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Digital

Digital Banking Maturity 2020

Belgian report

Digital Banking MATURITY

01 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.

02 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%).

03 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.).

04 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.

05 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%.

06 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%.

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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. INSIGHTS ON THE BELGIAN MARKET

What is the digital status of Belgian bank?

5. STRATEGY FOR THE FUTURE

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

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

Illustrative

2020 — April — May — June

Social lockdowns

"Coronavirus: Digital banking is no longer optional"

April 14th, Euromoney

Loan defaults

"World's Banks Brace for Rise in Loan Defaults"

April 17th, US News

Interest rates reduction

"Negative Interest Rate May Not Help In Economic Recovery From COVID-19"

May 19th, Forbes

Profitability hurdles

"Banks may not be profitable until 2025 even as major economies recover"

May 22nd, Business insider

Global recession forecasts

"World Bank forecasts worst recession in eight decades on COVID-19"

June 8th, BNN Bloomberg

"41% of employees likely to continue remote working after pandemic"

April 15th, Gartner

Remote working

"Coronavirus: will call centre workers lose their 'voice' to AI?"

April 22th, Financial Times

Process automation

"'Phygital': a banking strategy for the new isolation economy"

June 5th, World Economic Forum

Branches remodelling

"COVID speeds up digital banking revolution in 10 weeks not five years"

June 8th, The Sydney Morning Herald

Digitalization fast track

Source: Press

Customer preferences changes | **Revenue compression** | **Operating model transformation**

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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.

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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**.

Customer journey steps
6

Functionalities benchmarked
1.1k+

Banks assessed
318

Markets covered
39

Customers surveyed
4.9k

Customer journey sections
17

Mystery shopper researchers
180+

Digital channels
3

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

2016 – Poland

Thought leadership material for European Financial Congress

2017 – Central Europe

Covering 15 additional CE countries and 100 banks

2018 – EMEA

From one country to 38 in just 2 years to become pioneers in assessing banks' digital appetite

2020 – Global

Biggest global digital banking study with 4th edition, allowing for analysis of key trends among banks worldwide

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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.

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Weights are applied so that scores reflect the significance, as well as the number, of implemented functionalities

The significance of functionalities varies greatly within the questionnaire so each question was assigned a unique weight.

Weights components

Functionality assessment

Verification of availability of 1108 functionalities in every covered bank

×

I

Customer usage

Assessment of functionalities in terms of frequency of use by customers

II

Customer channel preferences

Assessment of functionalities in terms of channel preferences

III

Relevance of functionalities

For majority of functionalities - relevance for banking channels based on level of global adoption by banks

Prioritization of product opening methods

For product opening methods – prioritization of digital opening methods

Consumer surveys (internal & external)

=

Functionality score

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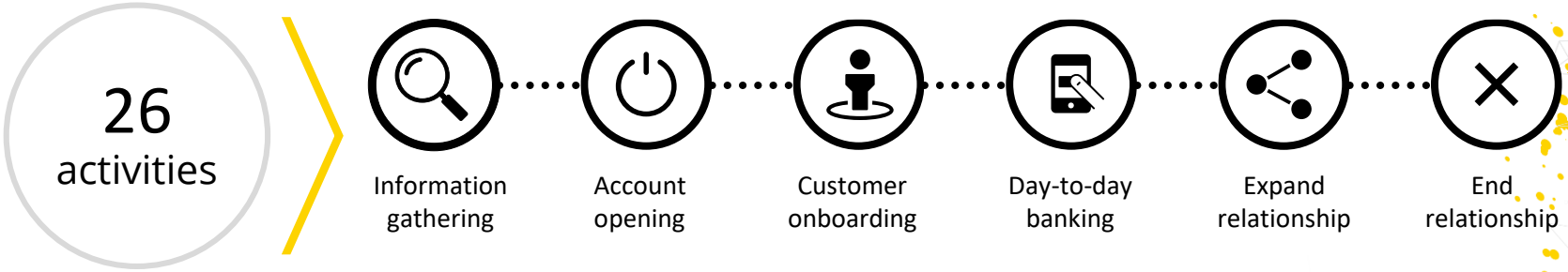
Usage and channel preferences were evaluated based on customer survey with 4900 respondents

4900 respondents answers on CAWI survey questions provided insights on customer preferences on 26 activities mapped with customer journey steps in 3 banking channels.

