

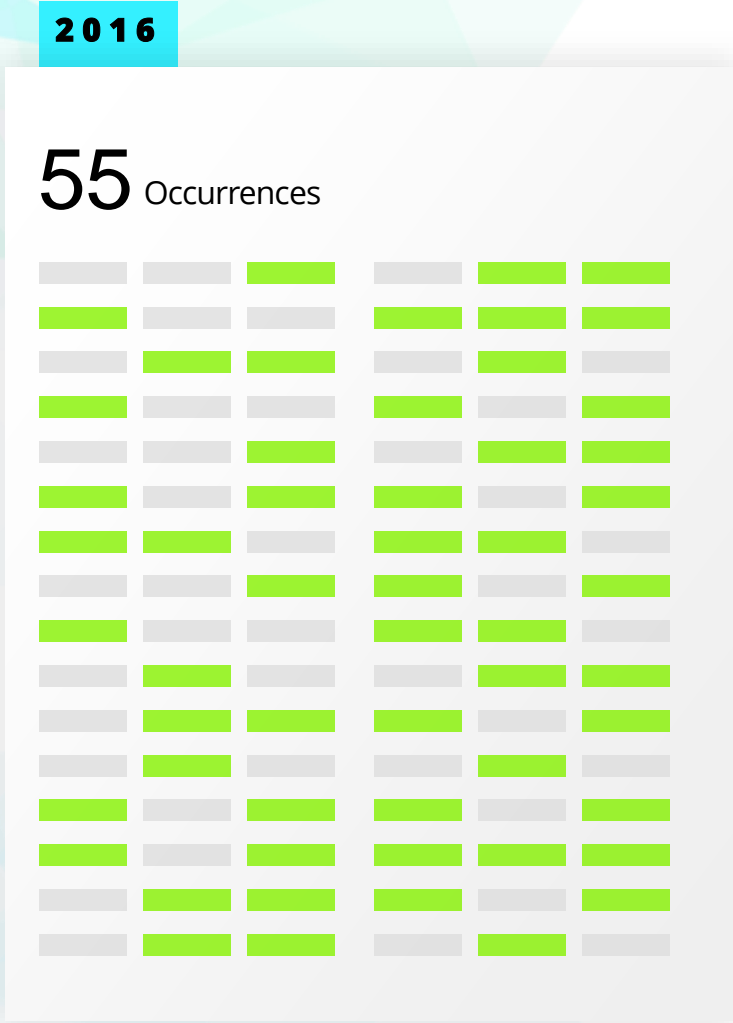
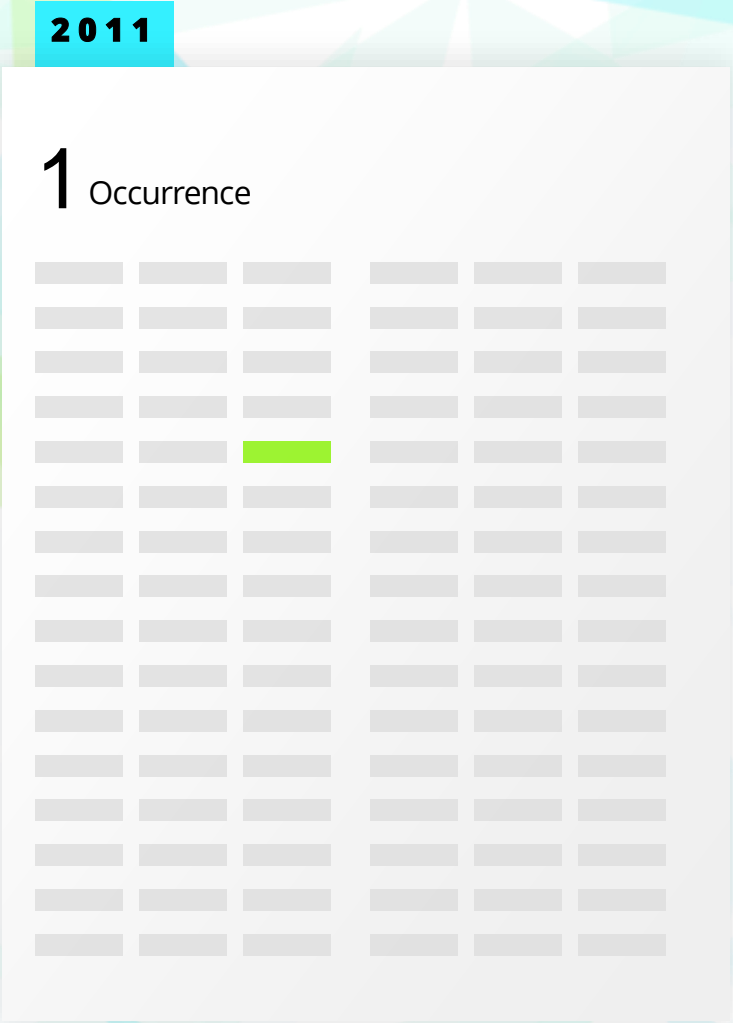
EMEA Digital Banking Maturity 2018

How to become a *Digital Champion*
and why only a few succeed?

Digital
Banking
MATURITY

Digital banking has become mainstream

Average occurrence of the word “digital” in annual reports of the 20 biggest European banks



What defines ***Digital*** champions?

***Digital* champions** offer
a wide range of functionalities
relevant for customers and
a compelling User Experience

To determine who is a true *Digital* champion, we assessed digital channels from customers' POV

...a wide range of functionalities...



3rd edition of proprietary Deloitte benchmarking framework of digital banking functionalities used in “mystery shopper” approach on real current accounts

...relevant for customers...

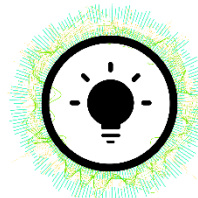


Customer research¹ focused on identifying the most important banking activities and preferred channel (branch, internet, mobile) for each activity

...with a compelling UX



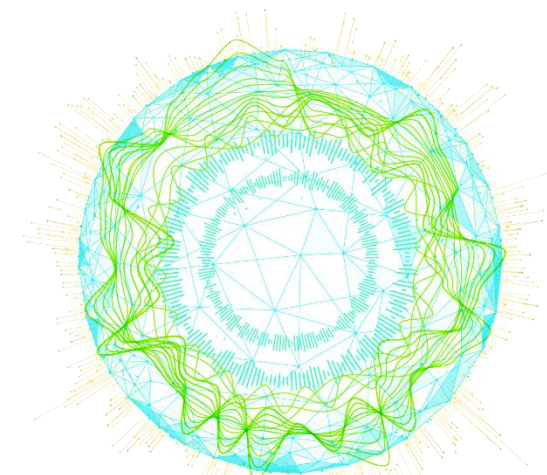
Supplementing analysis leveraging User Experience Questionnaire² and fulfilled by each banks' core customers³



Functionality score



UX score



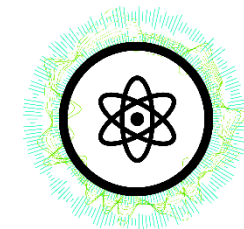
DBMaturity scoring

An exhaustive overview of digital channels maturity focused on functionalities and customer preferences.

