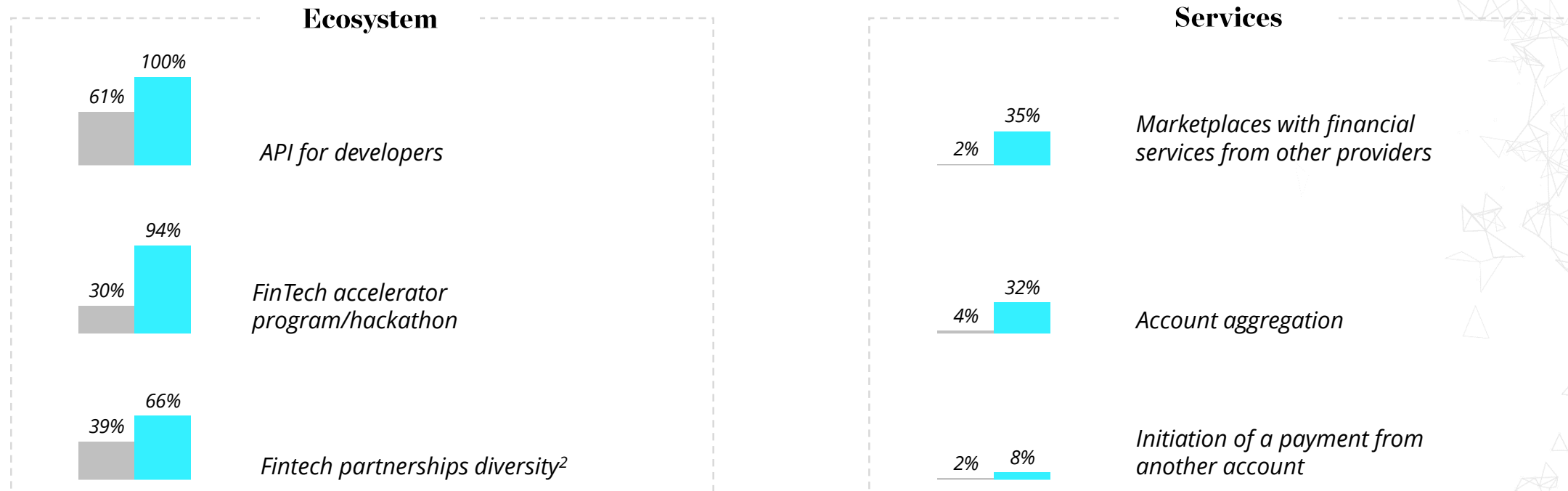
1. Data for 31 banks classified as Digital champions and 93 banks classified as Digital latecomers which participated in 2020 edition.
2. Average for setting and tracking savings goals, setting own financial goals, setting savings goals events and notifications.
3. Average for automatic categorization, manual change of categories, learning categorization system, adding own categories, adding and changing rules of categorization, transaction split.
4. Average for estimation of upcoming expenses and short-term cash flow projections.

Ecosystems are widespread among *champions* but the introduction of services visible to customers has been relatively slow