1

How often are you performing the following banking activities?



2

Which of the channels is/would be your preferred choice for each of the following banking services?

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

XX # of benchmarked functionalities

Customer Journey step

Customer Journey sub-category

Information gathering (25)	Account opening (56)	Customer onboarding (64)	Day-to-day banking (498)	Expand relationship (454)	End relationship (11)
Availability of information	Opening process	Channels accessibility	Account & product management	Product x-sell (basic)[1]	Account closing
		Guidance for new users	Authorization	Product x-sell (complementary)[2]	
			Card management	Bancassurance	
			Customer support	Investment services	
			Personal finance management	Beyond Banking	
			Transfers and payments	Ecosystem and account aggregation	

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1. Product x-sell (basic) includes: debit card, credit card, overdraft, cash loan, cheque, bank draft.
2. Product x-sell (complementary) includes: car loan, mortgage, currency account, saving account, term deposit, private banking account.

Presence of UX-related functionalities was measured along persona user scenarios representing all the stages of relationship with a bank

19 scenarios that cover **10** processes represented by **4** personas

9 desktop

10 mobile

We have assigned one of **4 personas** to each scenario. The personas differ in age, career stage and level of technological advancement which influences their consumer behaviour

I

Scenarios

We created 19 scenarios to examine **step by step actions** that customers are taking during **representative processes** from **all of the stages of relationship with a bank**. These scenarios should be treated as examples and do not reflect local specifics and regulations e.g. multi-factor authentication

II

Scores

The steps in scenarios are related to the questions from the DBM questionnaire. Results comparing digital Champion and latecomers can be found further

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We used internationally recognized framework to benchmark UX of mobile banking apps

Translated into 20 languages and described in more than 20 scientific papers UEQ is widely-used since 2005.

It enables to benchmark in efficient way a lot of banking applications and easily quantify and compare results.

I Attractiveness

Overall impression of the product. Do users like or dislike the product?

II Efficiency

Can users solve their tasks without hassle?

III Perspicuity

Is it easy to get familiar with the product? Is it easy to learn how to use the product?

IV Dependability

Does the user feel in control of the interaction?

V Stimulation

Is it exciting and motivating to use the product?

VI Novelty

Is the product innovative and creative? Does the product catch the interest of users?

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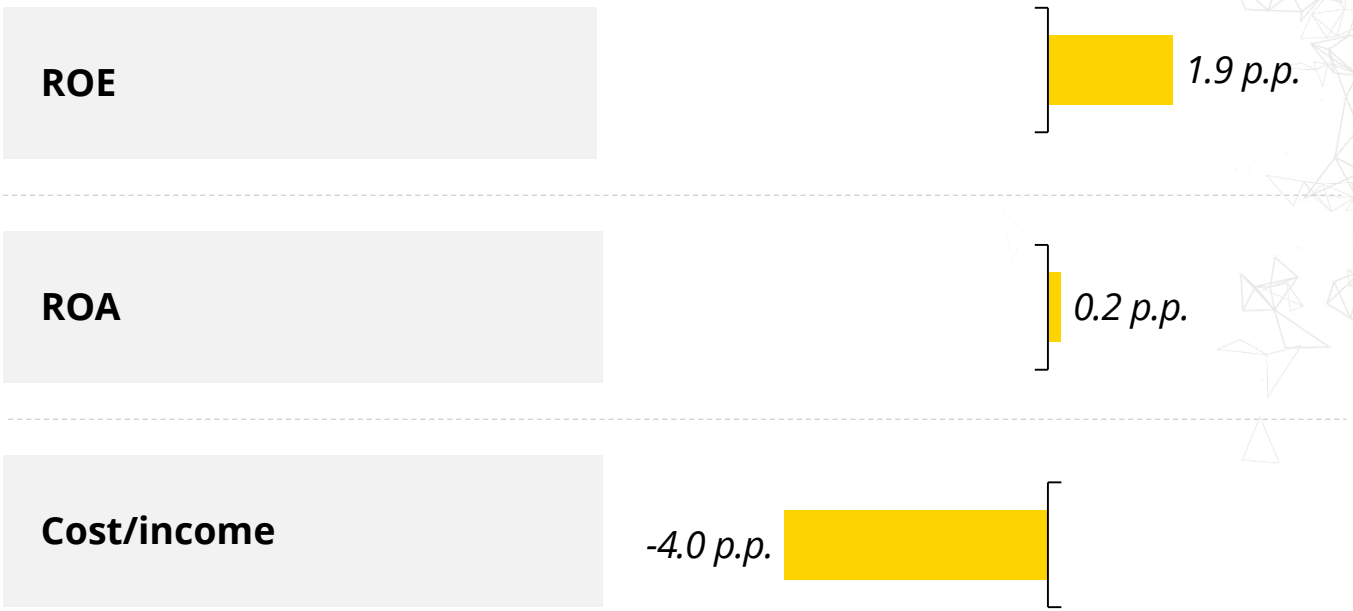
Source: Deloitte analysis on the basis of M. Schrepp, A. Hinderks, J. Thomaschewski, www.ueq-online.org, used upon a permission of the authors.