Supporting analysis to understand what banking customers are thinking about their mobile banking app UX.

1. Customer research (CAWI) covered 8 274 respondents from 28 out of 38 benchmarked markets.
2. M. Schrepp, A. Hinderks, J. Thomaschewski, www.ueq-online.org, used upon a permission of the authors.
3. Customers who declared the examined bank as their main bank.

We have identified 826 functionalities covering the entire digital Customer Journey



...a wide range of functionalities...

28

Information gathering

Access to information on the products overview and pricing dedicated to specific groups and needs from various sources, including public websites and social media.

31

Account opening

Assessment of account opening experience, including available channels and identity verification methods.

40

Customer onboarding

Guidance of customer in the first steps of onboarding process and platform accessibility.

396

Day-to-day banking

Availability of spectrum of everyday banking functionalities facilitating managing the account and making transfers.

322

Expand relationship

Cross-sell of the additional products and services, such as overdrafts, loans, saving accounts, term deposits, investment funds, insurance and others.

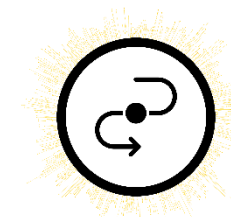
9

End relationship

Account closing process assessment including available channels, retention offers and others.

826
functionalities

We have weighted the functionalities based on customer research



Research¹ of more than 8 000 EMEA banking clients provided us with insights into customer preferences regarding 26 activities mapped across Customer Journey and 3 banking channels. Such approach enabled us to not only define importance of Internet (56%) vs. mobile (46%) channel on EMEA level, but also prepare country-specific weights.

1

How often are you performing the following banking activities?

26
activities



Information gathering



Account opening



Customer onboarding



Day-to-day banking



Expand relationship



End relationship

2

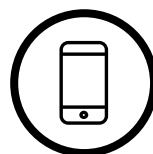
Which of the channels is/would be your preferred choice for each of the following banking activities?



Branch



Banking via PC/laptop



Banking via smartphone

3
channels

1. Customer research (CAWI) covered 8 274 respondents from 28 out of 38 benchmarked markets.

Size matters.

REAL current accounts investigated thoroughly by Deloitte proprietary framework based on customer research.

REAL insights, without vague truisms.

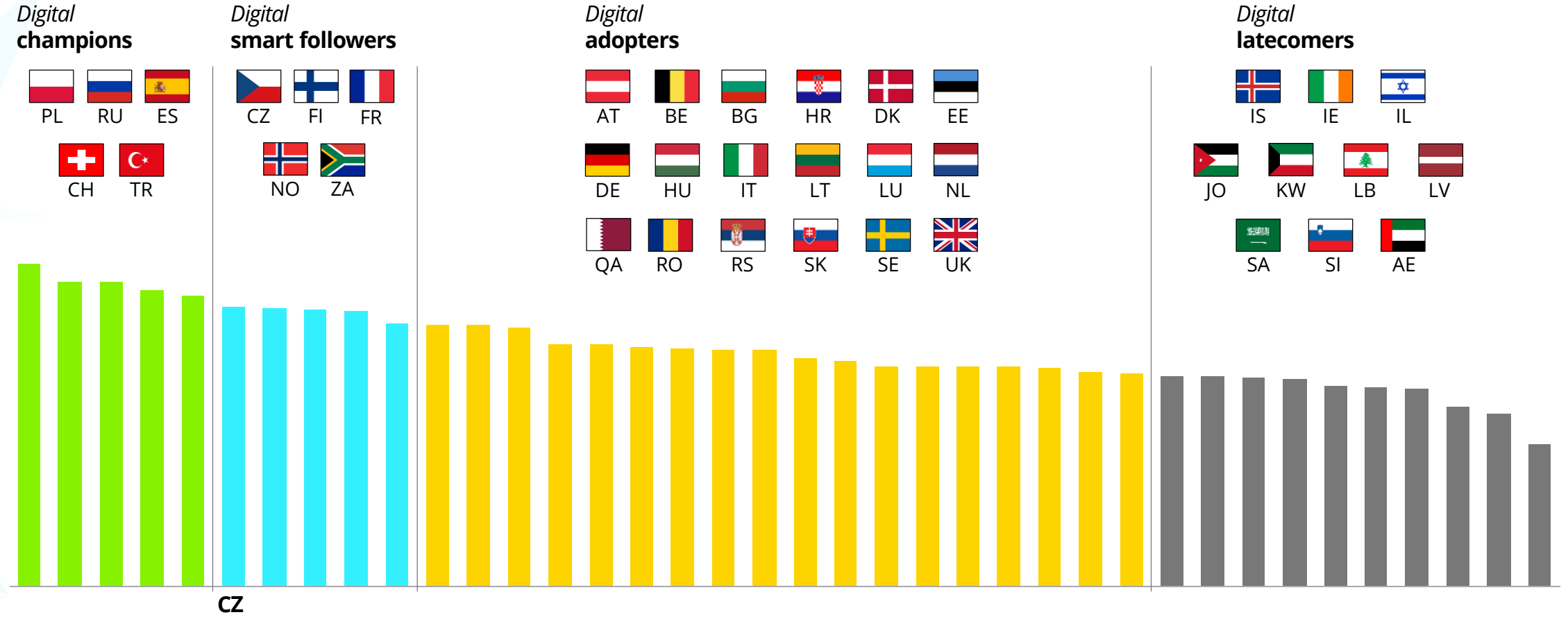


The background features a network of thin, light-yellow lines and dots. On the left side, these lines are more densely packed and form a fan-like shape pointing towards the center. On the right side, the lines are more sparse and extend towards the right edge. The dots are small and yellow, scattered along the lines.

