

EMEA Digital Banking Maturity 2018

How to become a *Digital Champion*
and why only 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

2011

1 Occurrence



2016

55 Occurrences



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...

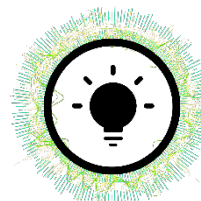


Customer research¹ focused on identifying the most important banking activities and preferred channel (branch, internet, mobile) for each activity

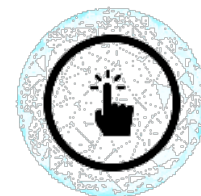
...with a compelling UX



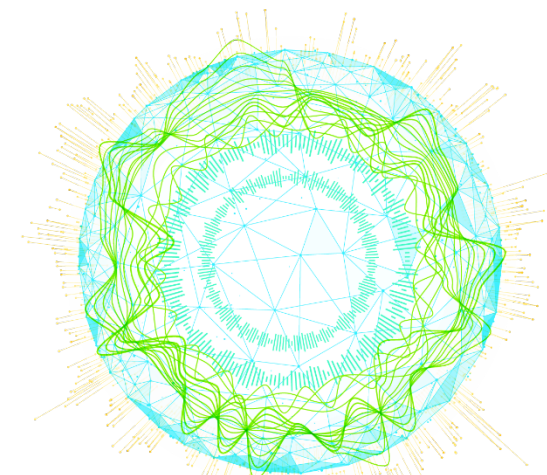
Supplementing analysis leveraging User Experience Questionnaire² and fulfilled by each banks' core customers³



Functionality score



UX score

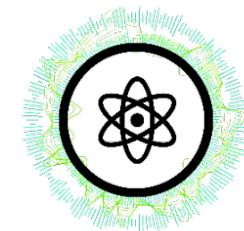


DBMaturity scoring

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.

We have identified 826 functionalities covering 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.

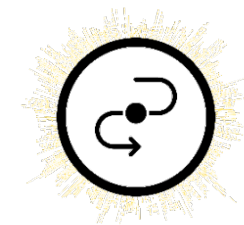
9

End relationship

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

826
functionalities

We weight functionalities based on customer research



Research¹ of more than 8 000 EMEA banking clients provided us insights on 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 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 small dots, creating a sense of connectivity and data flow. The lines are more densely packed on the left side and become sparser towards the right. The dots are scattered along the lines, some appearing as endpoints and others as intermediate nodes.

EMEA is highly diversified
from point of view of digital maturity

Benchmarked markets can be divided in 4 groups in terms of digital banking maturity