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 Incumbents[1]

Selected KPIs of incumbents: average difference to incumbent peers[2], p.p.



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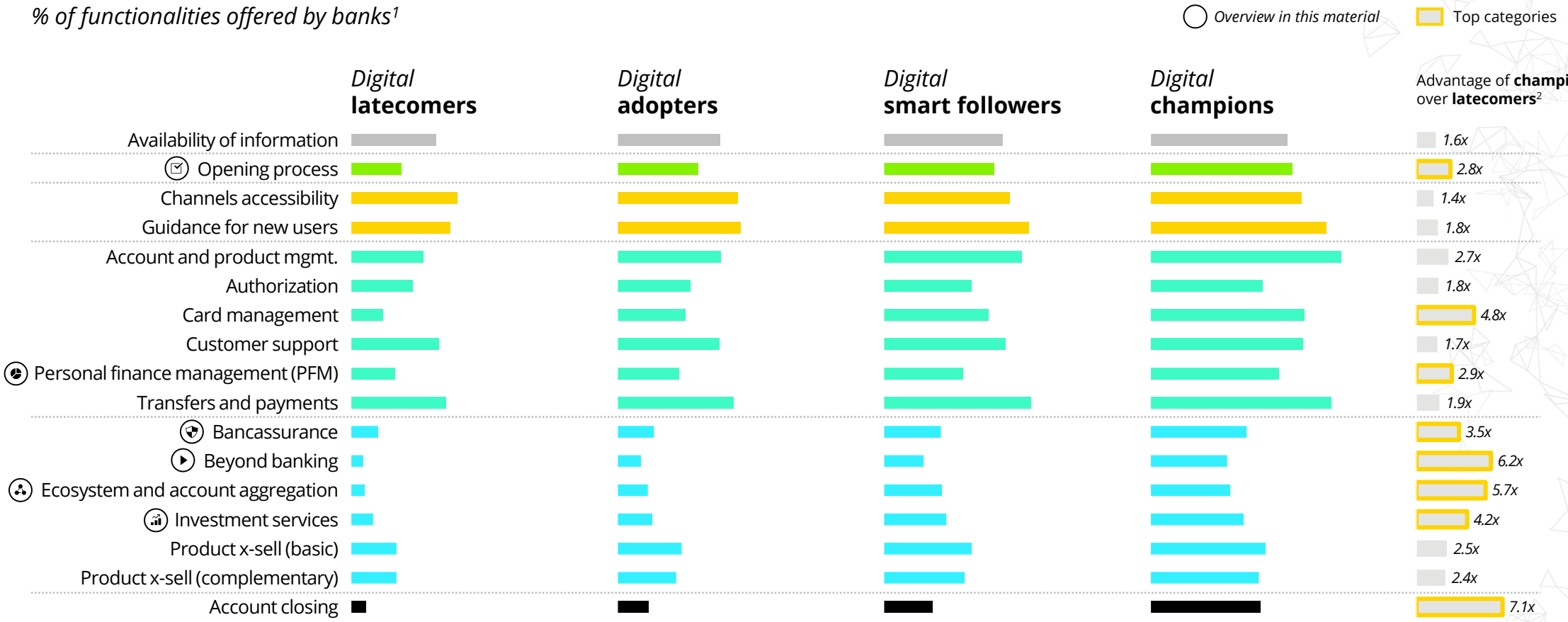
1. Incumbents – banks with long-established position on the market. Challengers – relatively small bank competing with large long-established banks.
2. Average difference to peers – peers are incumbent banks in the same country that were covered in the DBM survey.