EMEA is highly diversified from
the point of view of digital maturity

EMEA markets can be divided in 4 groups in terms of their overall digital banking maturity

% of digital functionalities covered according to customer needs



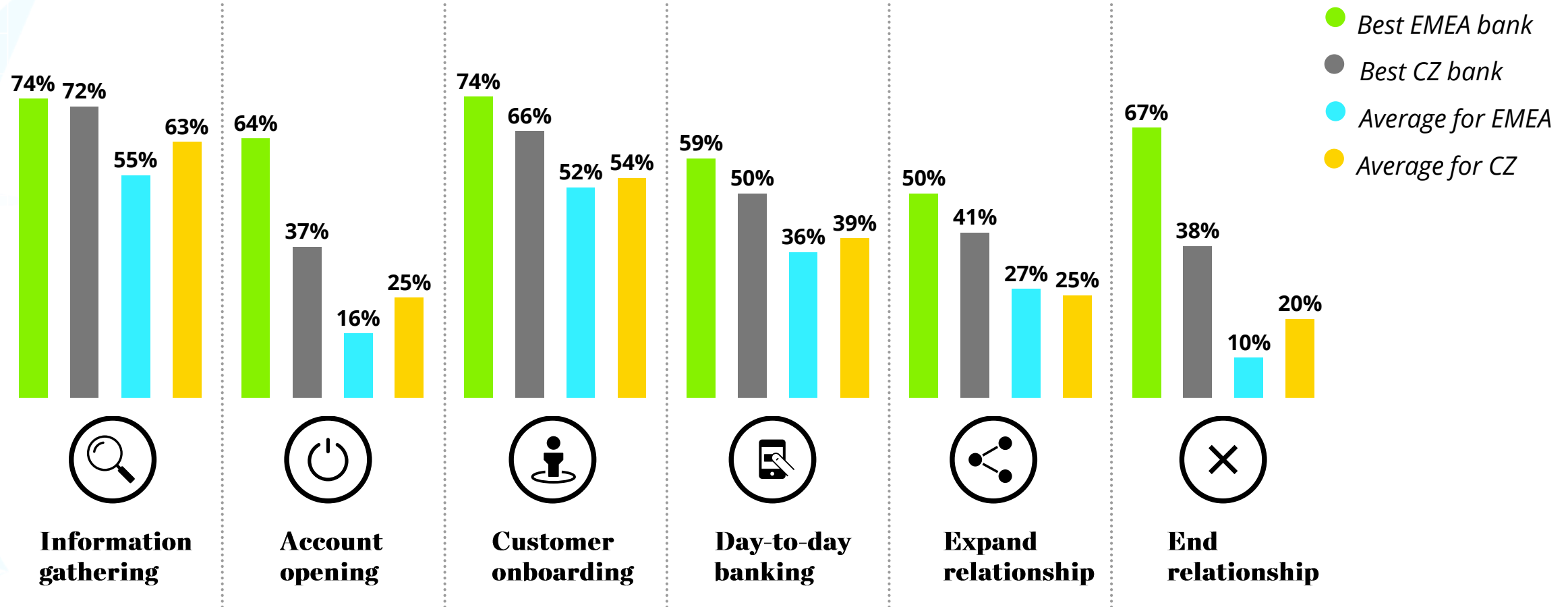
Note:

To achieve comparable data, country averages are based on the results of the top 5 biggest banks in given market in terms of assets.

Country flags within the 4 categories are shown in alphabetical order according to English names of each country – the position of the flag within the group does not imply the score against other countries from the same group.

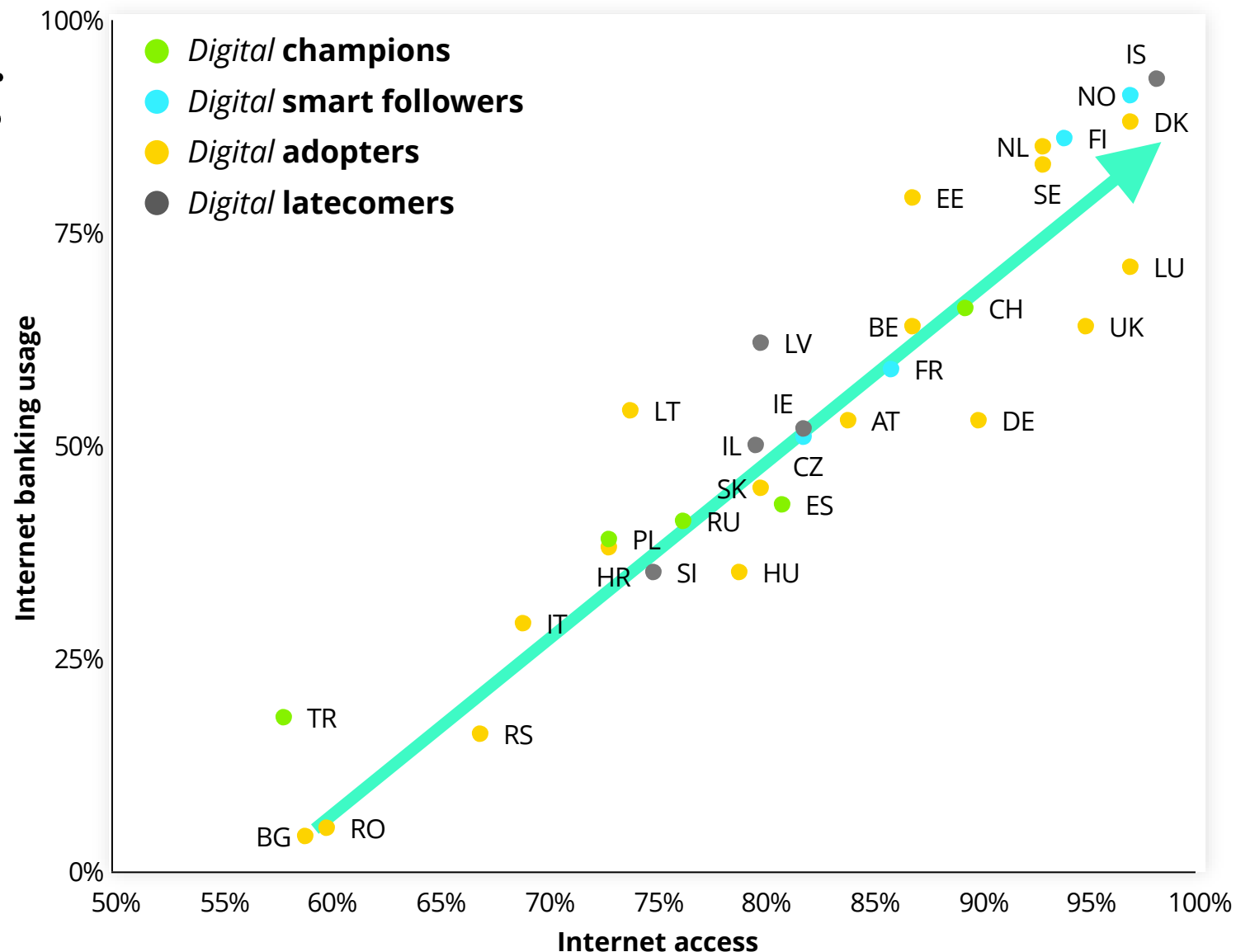
EMEA banks focus in digital mostly on informing and onboarding clients, more product offerings are needed

% of digital functionalities covered according to customer needs



Note:
Score based on all 826 functionalities (6 Customer Journey steps) according to EMEA country customers preferences

Internet banking usage is highly correlated with internet access, but it does not explain digital maturity



The background of the slide features a series of thin, light green, wavy lines that flow across the frame, creating a sense of movement and organic form. These lines are layered, with some appearing more prominent than others, and they generally trend from the upper left towards the lower right.