% of banks offering given functionality¹

■ Digital latecomers

■ Digital champions

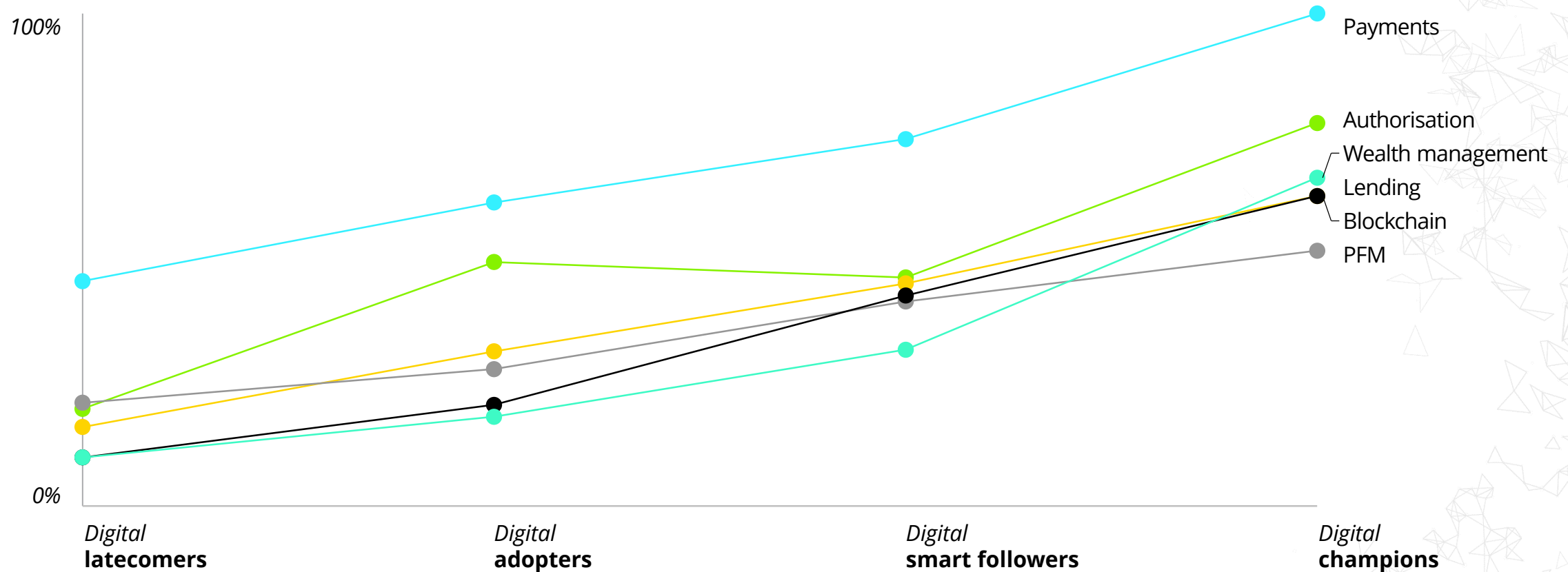


1. Data for 31 banks classified as Digital champions and 93 banks classified as Digital latecomers which participated in 2020 edition.

2. Average score for 29 banks classified as Digital champions and 42 banks classified as Digital latecomers which have any type of Fintech partnership. Bank with 100% score has 6 types of partnership.

The most common areas of FinTech partnerships are payments and authorisation

% of banks with FinTech partnership by area¹

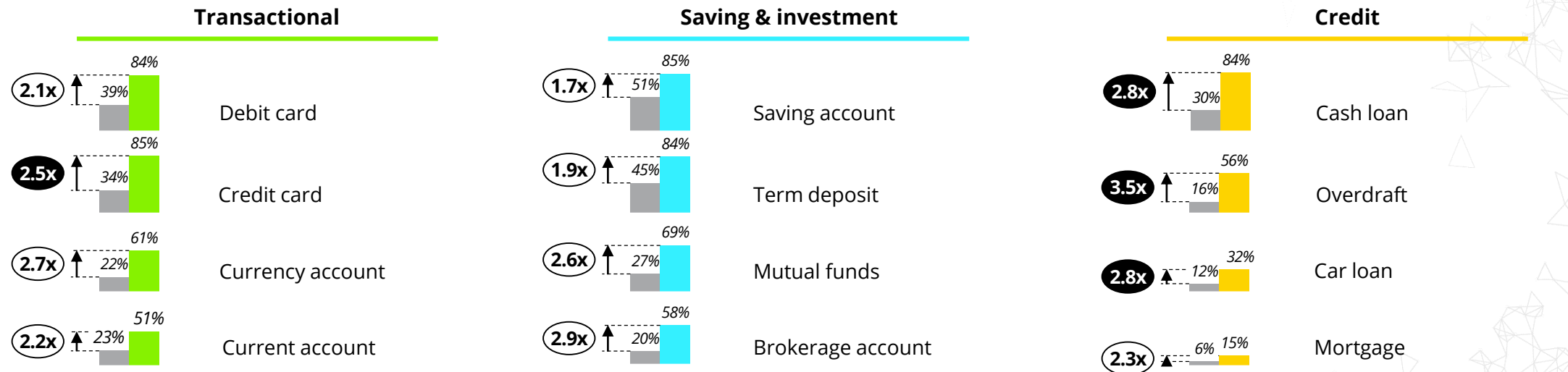


Customers prefer digital channels for transactions & savings whereas leaders are building an advantage in credit products