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

% of functionalities offered by banks[1]



1. Data for 313 out of 318 banks which participated in 2020 edition.
2. Ratio of functionalities % between *Digital champions* and *Digital latecomers score.*

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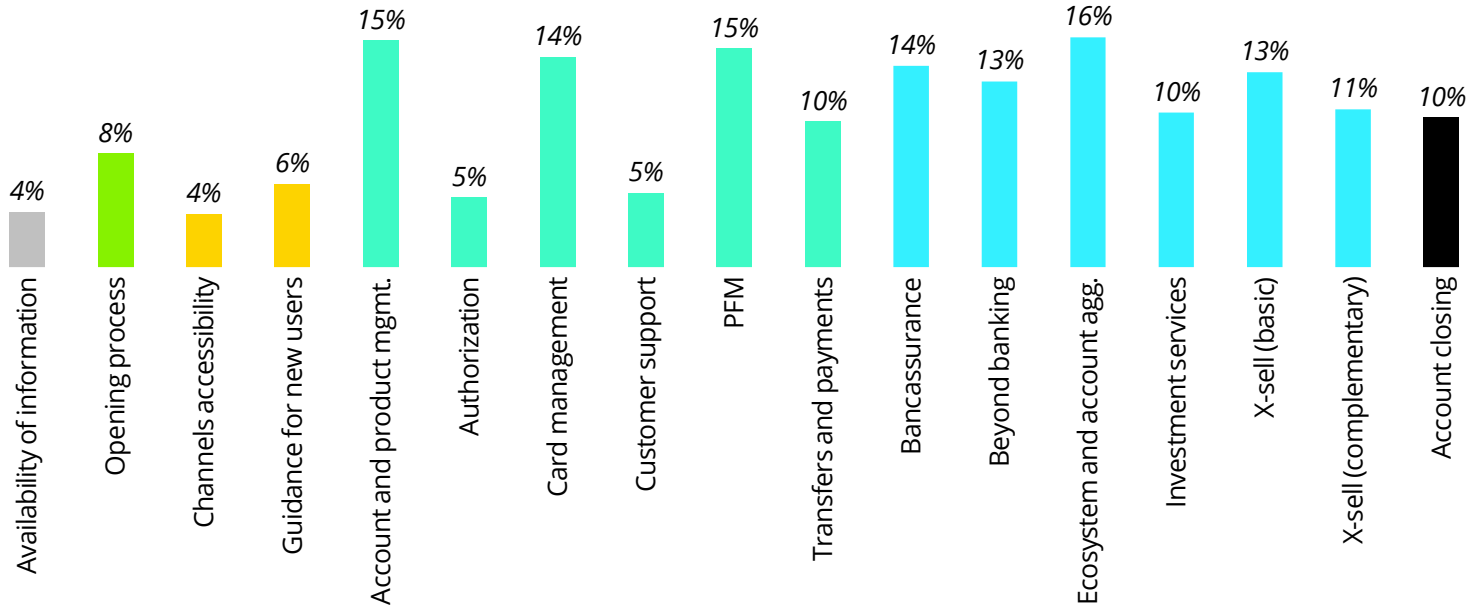
...which, together with products & personal finance management, was the key investment priority in the last 2 years of *champions*

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.

INFORMATION GATHERING | ACCOUNT OPENING | CUSTOMER ONBOARDING | DAY-TO-DAY BANKING | EXPAND RELATIONSHIP | END RELATIONSHIP