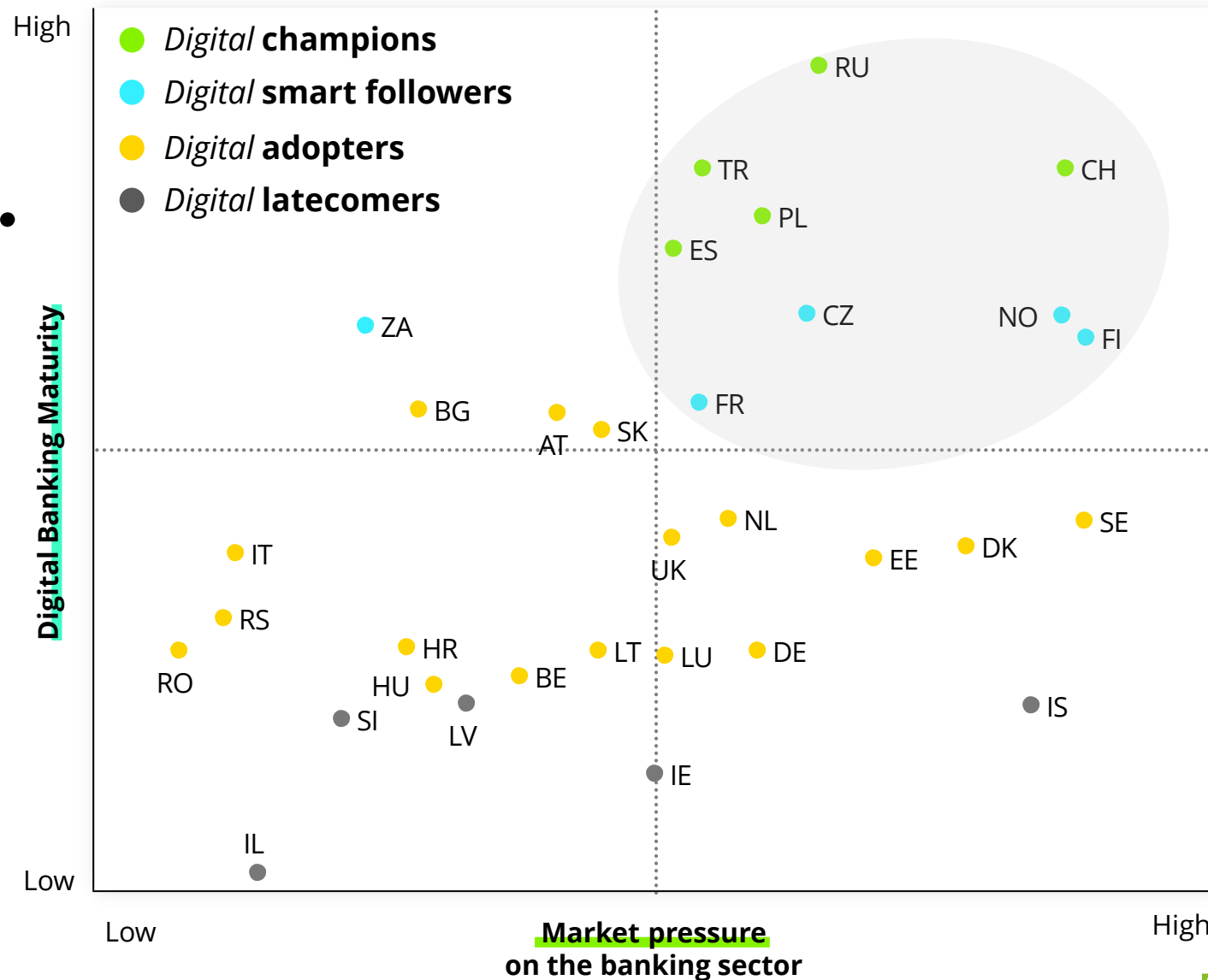
Market pressure from customers and competitors created *Digital* **champions**

No digital maturity without market pressure...

Market pressure on the banking sector

Analysis of results revealed that market pressure is a key driver of Digital Banking Maturity:

- **Customer pressure** – expectations regarding level of service which should be available in digital channels
- **Competitor pressure** – digital “arms race” ignited by a number of banks which decided to leverage their digital channels as key competitive advantage



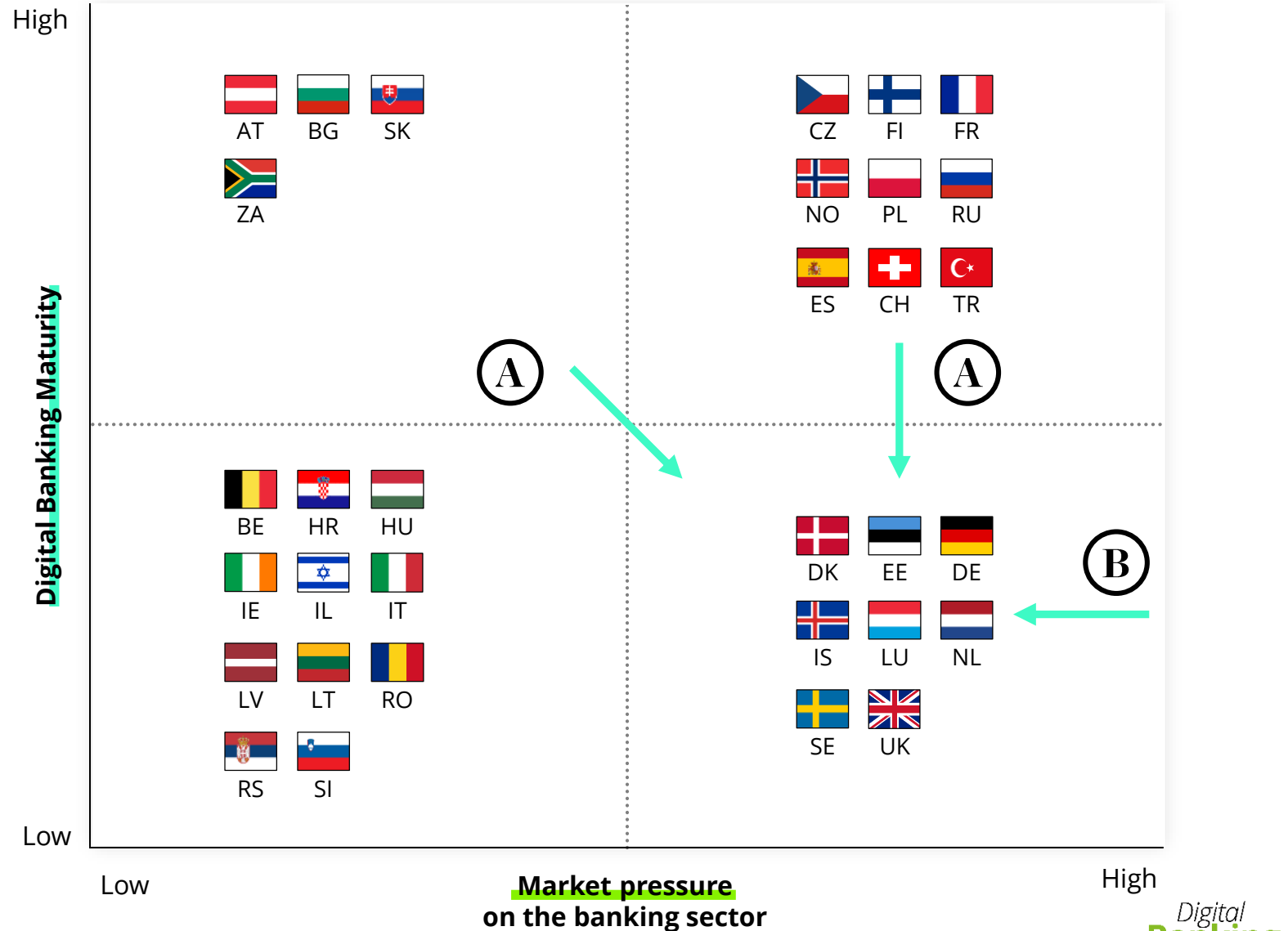
PSD2 and FinTechs will increase the market pressure