Digital champions



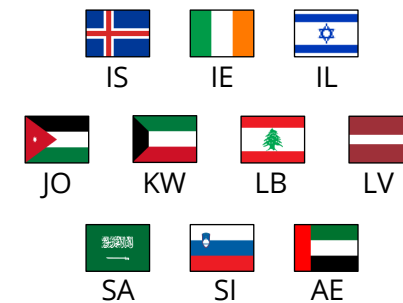
Digital smart followers



Digital adopters



Digital latecomers

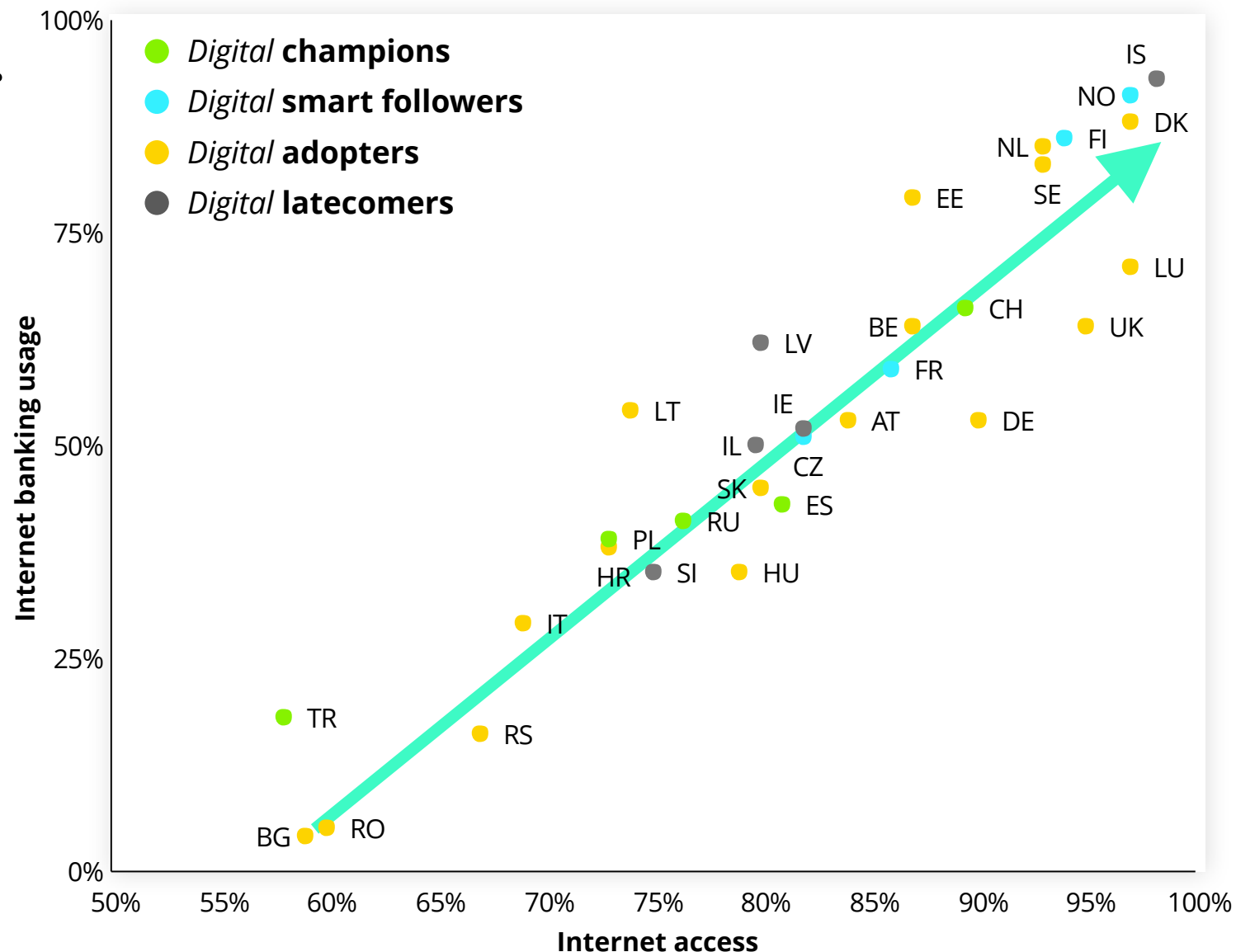


Note:

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

Countries within the 4 categories are in alphabetical order – the position of the flag within the group does not imply the score against other countries from the same group.

Internet banking usage is highly correlated with internet access, but it doesn't explain digital maturity



Source: Deloitte analysis, Eurostat

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The background of the slide features several thin, light green, wavy lines that flow across the frame, creating a sense of movement and organic form. These lines are more densely packed on the left side and become more sparse towards the right.

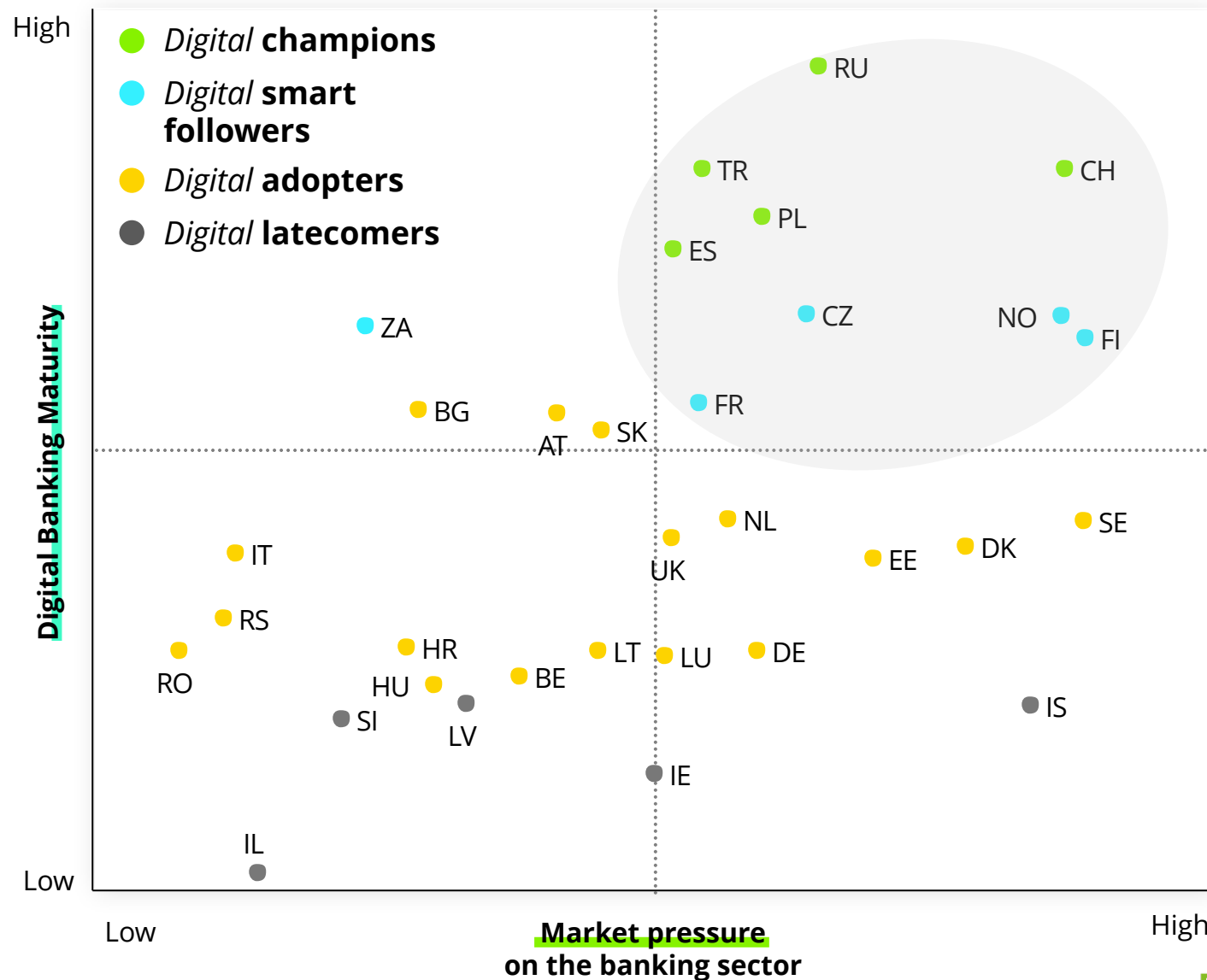
Market pressure from customers and competitors created *Digital* **champions**