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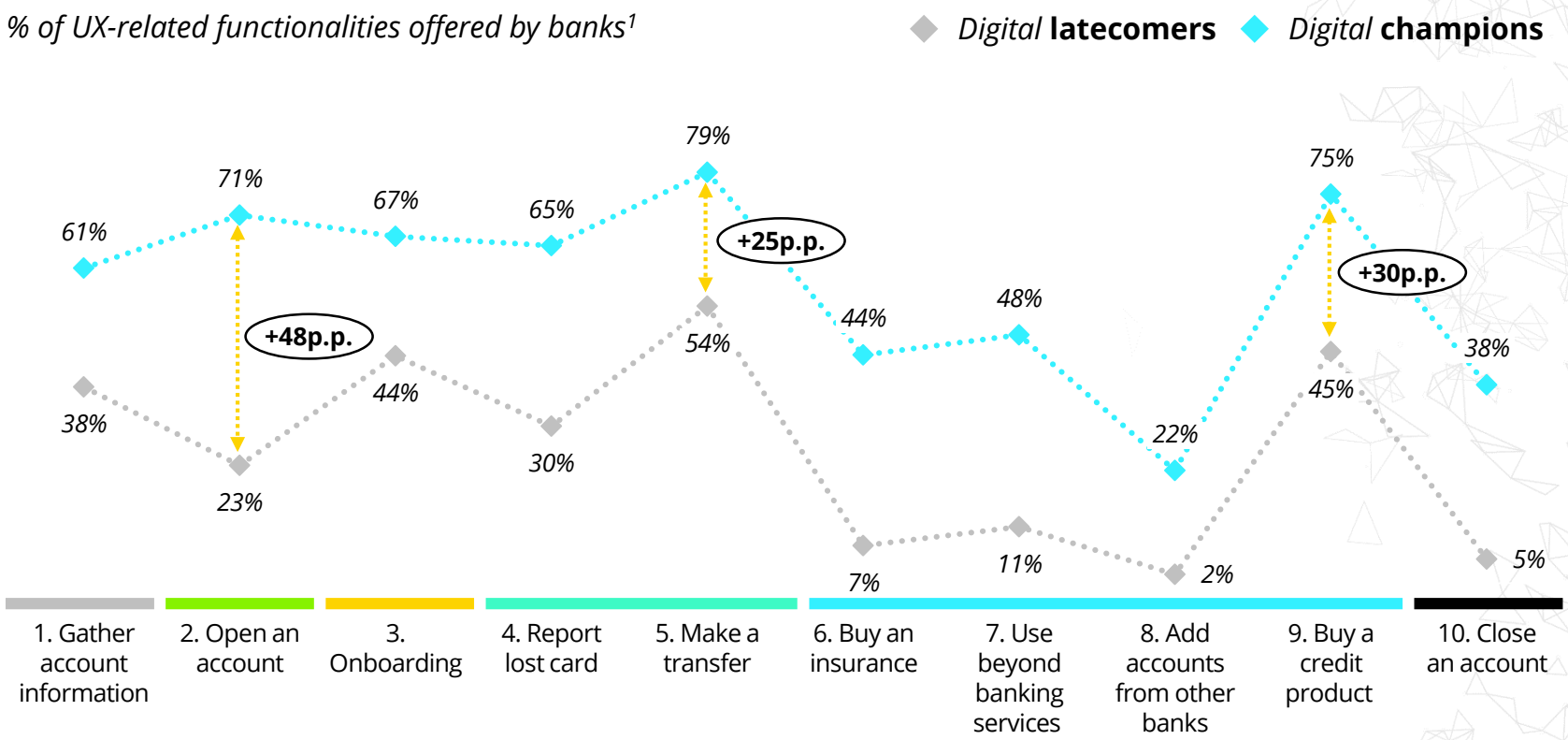
Champions deliver the best UX in account opening, transfers, and buying a credit product

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



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.