Customer preference to open products in digital channels¹

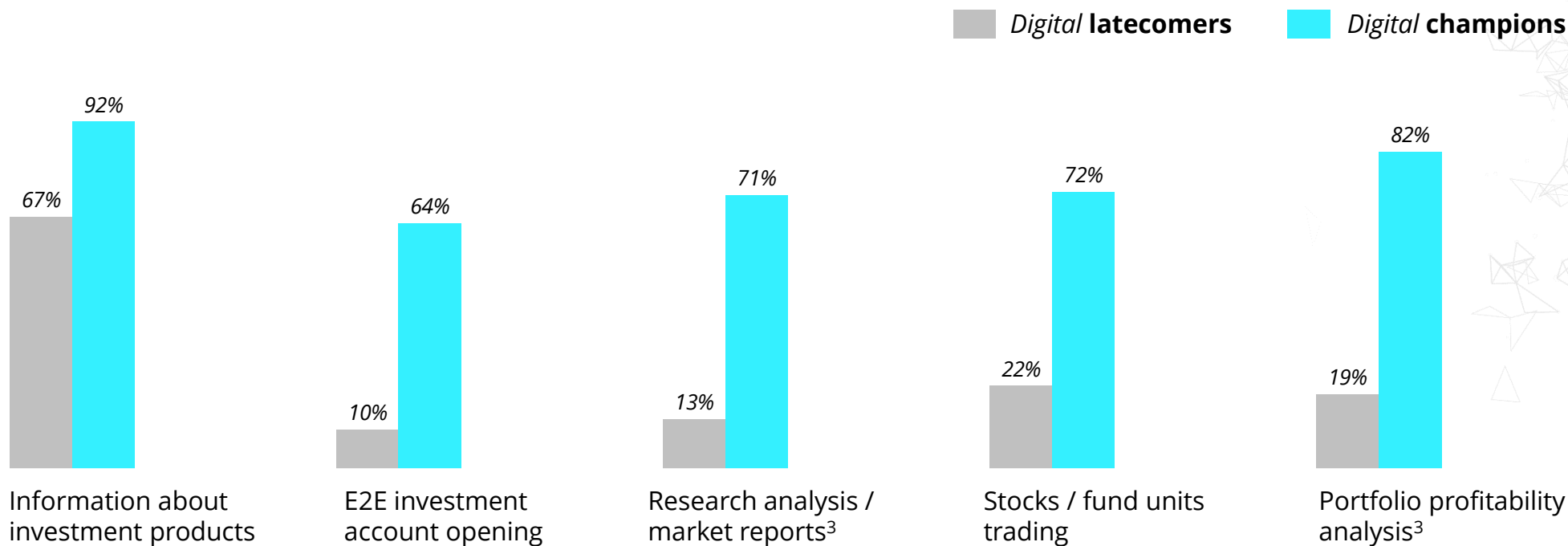


% of banks offering end-to-end digital opening of selected products²



In a low interest rate environment, *champions* are well prepared to offer customers fee-generating investment products

% of brokerage account & mutual funds¹ functionalities offered by banks²

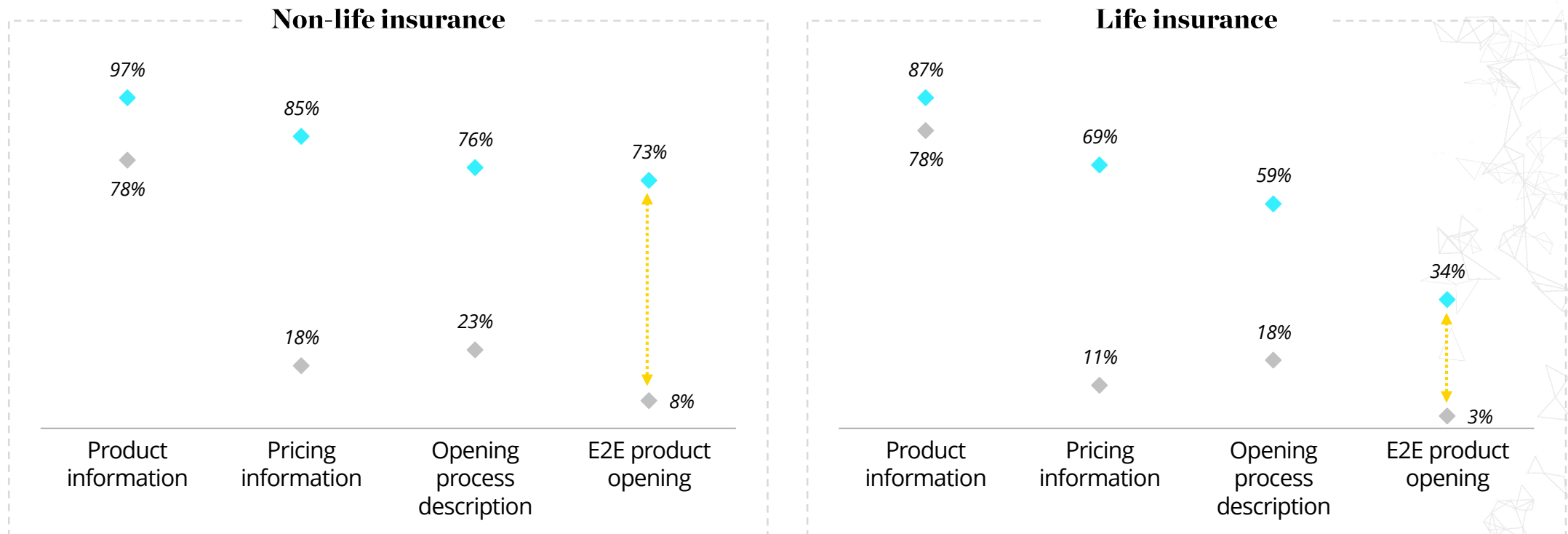


1. Average results for Brokerage account and Mutual funds.
2. Data for 31 banks classified as Digital champions and 93 banks classified as Digital latecomers which participated in 2020 edition.
3. Data for Saving & Investment products.

E2E digital sales of non-life insurance is relatively well developed whereas life insurance still requires human interaction

% of banks offering given functionalities¹

◆ Digital latecomers ◆ Digital champions



1. Data for 31 banks classified as Digital champions and 93 banks classified as Digital latecomers which participated in 2020 edition.