No maturity without 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



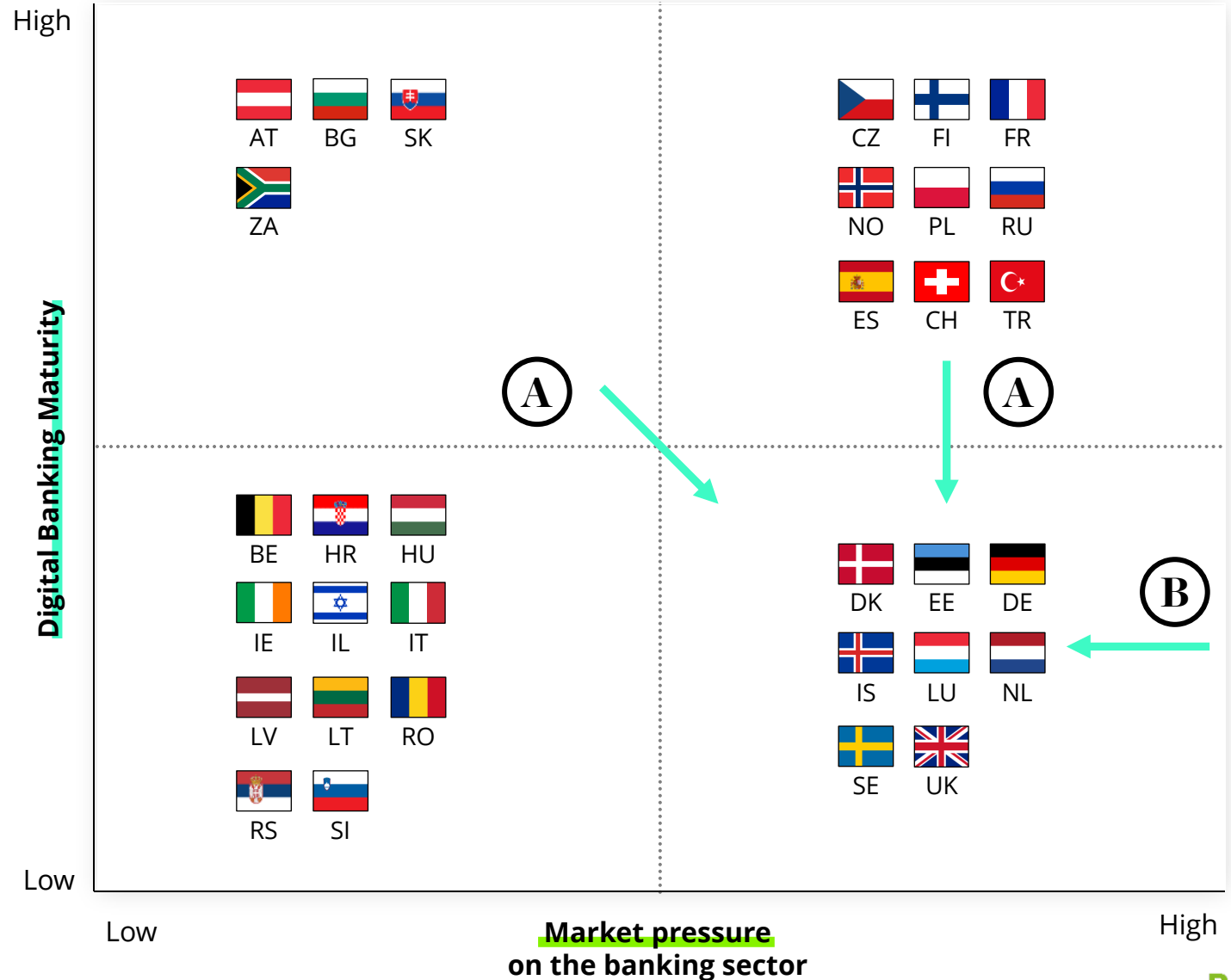
PSD2 and FinTechs will increase market pressure

A Foreign *Digital* champions as attackers

Digital champions will compete for highly demanding clients fueled 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