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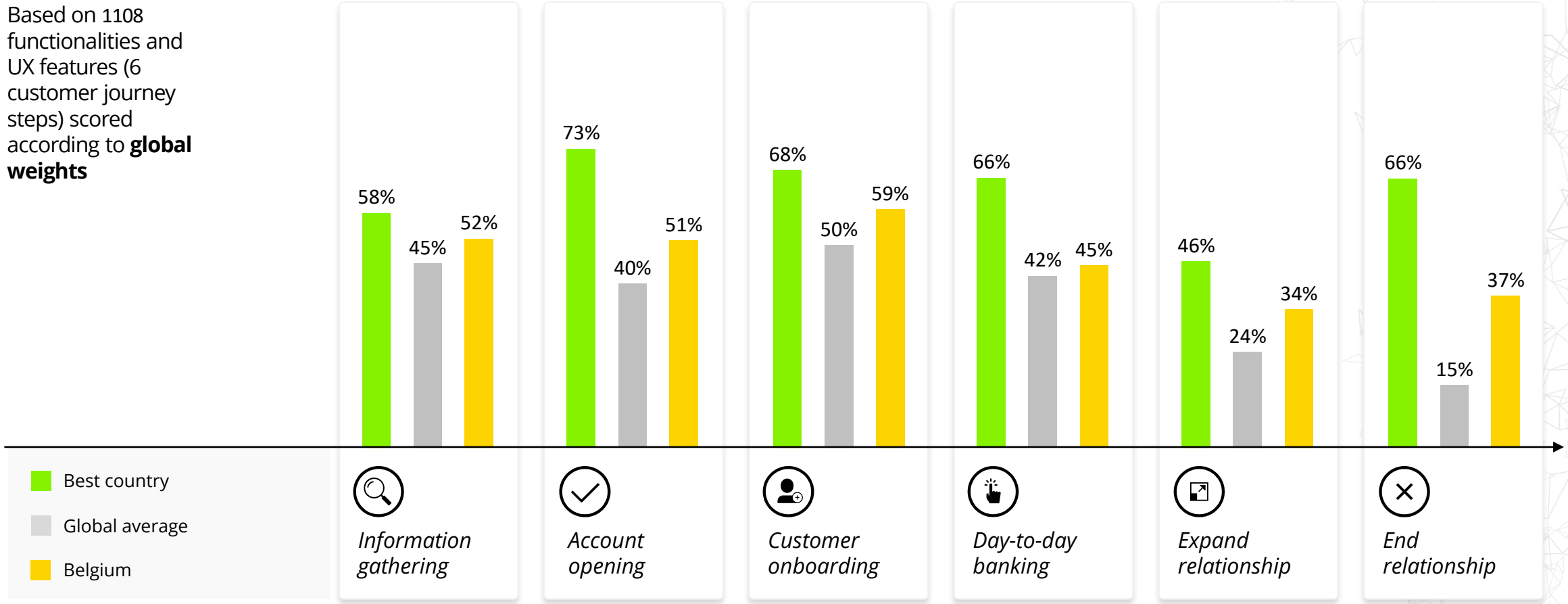
INFORMATION GATHERING | ACCOUNT OPENING | CUSTOMER ONBOARDING | DAY-TO-DAY BANKING | EXPAND RELATIONSHIP | END RELATIONSHIP

Digital Banking Maturity score by customer journey step

DBM score by CJ step, %

Based on 1108 functionalities and UX features (6 customer journey steps) scored according to **global weights**



Note: To improve comparability, the results presented on this slide are calculated based on global average weights. Results for banks in the country on the following slides are prepared with local weights, based on responses from the country's consumer survey