A Foreign *Digital* champions as attackers

Digital champions will compete for highly demanding clients fuelled by implementation of PSD2

B FinTechs as challengers of status quo

Banking sectors which will not live up to market pressure will face competition not only from other countries, but also FinTechs

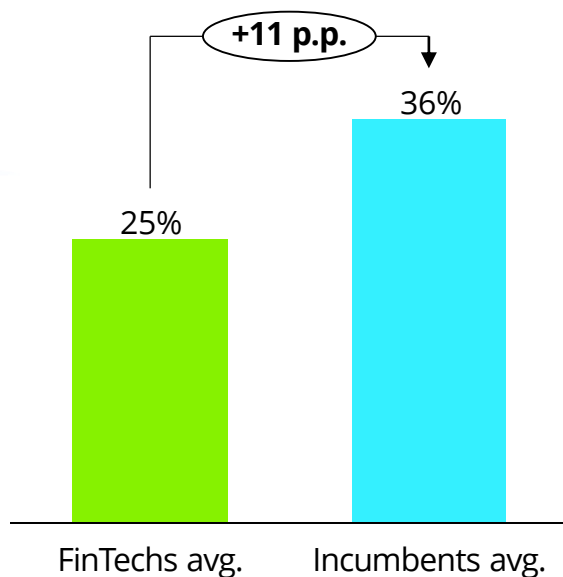




FinTechs challenge incumbents as
high entry barriers dropped considerably

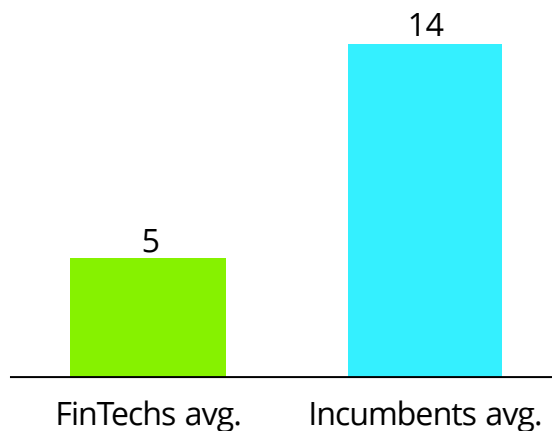
FinTechs *Digital* maturity is being curbed by limited offer of banking services

Total



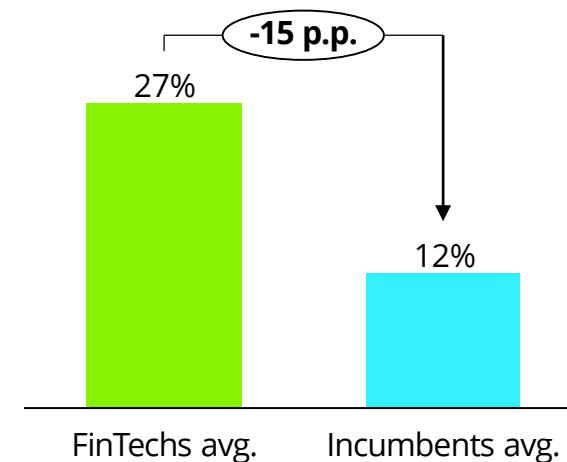
If we look at **total score**, on average **FinTechs are benchmarked lower than incumbents...**

Number of offered banking products



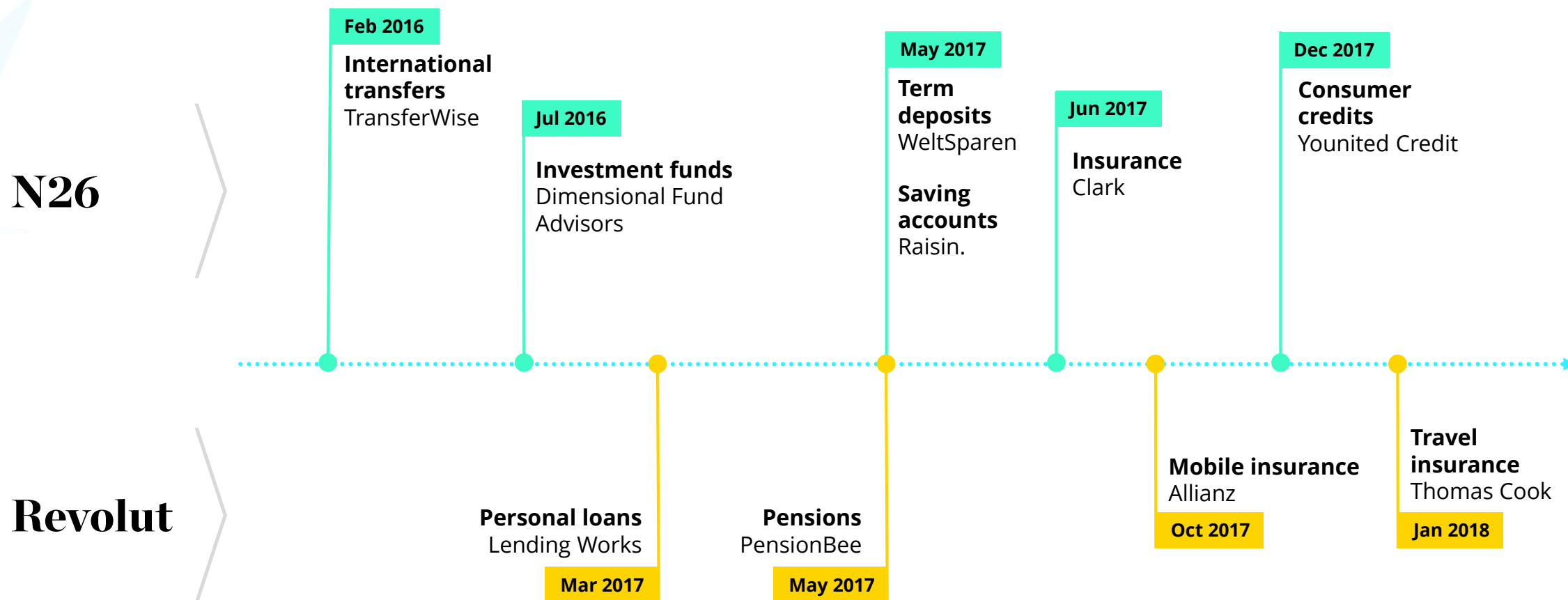
...as majority of FinTechs still offer **only selected banking products**, which is not satisfying more **complex customer needs...**

Core products¹ in mobile channel



...yet situation looks completely different if we focus on **core products in mobile channel**, where **FinTechs shine**.