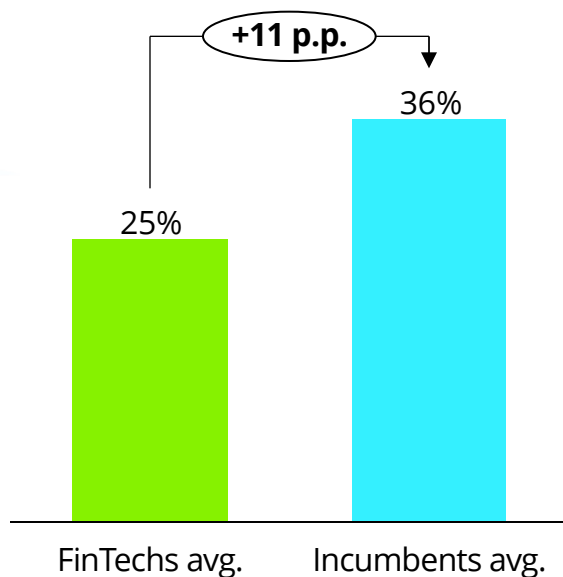




FinTechs challenge incumbents as high entry
barriers dropped considerably

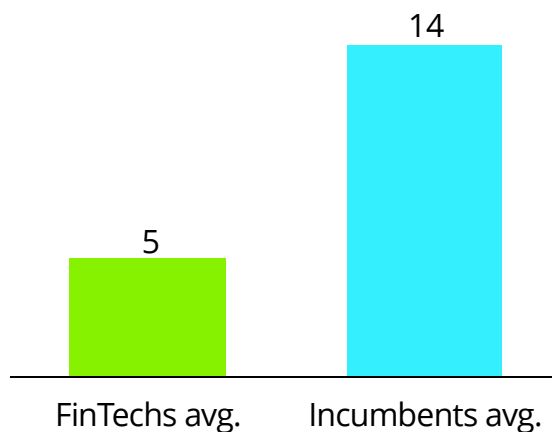
FinTechs *Digital* maturity is being curbed by limited offer of banking services

Total



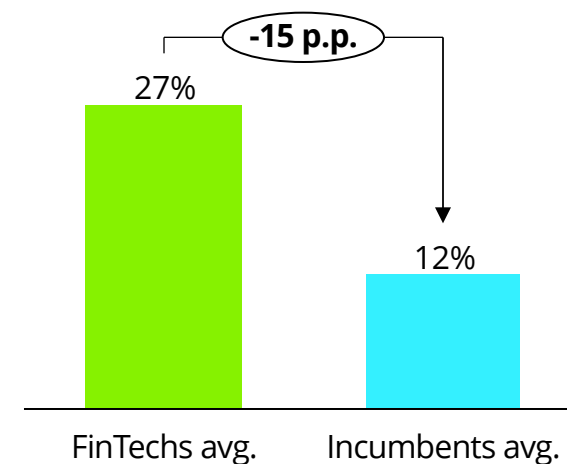
If we look at **total score**, on average **FinTechs are benchmarked lower than incumbents...**

Number of offered banking products



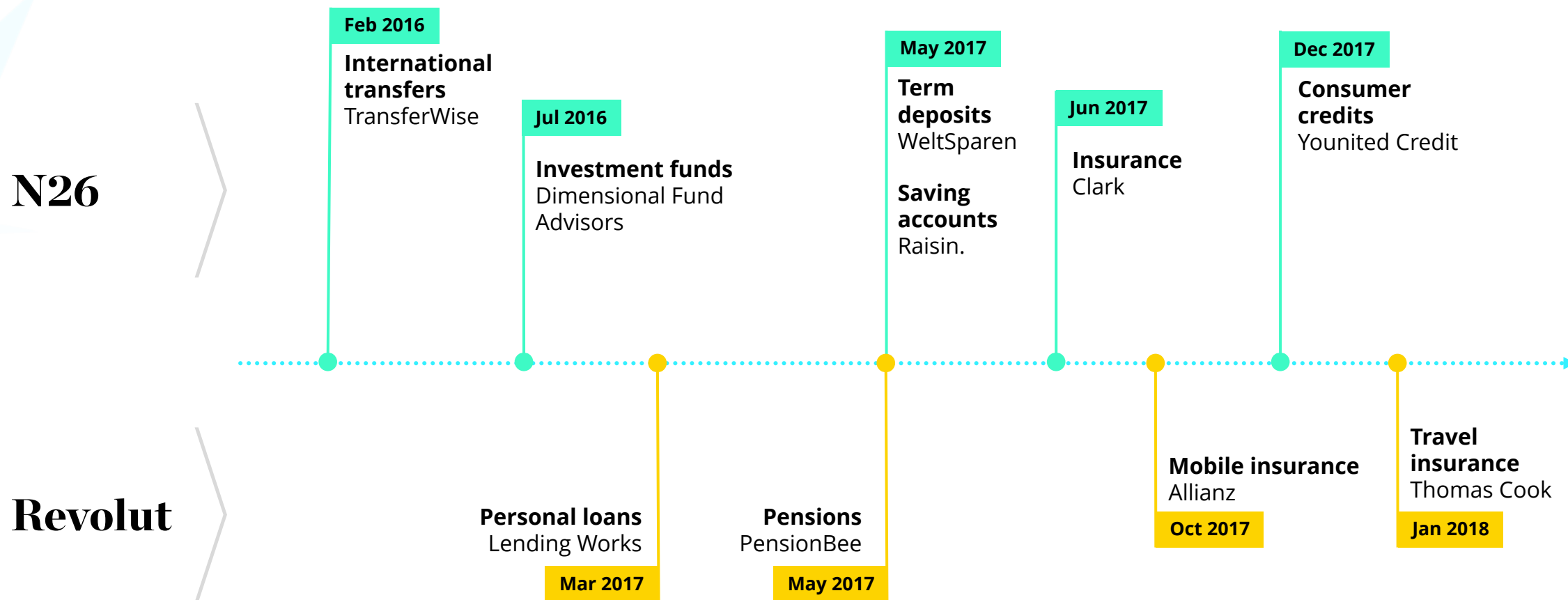
...as majority of FinTechs still offer **only selected banking products**, which is not satisfying more **complex customer needs...**

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 future *Digital* champion

Vast majority of functionalities are around digitalization of traditional banking products