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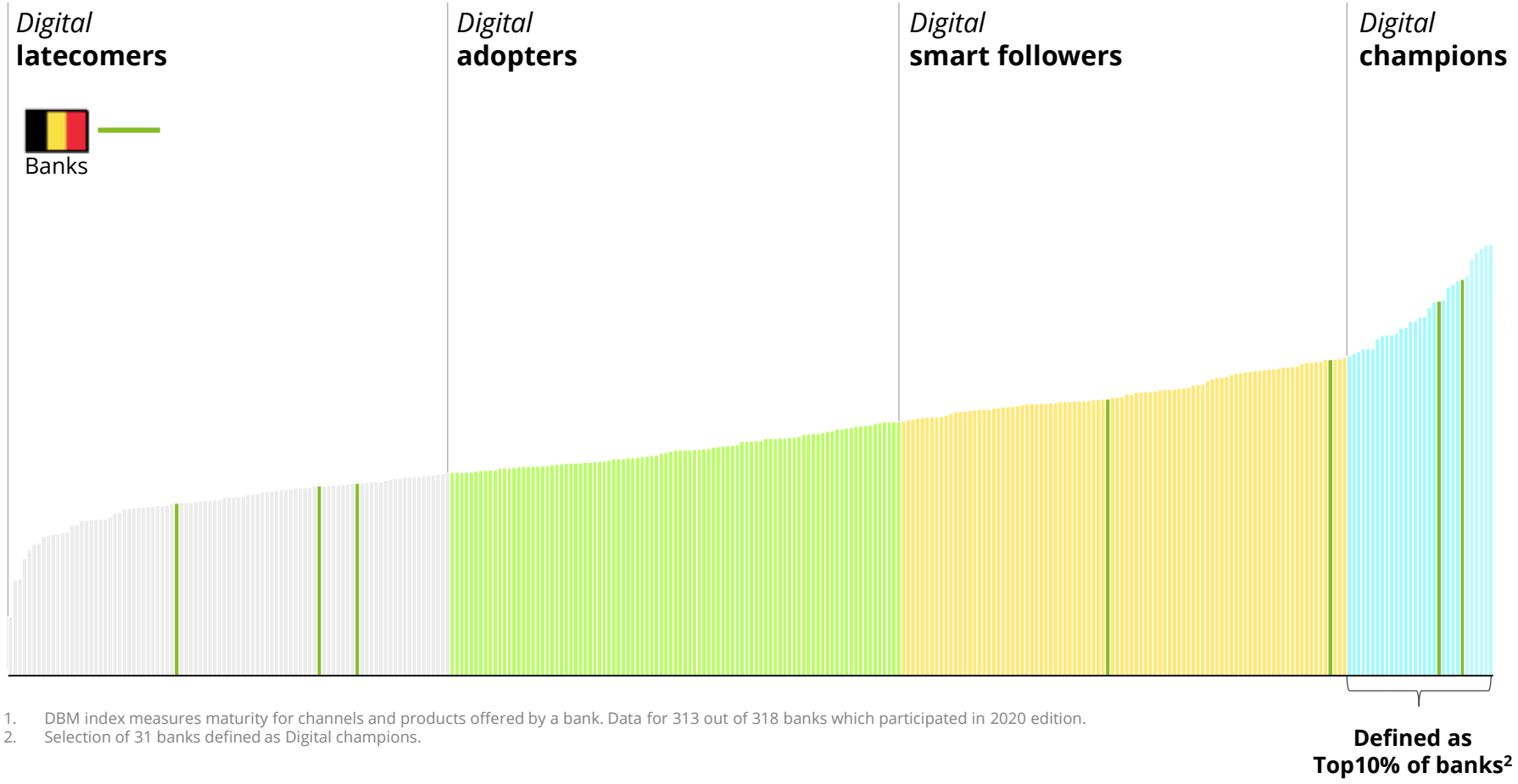
Our approach splits global banks into four groups and 4 of the 7 Belgian banks assessed performed as smart followers or Digital Champions

DBM index[1]



Belgium is ranked 3rd

Belgium has 2 digital champions out of 31

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.

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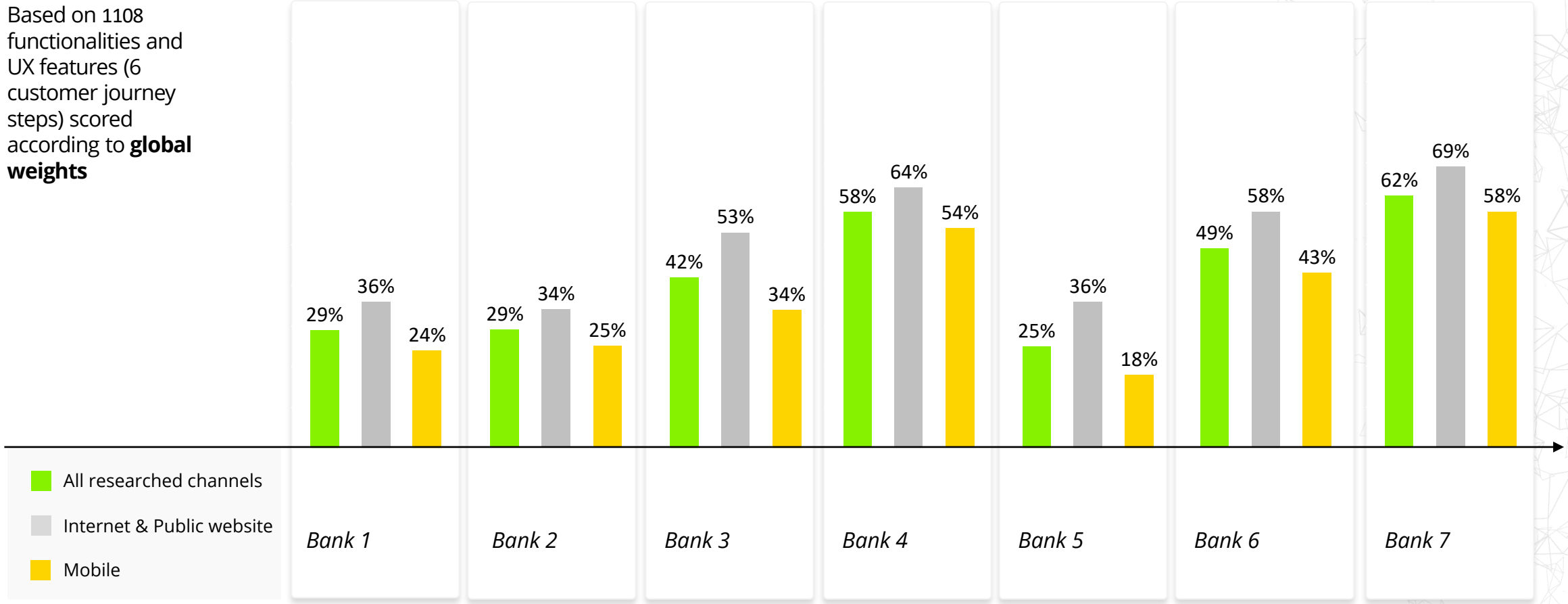
Digital Banking Maturity score by channels