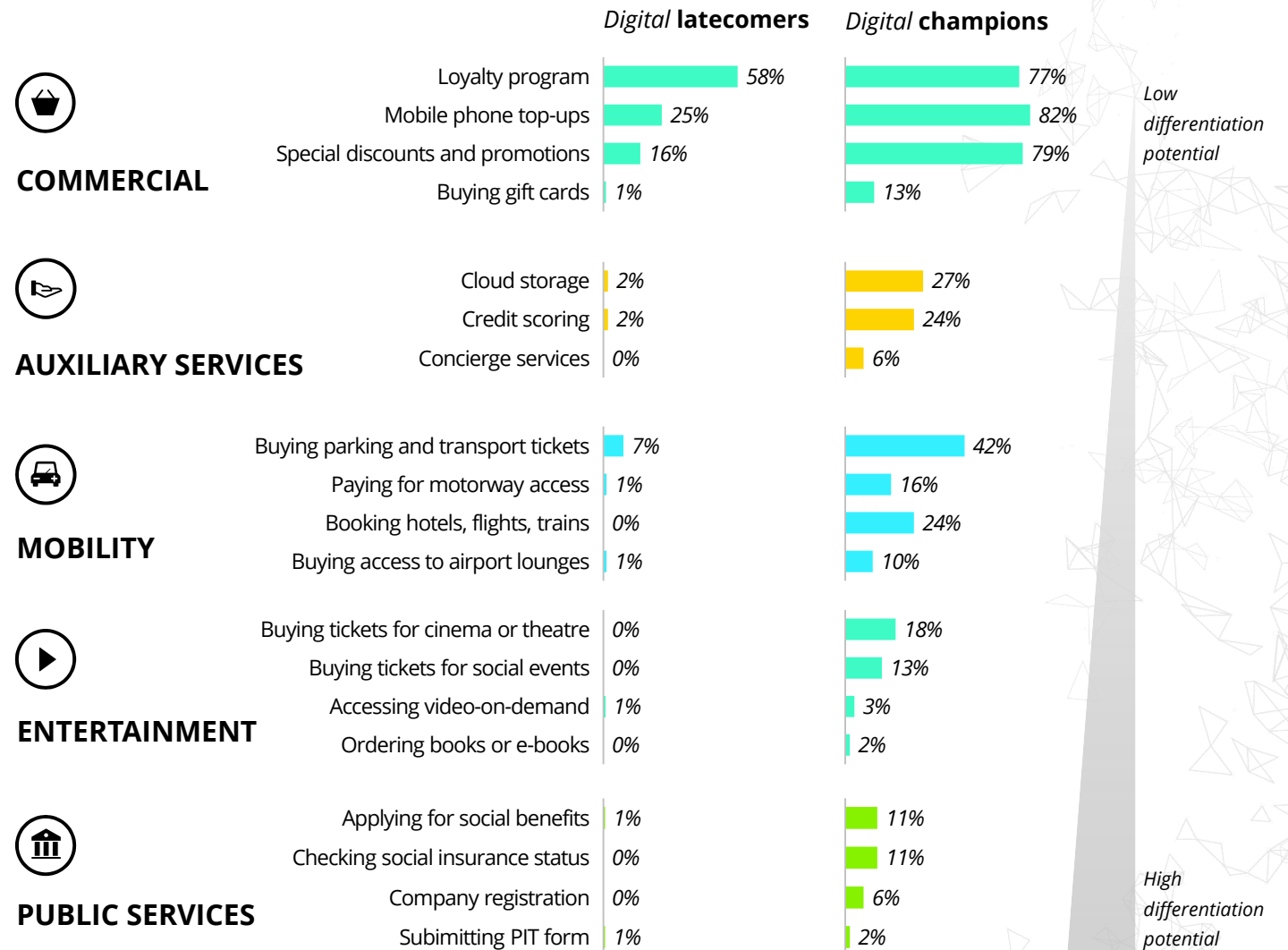
Value added services are another source of significant differentiation for champions

Value added services do not yet play a critical role in the customer value proposition but they **differentiate banks from traditional banking services** and thus can be leveraged as **acquisition hooks**.

In the world of low interest rates, **banks seek a shift from interest income to fee-based non-interest revenue**. Beyond banking services can help banks that successfully **monetize VAS potential**.

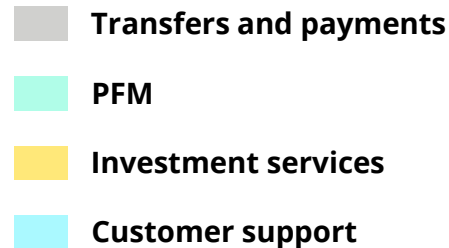
1. Data for 313 out of 318 banks which participated in 2020 edition.
2. Data for 31 banks classified as Digital champions and 93 banks classified as Digital latecomers which participated in 2020 edition.