I Digitalization

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 **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 from 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

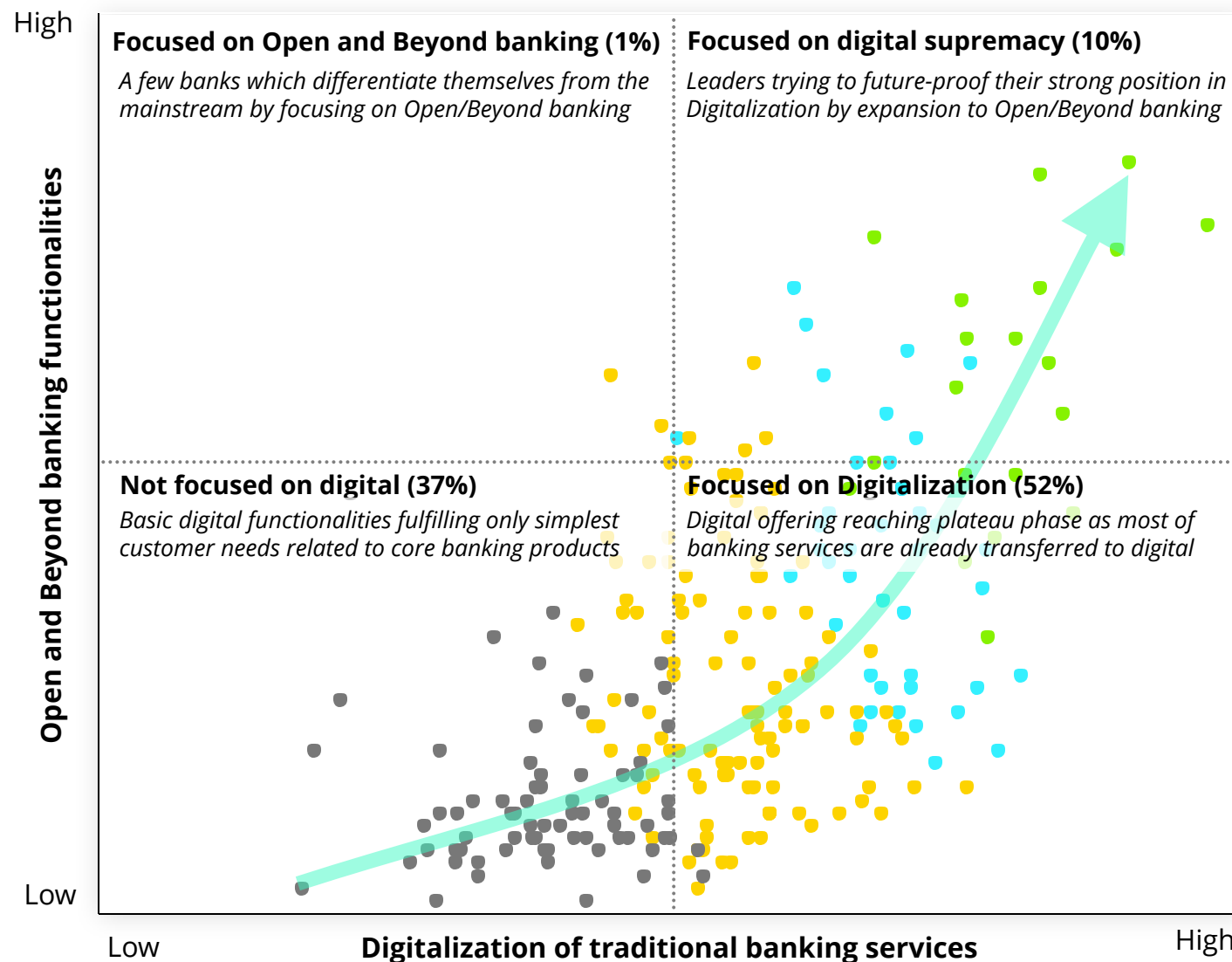
695

110

21

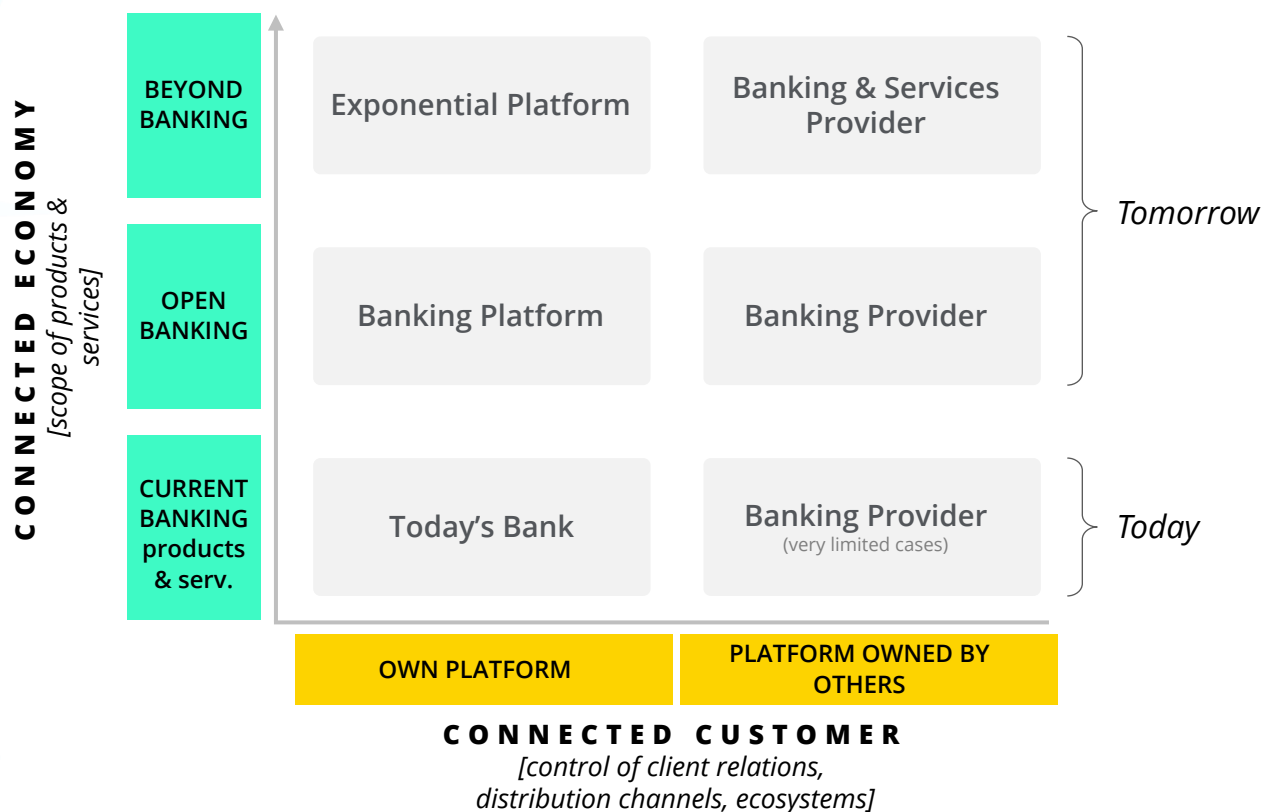