DBM score by CJ step, %

Based on 1108 functionalities and UX features (6 customer journey steps) scored according to **global weights**



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DBM score by customer journey step

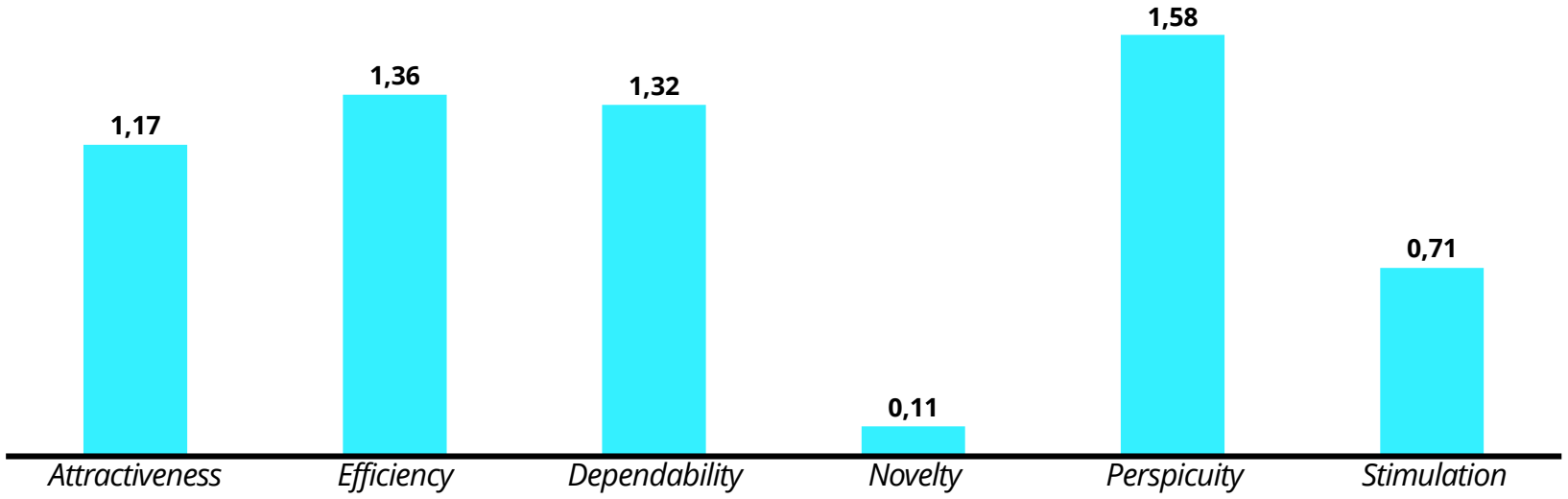
UX-related functionalities was measured along persona user scenarios representing all the stages of relationship with a bank using UEQ methodology

Please note that UX scoring is only a complementary element of the Digital Banking Maturity functionality benchmarking and does not aim to replace comprehensive UX expertise. Quality of the results highly depend on the number of responses in your country.

Overall UX score for 6 banks (on the scale from -3 to 3)

Important

UEQ analysis was done on the sample of Deloitte consultants from Belgium, which provided a useful high-level overview, but it is not a representative sample.



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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

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.

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Will you drive the change or be driven by it?

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