Top4¹ value added services by category, % of banks offering given functionalities²

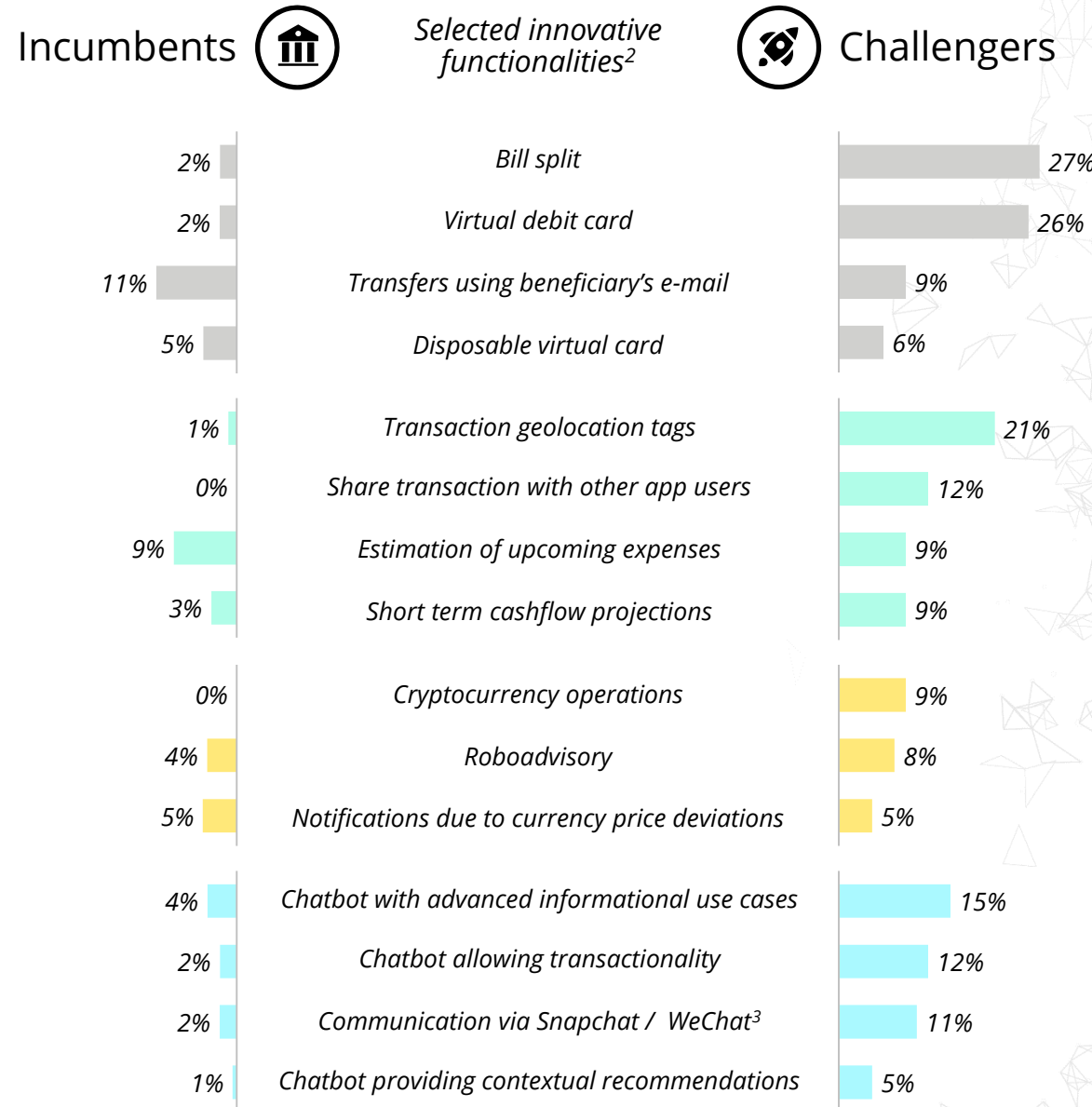


Challenger banks are differentiating themselves versus incumbents by adopting innovative customer-focused functionalities

% of banks offering given functionality¹



1. Data for 280 banks classified as Incumbents and 33 banks classified as Challengers which participated in 2020 edition.
2. With global threshold of 10% for rare features.
3. Communication via other social media platforms benchmarked (You Tube, Twitter, LinkedIn, Instagram) had a much higher global adoption level than 10% (ranging from 82% - 95%)



