

News release

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Digital Banking Maturity: Gap between best and the rest widens

- **Mobile banking applications are a crucial competitive advantage according to latest Deloitte study.**
- **Only 10% of banks assessed worldwide are digital champions that offer a compelling user-centric banking experience.**
- **Luxembourg retail banks have progressed since 2020 but still lag behind global average.**

Luxembourg, 18 October 2022: Banks that strive to be leaders must offer more than just traditional financial services to their clients. According to the new Digital Banking Maturity report released by Deloitte, only 10% of the 304 retail banks assessed worldwide are *digital champions*. Those banks provide a wide range of functionalities relevant to customers, ensuring a compelling user experience that sets them apart from the rest. In Luxembourg, digitalization of the banking sector has progressed, yet remains below the global average.

Versatile accounts: the key to success

The report indicates that the pandemic irreversibly changed the banking sector. The option to open a personal account remotely – via internet banking or mobile app – is currently offered by 80% of the *digital champions* and nearly 70% of the other banks (versus 55% in 2020). These changes are fostered by regulations like PSD2 that allow banking institutions to extend their range of services available to customers, such as managing multiple accounts through a single app.

“Mobile banking apps and added-value services play a crucial role in staying ahead of the curve. Today’s banking clients expect their banks to offer services that cover multiple areas of their day-to-day life. Banks need to be more than banks,” says Pascal Martino, Banking Leader at Deloitte Luxembourg. *“This trend has grown significantly in importance, and even if it has limited impact on financial performance, new value propositions can improve client engagement and loyalty.”*

Mobile channels: the way to go

The ubiquity of mobile devices in our everyday life is reflected in daily banking routines. Smartphones are frequently used to look for information about banking products, checking account balances, making

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transfers and investing. Mobile banking has a slight advantage over internet banking, as it enables the most common authentication method – taking a picture of the ID card.

Luxembourg banks: digitalization moving slowly

The level of digital maturity of the Luxembourg banking sector (39%) remains slightly below the worldwide average (42%) and far below the *digital champions* (64%). While all five Luxembourg retail banks have improved their digital maturity compared to the last study in 2020, the gap between them and the leading 30 digital champions has widened (+2 points). This is especially the case in the fields of bancassurance, investment services, card management and authorization. None of the Luxembourg banks are in one of the extreme groups – no *digital champion* nor *digital latecomer*.

Key findings for Luxembourg include:

- Some basic banking functionalities are still not standard in Luxembourg retail banks:
 - *Account opening*: Luxembourg banks are above average in account opening but way below the level of digital champions. Only two banks in Luxembourg allow an account opening process that is entirely online.
 - *Day-to-day banking*: Luxembourg banks are in line with market practice but also far below the level of top performers. Only one Luxembourg bank allows aggregation of several bank accounts into a total financial balance and visibility of history across all accounts.
- E-invoice: Only one Luxembourg bank allows payment of e-invoices directly via the app.

Luxembourg retail banks need to adapt

Luxembourg ranks 25th out of the 41 participating countries, bringing up the rear amongst its neighbors Belgium and Germany in terms of digital banking maturity.

“Luxembourg banks have improved their end-to-end digital processes and enriched their digital offerings thanks to important investments. Yet, they need to invest more, especially in the most critical client journey to improve the user experience, and keep up with worldwide competition,” explains François Bade, Banking Partner at Deloitte Luxembourg. *“A seamless and fully remote account opening as well as the increased integration of banking apps to enable smooth personal finance management should become standard.”*

About the study

The fifth edition of the *Digital Banking Maturity* report, the world’s largest digital banking study, assesses digital maturity based on three components: benchmarking of more than 1,200 digital functionalities, customer needs research, and a user experience (UX) study.

As the significance of the 1208 functionalities assessed in the study varies by a considerable amount, a weight system has been put in place to determine the functionality score. Every functionality is assigned a unique weight, based on the following criteria: functionality assessment, customer usage, customer channel preference, relevance of functionalities and prioritization of product opening methods. The level of maturity is measured at a scale of 0 to 100%, 100% meaning a fully digital user experience.

The analyzed banks from 41 countries are divided into four categories: (1) *digital champions*, setting key digital trends and leading the market practice, (2) *digital smart followers*, banks intending to replicate digital champions' solutions, (3) *digital adopters*, the ones in the initial stages of business digitalization, and (4) *digital latecomers*, banks that lag behind.



The comprehensive results of the global study can be downloaded here:

<https://www2.deloitte.com/lu/digital-banking-maturity-2022>.