Yet digital champions already achieved strong position not only in Digitalization, but also Open and Beyond banking

- 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

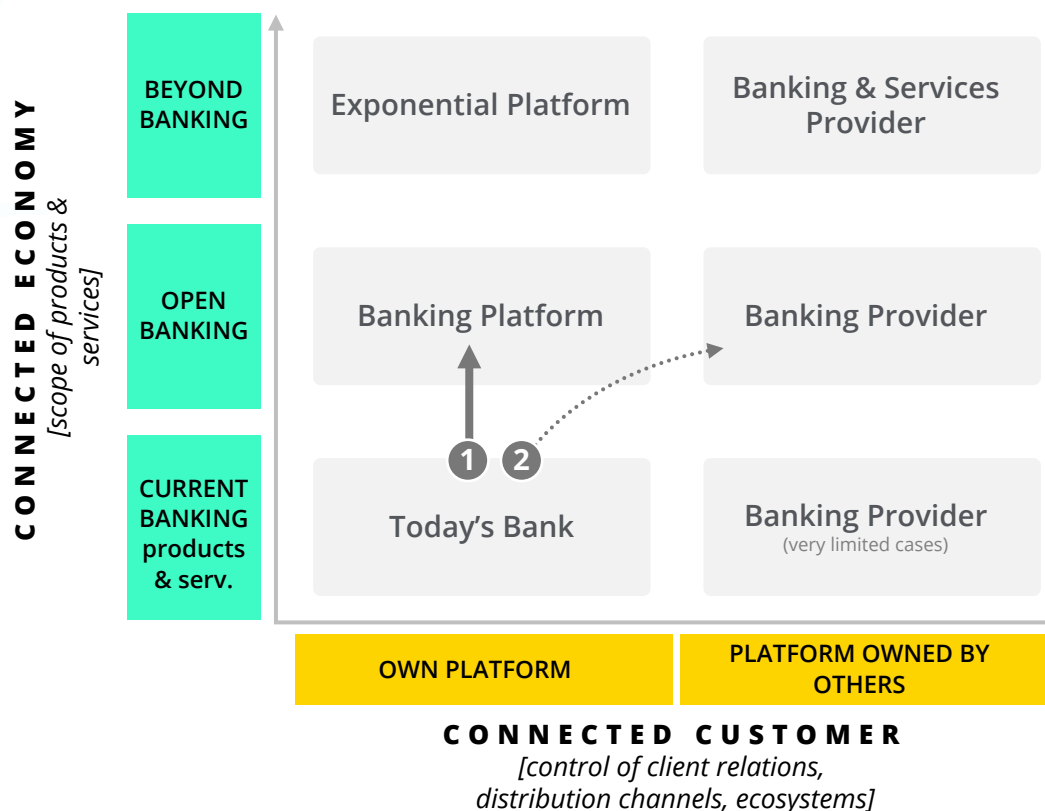


1 *What role do banks want to play beyond their traditional value chain/core business?*

