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How are banks responding to the digital (r)evolution?

Deloitte's Digital Banking Maturity 2020 is the fourth edition of the largest global benchmarking of digital retail banking channels, breaking down what leaders are doing to win the digitalization race.

Luxembourg - COVID-19 has changed banking and fast-tracked the development of digital channels. While 60 percent of banks have closed their branches or shortened their opening hours, many have also embraced digitalization, implementing fully digital processes including account opening (34 percent), remote identification and verification methods (23 percent) and contactless payment methods (18 percent).

This and other findings of the banking sector's digital capabilities and readiness can be found in Deloitte's Digital Banking Maturity Study, a comprehensive analysis of the digital functionalities and banking market in 39 countries, encompassing 318 banks.

What makes a digital champion?

The digital maturity assessment is based on three components: functionalities benchmarking, customer needs research, and a user experience (UX) study. A team of 180+ "mystery shoppers" opened current accounts and evaluated each bank's internet and mobile banking channels against 1,100+ functionalities. In parallel, 4,900 customers were surveyed to better understand their needs and preferred channels (branch, internet or mobile). The results were supplemented by a user experience questionnaire (UEQ) survey and an assessment of 19 UX scenarios

reflecting 10 areas of customer activity from every stage of their relationship with a bank.

"*Following this methodology, we were able to separate the true digital champions from smart followers, adopters, and digital latecomers. Digital champions, which scored in the top 10 percent of banks globally, provide a broad variety of digital functionalities relevant to their customers and compelling UX. They have leading market practices and are setting key digital trends for the industry*," explains Pascal Martino, Partner and Banking & Human Capital Leader at Deloitte Luxembourg.

In the past two years, digital banking has greatly matured across the globe. The Grand-Duchy has maintained its position, but the gap between digital leaders is increasing, as well as with our direct neighbors.

In an ever-accelerating race, just being good is no longer enough. Luxembourg banks need to gear up their digital investment to stay in the leading peloton and avoid falling back to the *grupetto*. Only one bank of five was able to climb up the ranking to join the Smart Followers, while the Digital Champions are breaking away.

What are digital champions investing in now for the future?

Digital champions realize that UX is a key differentiator driving customer satisfaction—65 percent of digital champions ranked in the top 10 percent of the UX scenarios analyzed. The largest gaps between champions and latecomers are in opening an account (71 percent versus 23 percent of UX-related functionalities), buying an insurance product (44 percent versus 7 percent) and beyond banking service (48 percent versus 11 percent).

"*Digital champions do not only lead their peers in the number of digital functionalities; on average, those that are incumbents outperform other incumbents in their country by both cost to income (-4.0 percentage points (p.p.)) and return on equity (+1.9 p.p.)*," said François Bade, Director of Strategy & Corporate Finance at Deloitte Luxembourg.

Most banks still need to close gaps in their end-to-end (E2E) digital sales processes to better serve online customers. Digital champions investing in E2E digital sales processes have widened their lead on latecomers for key products, e.g., 51 percent versus 23 percent for current accounts, 85 percent versus 34 percent for credit cards, and 84 percent versus 30 percent for cash loans.

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"Challenger banks tend to adopt new trends and innovations faster than incumbents. New functionalities typically gain traction faster with challenger banks than incumbents, e.g., providing customers with a virtual debit card in advance of their physical card is 26 percent versus 2 percent, while bill split is 27 percent versus 2 percent," comments Xavier Turquin, Senior Manager of Business Transformation at Deloitte Luxembourg.

"*Our Digital Banking Maturity benchmark also analyses how the local competitive landscape is influencing digital investment priorities. It evaluates individual bank positioning in comparison to local competitors across three dimensions: customer journey, channels, and products. Banks need to grasp the full picture of their market situation to understand their next course of action. Making the right strategic decisions will determine their future market positions. The country data and benchmarks behind the global Digital Banking Maturity Study can help banks future-proof their digital strategy,*" adds François Bade, Director of Strategy & Corporate Finance at Deloitte Luxembourg.

For more information and deeper insight on the Digital Banking Maturity 2020, visit our dedicated webpage: https://www2.deloitte.com/lu/digital-banking-maturity