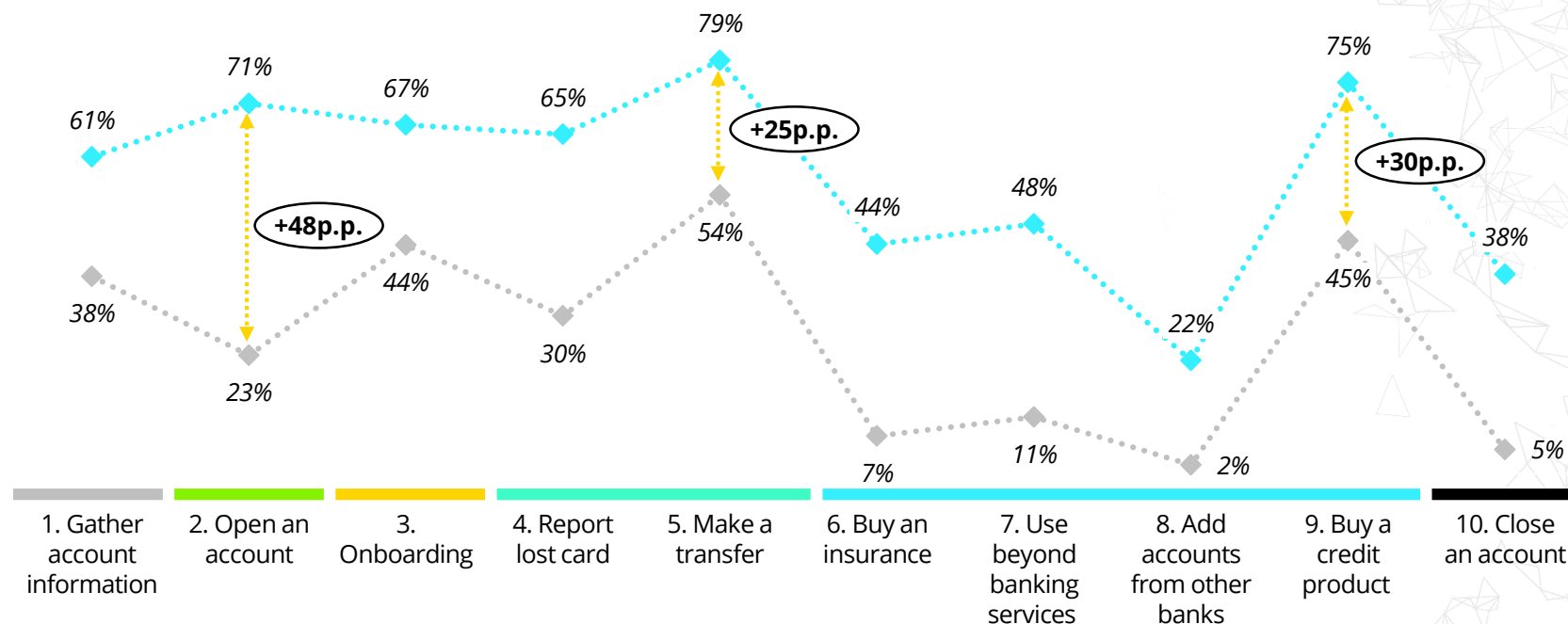
Champions deliver the best UX in account opening, transfers, and buying a credit product

User experience along the customer journey

A global assessment of **19 user scenarios** reflecting **10 areas of customer activity** provides insight into the development of UX along the customer journey

% of UX-related functionalities offered by banks¹

◆ Digital latecomers ◆ Digital champions

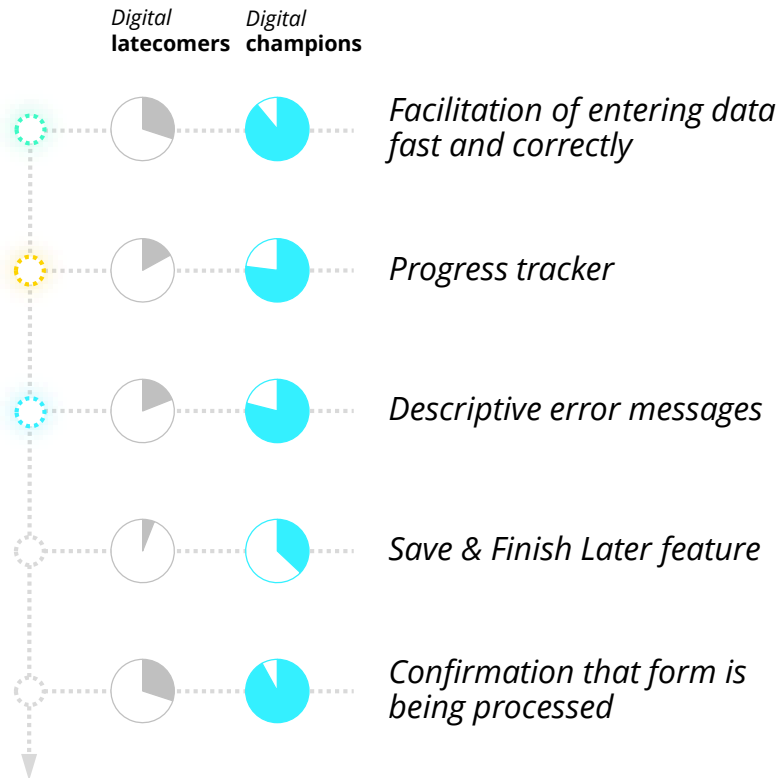


1. Data for 31 banks classified as Digital champions and 93 banks classified as Digital latecomers which participated in 2020 edition. UX score based on 209 unique functionalities. 65% of Digital champions have been classified in top10% of banks by UX score.