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

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

Deloitte “bank of the future” model

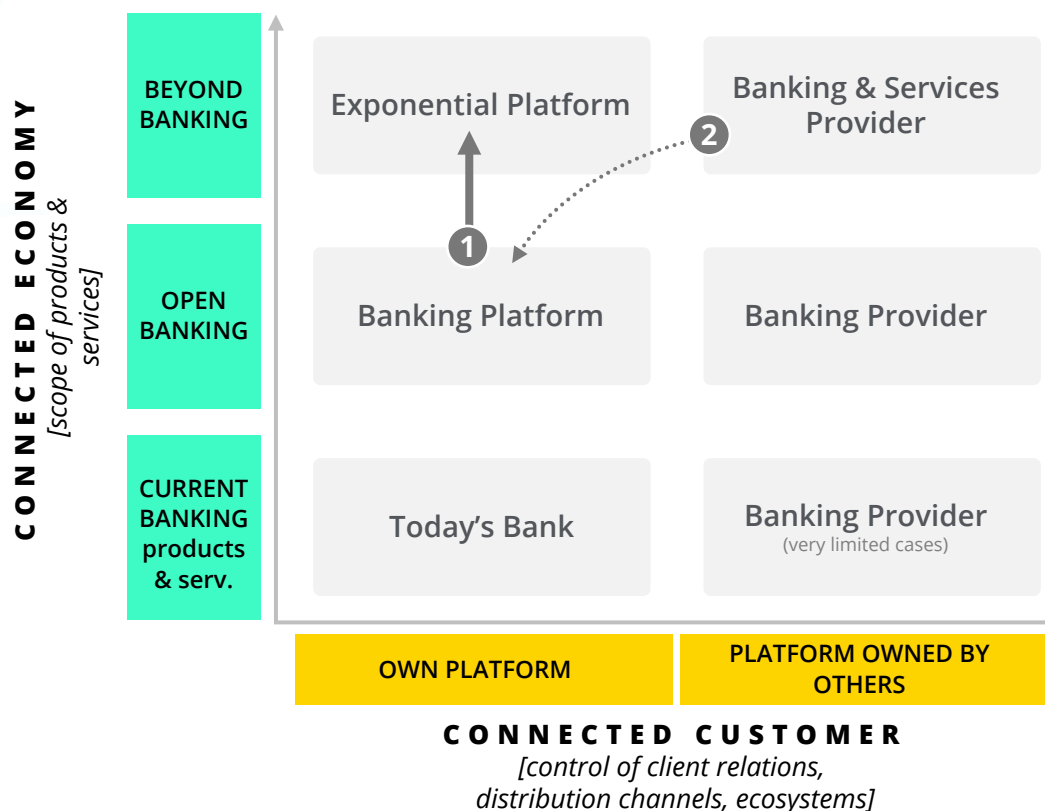


Digital latecomers

- 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 platform [2/3]

Deloitte “bank of the future” model

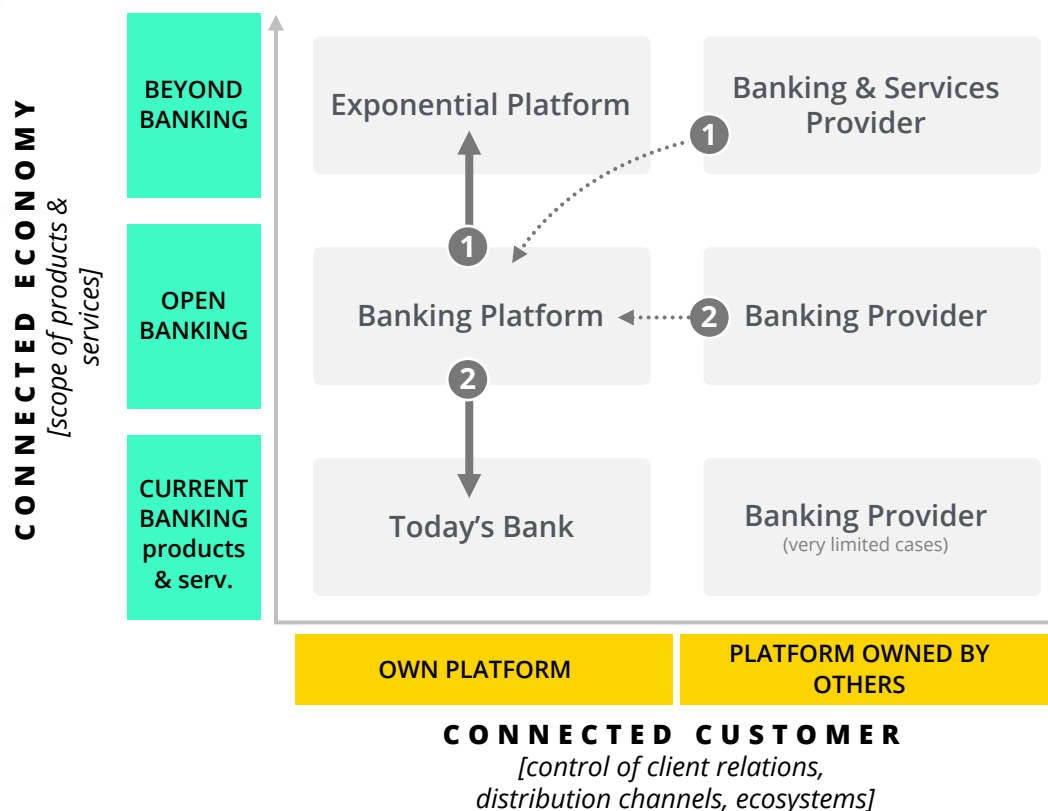


Digital champions

- 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 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 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 future Digital champion.

Vast majority of identified functionalities are around digitalization 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.