Cooperation with partners enables FinTechs to expand product portfolio with speed not seen before





Open and Beyond banking will decide
who will be the future *Digital* **champions**

Vast majority of functionalities are around digitalisation of traditional banking products

I Digitalisation

Approach

Transformation of traditional banking products and services from brick-and-mortar **into internet and mobile**. The services in most of the cases come from **banks with limited presence of strategic partnerships** with external companies. Banks which are only focusing on this step try to maintain the **status quo: old banking world in new channels**.

II Open Banking

Platform-based business approach where data, processes, and business functionalities are **made available within an ecosystem** of customers, third-party developers, FinTech startups, or partners. The services provided are **financial**, and may **come from banks as well as from third parties**.

III Beyond Banking

Platform-based business approach where **multiple services** are provided to customers in an integrated and coherent suite **through an ecosystem** of different service providers. The services provided **can be of any type** (e.g. mobility, security, delivery, home security), and banks can participate by providing **niche and tailored financial services** that consistently integrate the suite of services.

826

functionalities

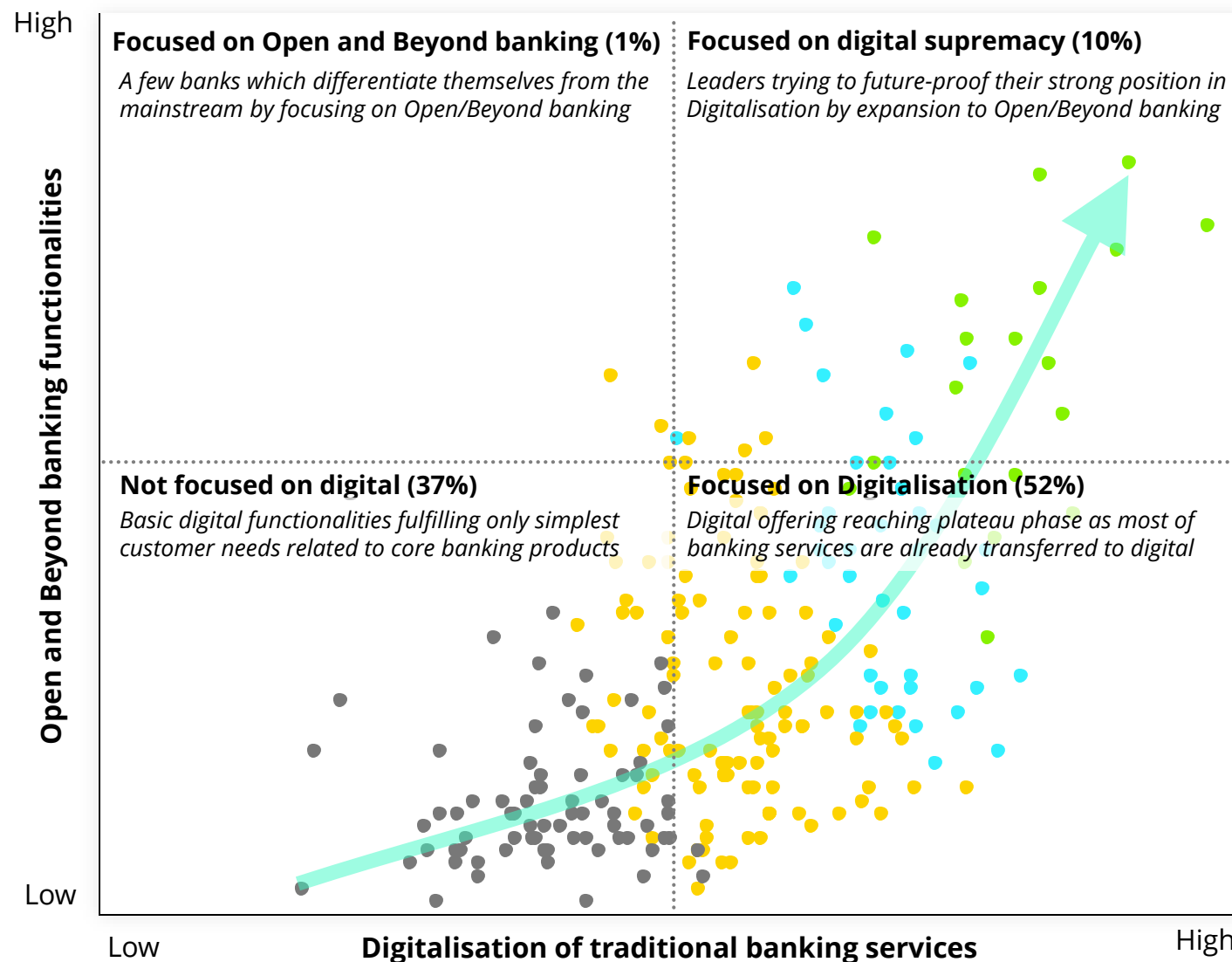
695

110

21

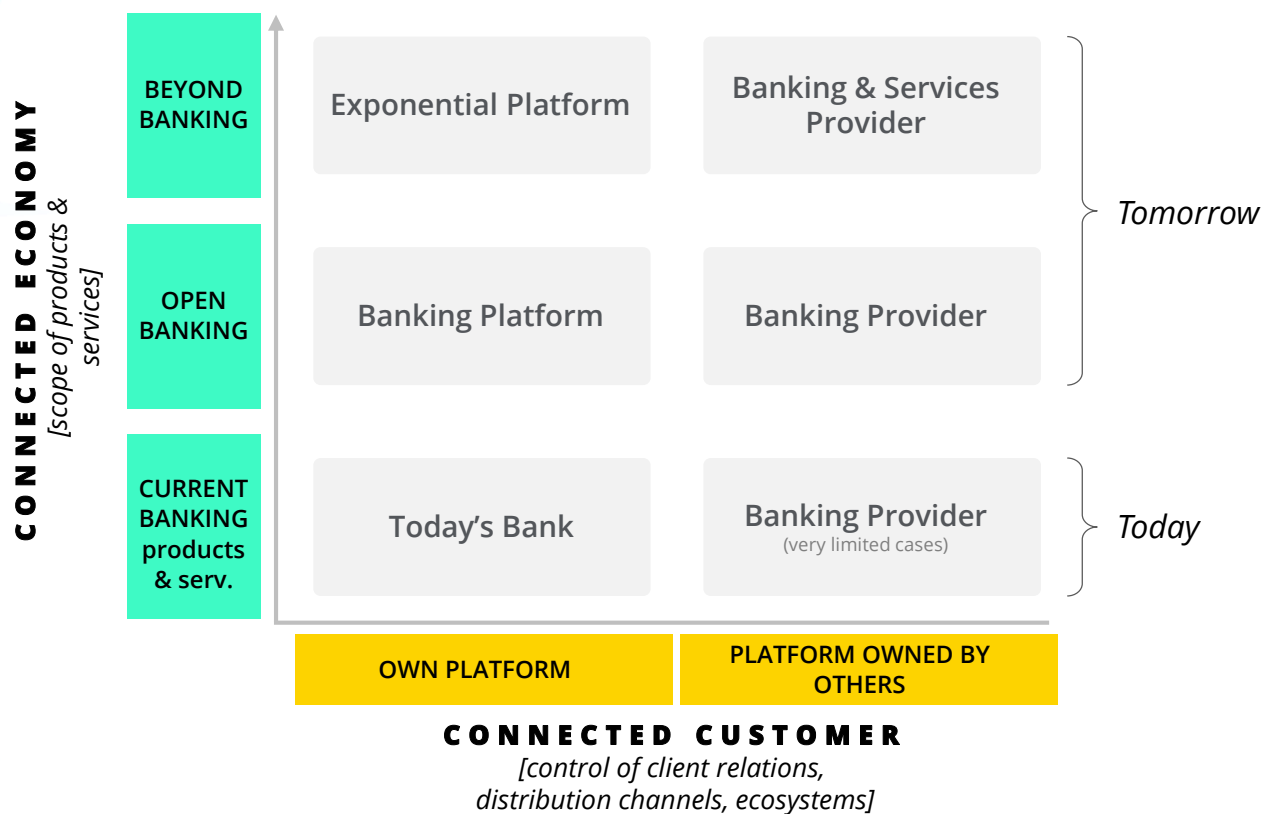
Yet digital champions already achieved a strong position not only in Digitalisation, but also Open and Beyond banking

- Digital champions
- Digital smart followers
- Digital adopters
- Digital latecomers
- Bank's score



Incumbents and FinTechs will have to answer two key questions

Deloitte “Bank of the future” model

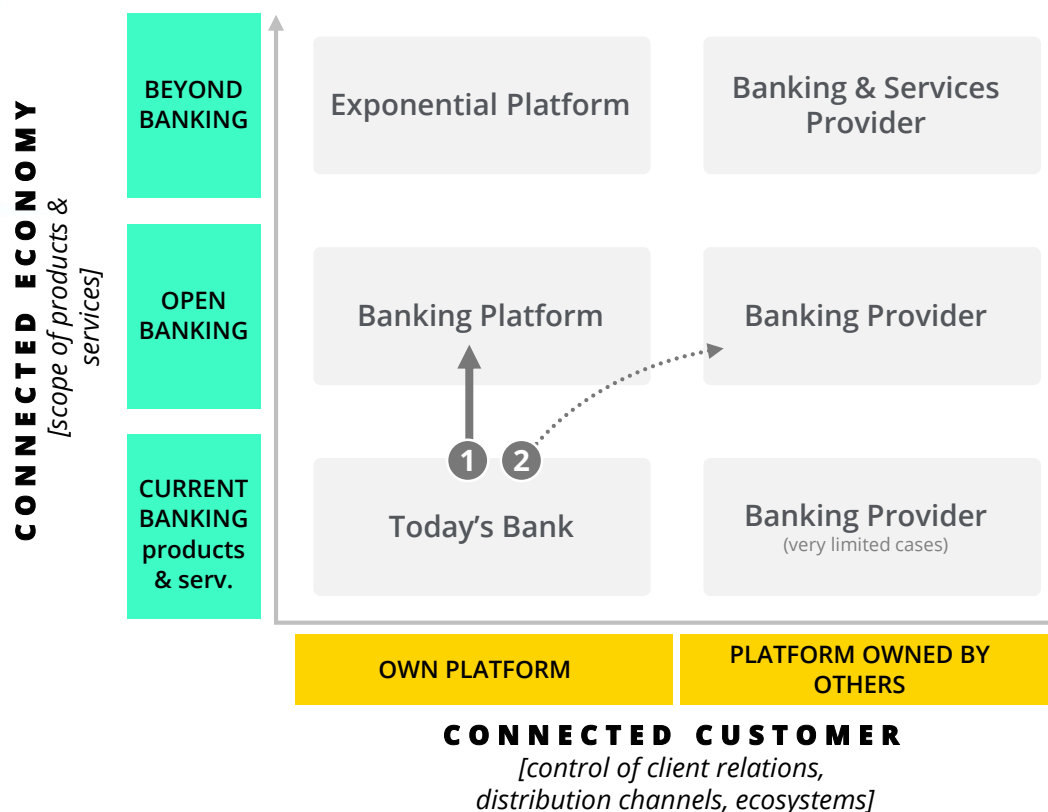


1 *What role do banks want to play beyond their traditional value chain/core business?*

2 *What role do banks want to play in the emerging ecosystems?*

Available strategic options depend on current position and aspirations to become a platform [1/3]