Providing customers with guidance and positive UX during account opening is essential to make a positive first impression

Selected functionalities along UX scenario: Open an account, % of banks offering given functionalities¹



Illustrative

Facilitation of entering data fast and correctly

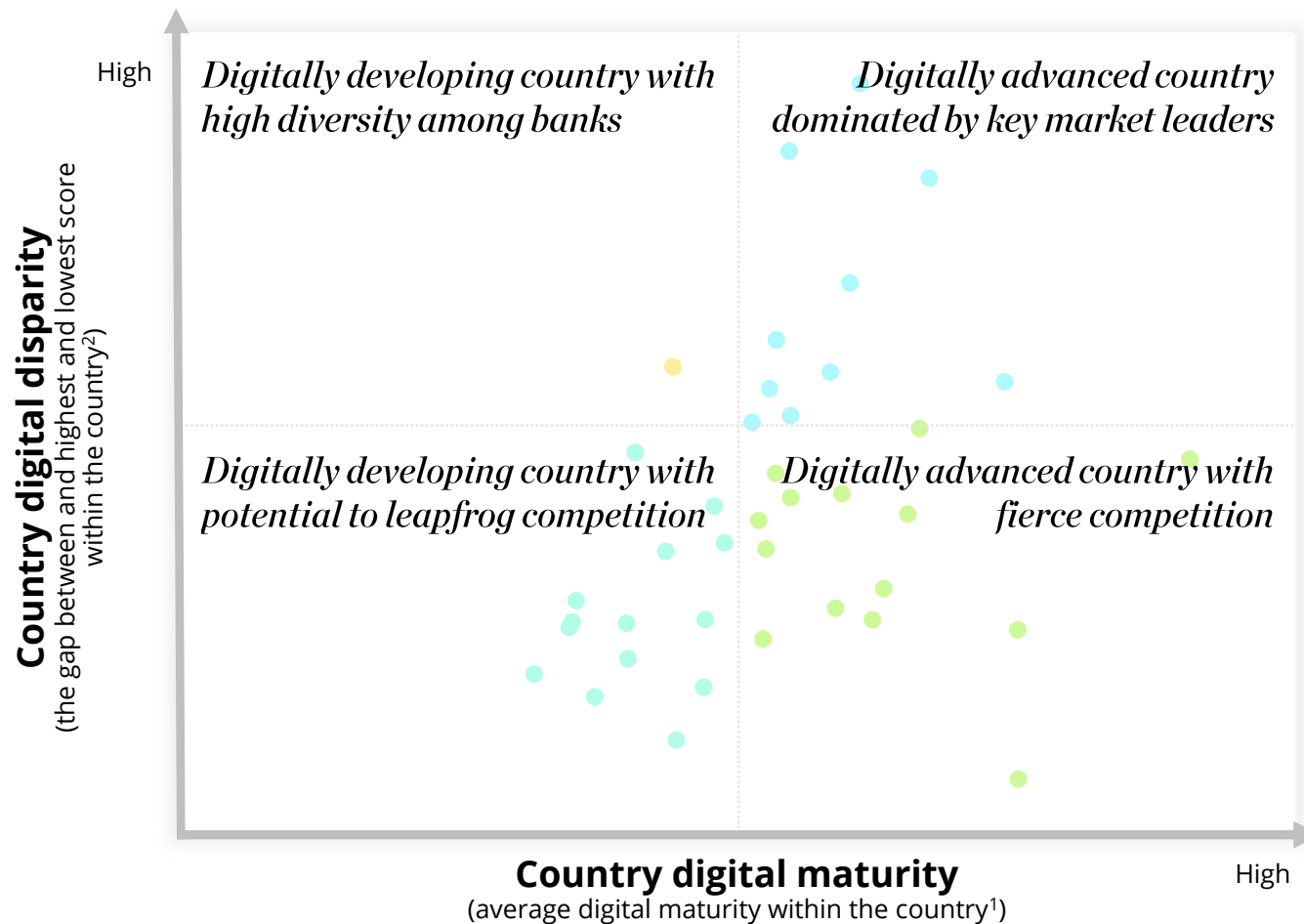
Progress tracker

Descriptive error messages

1. Data for 31 banks classified as Digital champions and 93 banks classified as Digital latecomers which participated in 2020 edition.

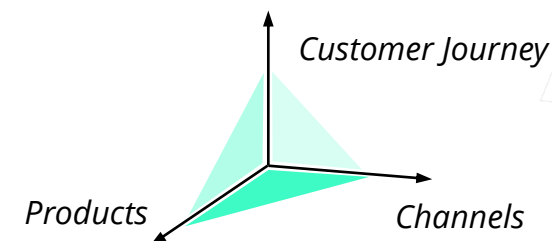


DBM helps banks understand the digital competitive landscape of their country...



How does DBM provide insight into the *local* competitive landscape?