A new model for a new age

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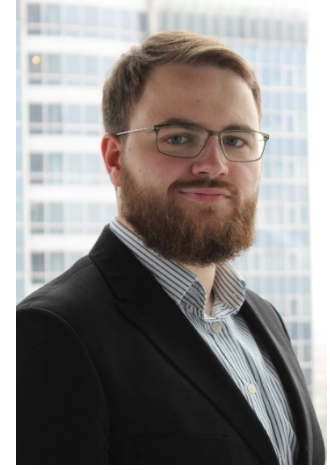
Olivier de Groote
Leader of EMEA FSI Digital

oldegroote@deloitte.com



Grzegorz Cimochoowski
Leader of CE FSI Strategy
Consulting

gcimochowski@deloittece.com



Daniel A. Majewski
Manager at CE FSI Strategy
Consulting

dmajewski@deloittece.com

Deloitte EMEA Digital Banking Maturity Country Leaders and Managers



Adriatics – Croatia & Slovenia

Mitja Kumar

Partner
mitjakumar@deloittece.com

Rado Bekes

Manager
rbekes@deloittece.com



Belgium

Cédric Deleuze

Partner
cdeleuze@deloitte.com

Emanuel Nuyts

Director
enuyts@deloitte.com



France

Michel De La Belliere

Partner
mdelabelliere@deloitte.fr

Julien Galabert

Senior Manager
jgalabert@deloitte.fr

Patrice De Villeroy

Partner
pdevilleroy@deloitte.fr



Austria

Werner Kolarik

Partner
wkolarik@deloitte.at

Beate Edl

Manager
bedl@deloitte.at



Bulgaria

Sylvia Peneva

Partner
speneva@deloittece.com

Dimitar Popov

Senior Manager
dpopov@deloittece.com



Germany

Juergen Lademann

Partner
jlademann@deloitte.de

Mioara Petre

Senior Manager
mpetre@deloitte.de

Corin Targan

Manager
ctargan@deloitte.de



Baltics – Estonia, Latvia & Lithuania

Roberts Stugis

Partner
rstugis@deloittece.com

Antons Ponomarjovs

Manager
aponomarjovs@deloittece.com



Czech Republic

Diana Rádl Rogerová

Partner
drogerova@deloittece.com

Štěpán Húsek

Partner
shusek@deloittece.com

Pavel Šiška

Partner
psiska@deloittece.com



Hungary

Balazs Merth

Partner
bamerth@deloittece.com

Andras Fulop

Partner
afulop@deloittece.com



Ireland

David Conway

Partner
daconway@deloitte.ie

Anthony Day

Director
anday@deloitte.ie



Luxembourg

Pascal Martino

Partner
pamartino@deloitte.lu

Xavier Turquin

Senior Manager
xturquin@deloitte.lu



Nordics – Denmark, Finland, Iceland, Norway & Sweden

Kirsti Merethe Tranby

Partner
ktranby@deloitte.no

Kasper Loke

Consultant
kloke@deloitte.no

Kathrine Laerke Sondergaard

Senior Manager
ksondergaard@deloitte.no



Israel

Rani Argov

Partner
rargov@deloitte.co.il

Tomer Grinapell

Consultant
tgrinapell@deloitte.co.il



Middle East – Kingdom of Saudi Arabia, Kuwait, Lebanon, Qatar, United Arab Emirates & Jordan

Khaled Hilmi

Partner
khilmi@deloitte.com

Arzoo Ahmed

Senior Manager
arzooahmed@deloitte.com



Poland

Grzegorz Cimoichowski

Partner
gcimoichowski@deloittece.com

Daniel Majewski

Manager
dmajewski@deloittece.com



Italy

Gianluca Loparco

Partner
gloparco@deloitte.it

Giovanni Fontanini

Director
gfontanini@deloitte.it

Elisa Andreatta

Manager
eandreatta@deloitte.it



Netherlands

Robert Collignon

Director
rcollignon@deloitte.nl

James Ransome

Senior Manager
jaransome@deloitte.nl



Romania

Dimitrios Goranitis

Partner
digoranitis@deloittece.com

Dinu-Mihail Bumbacea

Partner
dbumbacea@deloittece.com



Russia

Sergei Neklyudov

Partner
sneklyudov@deloitte.ru

Ilya Etko

Partner
ietko@deloitte.ru

Pavel Aharodny

Senior
paaharodny@deloitte.ru



South Africa

Olivier Grandjean

Senior Manager
ograndjean@deloitte.co.za

Andre Liebenberg

Manager
anliebenberg@deloitte.co.za



Turkey

Hasan Kilic

Partner
hkilic@deloitte.com

Osman Aytaman

Senior Manager
oaytaman@deloitte.com



Serbia

Negica Zekic

Senior Manager
[nzeikic@deloittece.com](mailto:nzekic@deloittece.com)

Marko Nikolic

Manager
mnikolic@deloittece.com



Spain

Gerard Sanz

Partner
gsanz@deloitte.es

Sergio Peña

Consultant
spenaminano@deloitte.es



United Kingdom

Jonathan Gray

Partner
jonagray@deloitte.co.uk

Michael Robinson

Partner
microbinson@deloitte.co.uk

Angus Heslop

Manager
aheslop@deloitte.co.uk



Slovakia

Peter Longauer

Partner
plongauer@deloittece.com

Michal Kopanic

Partner
mkopanic@deloittece.com

Tomas Vrsansky

Senior Manager
tvrsansky@deloittece.com



Switzerland

Marius Virmond

Director
mvirmond@deloitte.ch



Thank you !

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