Deloitte “Bank of the future” model

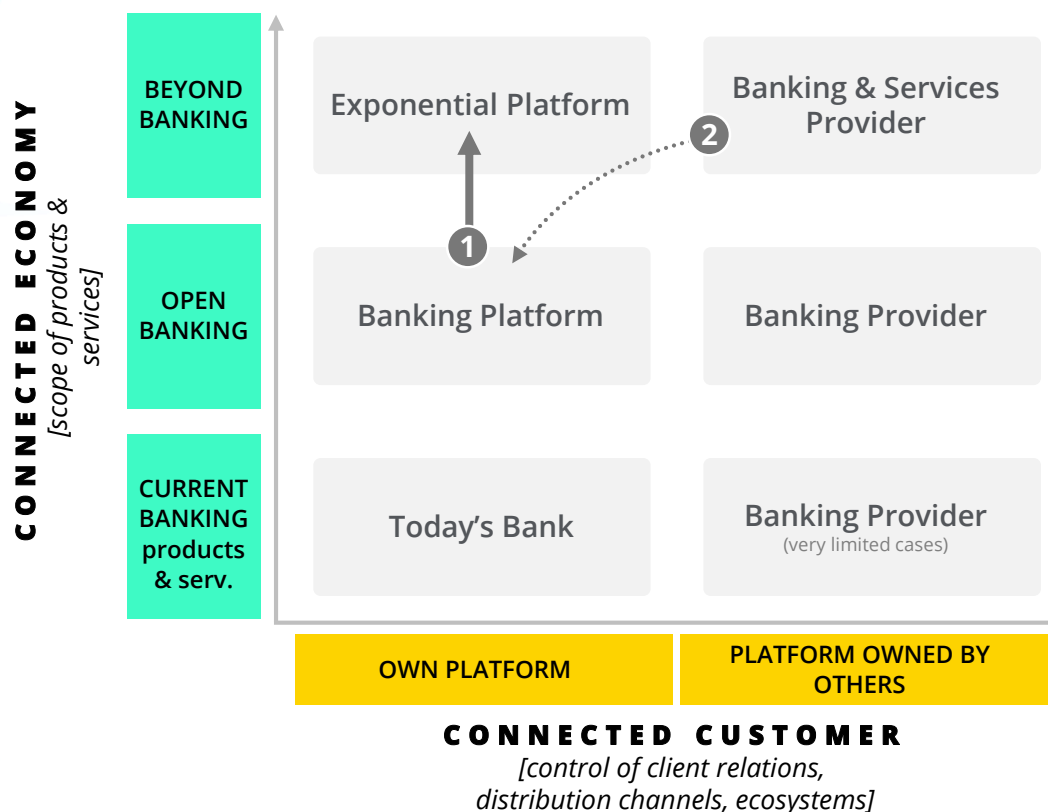


Digital latecomers

- 1 Digital latecomers will need to move from their comfort zone of current banking status quo and become banking platforms if they do not want to stay behind more digitally mature incumbents and FinTechs.
- 2 However, given the high investment needs necessary for the development of banking platforms, some players may decide to focus their business model on specific products and services and in consequence they will become a banking provider.

Available strategic options depend on current position and aspirations to become a platform [2/3]

Deloitte “Bank of the future” model

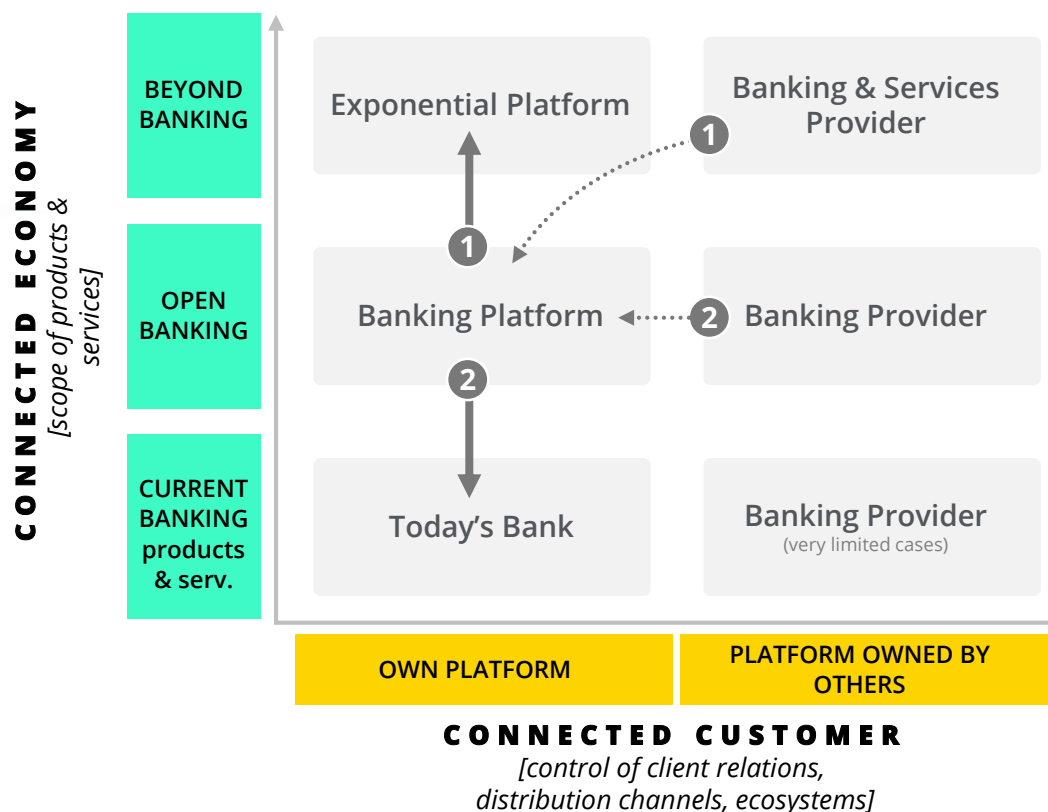


Digital champions

- 1** Digital champions should leverage their current strong position to expand Beyond Banking and develop their own exponential platform before other incumbents and FinTechs will try to fulfil this space.
- 2** To do so, they will need to work closely with financial and non-financial services providers as level of complexity of this strategic movement will require deep integration with external partners.

Available strategic options depend on current position and aspirations to become a platform [3/3]

Deloitte “Bank of the future” model



FinTechs

FinTechs will need to face pressure from two sides:

- 1 to not stay behind digital champions, they will need to develop further in the direction of exponential platforms,
- 2 to meet customer demand for more complex banking products, they will need to expand their services in area of traditional banking services.

Collaboration with incumbents and other specialized FinTechs is a critical success factor to face both challenges. Examples of N26, Revolut and others are showing that FinTechs have such capabilities, however they will need to work hard to maintain this flexibility with a growing scale of the business – an issue which was a stumbling block for digital maturity of many incumbents.

Executive summary

1 Deloitte Digital Banking Maturity objectively distinguishes Digital champions from laggards

To achieve this, we conducted a comprehensive benchmarking of functionalities and customer preferences in 248 financial institutions from 38 EMEA markets.

2 EMEA is highly diversified from the point of view of digital maturity

We can distinguish four groups of banks: digital champions, smart followers, adopters and latecomers. Internet banking penetration is highly correlated with internet access, but it doesn't explain digital maturity.

3 Market pressure from customers and competitors created Digital champions

In the nearest future, PSD2 and FinTechs will increase market pressure which will create new opportunities to digital champions.

4 FinTechs challenge incumbents as high entry barriers dropped considerably

FinTechs digital maturity is being curbed by limited offer of banking services, but cooperation with partners enables them to expand product portfolio with speed not seen before.

5 Open and Beyond banking will decide who will be the future Digital champion

Vast majority of identified functionalities are around digitalisation of traditional banking products, yet digital champions already achieved strong position in Open and Beyond banking.

6 Incumbents and FinTechs need to be ready for connected economy and connected customer

Available strategic options for digital laggards, champions and FinTechs depend on their current position and aspirations to become a platform.

**Reach out to us
if you are
interested in
receiving more
information
on the results
of the local market
or your institution**

Digital
Banking
MATURITY



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point, you can come to one
place to have your
ambitions brought to life.

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