DBM analyses individual bank positioning in comparison to local competitors across 3 dimensions:



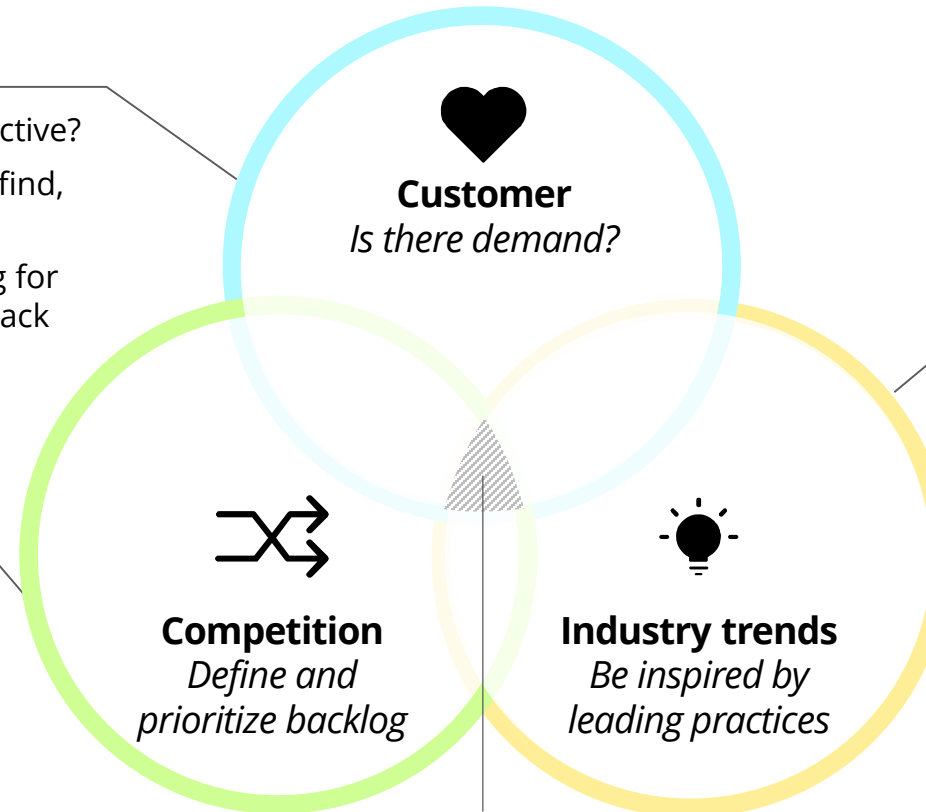
...and accelerates digital strategy development from the perspective of three lenses

CUSTOMER PREFERENCES

- What's desirable from a customer perspective?
- What needs to be true for users to want, find, consume, and value the solution?
- What channels and UX are most engaging for customers? Do customers keep coming back ('stickiness')?
- What will make customers love us?

LOCAL COMPETITION

- What features, products and services should be offered?
- What to implement to catch up with the market or to differentiate over competition?
- What will bring meaningful upside over competitors value proposition?
- Which functionalities can drive acquisition, engagement, monetization?



Customer
Is there demand?

Competition
*Define and
prioritize backlog*

Industry trends
*Be inspired by
leading practices*

**A successful digital proposition is
desirable, competitive and informed by
industry leading practice**

INTERNATIONAL INDUSTRY DIRECTION

- What emerging digital trends are relevant for the local market?
- What international leading practices to adopt to leapfrog local competitors?
- Where are *Digital champions* investing for the future?
- What innovations are gaining traction globally?
- What partnerships to create to leverage the ecosystem landscape?

DBM can help both *champions* and *latecomers* to future-proof their digital strategy

What is a digital ambition workshop?

A dedicated workshop that discusses an individual bank's **digital maturity in retail banking channels, competitive positioning** and which can help to **identify potential digital initiatives**, based on gaps to local and global leaders.

For more details, reach out to your *local representative* on the following slides or dbmaturity@deloitte.com



What's in it for the bank?



We know the digital maturity of retail banking channels

Gain insights into the positioning of an individual bank in comparison to local and global leaders and key gaps.

Outcome: Identification of opportunities and strategic implications based on individual bank's positioning versus peers.



We've identified leading market practices worldwide

Learn more about the latest trends and developments in digital retail banking channels.

Outcome: Introduction to trends, innovations and example use cases with assessment of relevance for the individual bank.



We understand the importance of UX for customers

Examine how UX features and functionalities are helping improve customer satisfaction.

Outcome: Overview of leading UX market practices and identification of key improvement areas from a customer perspective.

Will you drive the change or be driven by it?

Feel free to reach us for more information:



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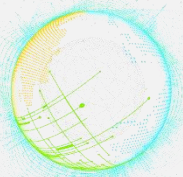


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Digital
Banking
MATURITY

Want to know more about the study?

Contact our local representatives directly to find out more about the study and the results for your country

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Want to know more about the study?

Contact our local representatives
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