

Digital Banking Experience Report 2022

Transform your bank in 2023

*Le monde est tel que nous le façonnons

Executive summary

The rise in hyperconnected customers is pushing banks toward a more personalized, secure and environmentally conscious approach.

- ***Hyperconnected customers demanding personalized services are calling for an acceleration of their banks' transformation – toward more security and advice, as well as digital and environmentally responsible products and services***
- ***Aware of these new challenges, banks are showing a decline in digital maturity compared to 2021 and are reviewing their priorities***
- ***However, banks still maintain high levels of trust among customers, opening up real opportunities to differentiate themselves on the market and generate revenue.***

In October 2022, Sopra Steria, in partnership with IPSOS and Forrester, unveiled the results of its annual Digital Banking Experience (DBX) report. For the second year in a row, this report assesses the digital maturity of banks and their ability to keep pace with their customers' new expectations.

The analysis is based on a cross-section of banks' (792 banking sector decision-makers surveyed by Forrester in 50 countries) and consumers' perceptions (12,500 customers surveyed by IPSOS in 14 countries).

Following on from 2021, banks are facing accelerating change. They are under pressure, consolidating their digital transformation in a macro-economic context. Our report highlights the obstacles in their path toward digital maturity, and banks' confidence in their ability to overcome these obstacles. Among the major challenges for 2023, we have identified collaboration with the financial services ecosystem, agility in organizations and processes, and the unstable balance between operational resilience and innovation capacity.

The consumer view also suggests a gap to be bridged between the priorities set by banks and the expectations of their customers, which are changing at a rapid pace.

Customers mixed on their bank's value

Despite the apparent proximity and ease of communicating with their bank through digital channels, customers emphasize the lack of their banks' presence at key moments in their lives; for instance, when they are seeking advice, support and personalized services. Only 26% of customers say they are completely satisfied with the level of personalization offered by digital tools, and 29% deplore banks' ability to listen to them on these same channels.



These gaps between the services offered and those desired lead customers to question the durability of their relationship with their bank. This probably justifies the fact that 46% of customers say they would open an account with a non-bank player, if it offered enticing products. On a European scale, this figure is highest in Luxembourg (51%) compared to only 11% in the Netherlands.

"Banks must accelerate their digital transformation to meet their customers' expectations for new services. Technology and data analysis are key levers that banks can activate to differentiate themselves while ensuring control of the regulatory framework,"

says Laurence Niclosse, Director of Customer Experience for Banks, Sopra Steria Next.

Hyperconnectivity calls for hyperpersonalization

Today's banking customer is hyperconnected, digitally savvy and has accounts across multiple different banks. As such, they are less likely to interact with their bank advisor. Nearly four out of ten customers now have an online bank, which 36% consult with at least once a day. Mobile applications and websites are becoming the primary channels of exchange for 58% of respondents. Only 25% of customers say that they contact their advisor as their first means of communication. (That rate is 57% in France, compared to 23% in the Netherlands.)

For the most sophisticated users, digital is no longer just a channel for interaction - it is expected to be a payment and finance management channel with high added value. Management assistance services facilitated by artificial intelligence (AI) are of great interest to 67% of respondents, who would willingly use a personalized recommendation and alert system in case of financial problems. 68% of customers are interested in an application that would unify all of their payment methods in one place. The appeal of cryptocurrencies is also growing, as one in four customers has already invested in cryptocurrencies, a trend that is particularly widespread in Africa (42%) and the United States (32%).

68% 68% of customers are interested in an application that would unify all of their payment methods in one place.

Security: a new lever of value

A corollary of the acceleration of digital uses, cybersecurity is a subject of interest for both banks and end-customers alike. More than one customer in four has been the victim of an attempt to hack into bank data or identity theft, an attempt that has been successful more than one in seven times. Paradoxically, 82% of cybercrime victims think that digital technology has contributed to the security of exchanges and operations with their bank.

Although credited with a high level of trust, banks are nevertheless expected to be more proactive in their responses. Over two thirds of banks (72%) say they plan to invest more than 6% to better integrate cybersecurity into their strategic plans.

In addition, one in four customers would be willing to subscribe to a banking service that guarantees the security of their data.

The environment: new criteria for choosing banking services

Nearly one in four customers indicate that the fight against global warming is a key issue, and 55% say that it is becoming more important than investment profitability.



Bank managers recognize their role to play in integrating environmental issues into their bank's strategy. They see it as a source of differentiation and an opportunity to strengthen customer confidence and reduce their environmental impact. The environmental priority is, therefore, on the agenda for 63% of banks.

Contrasting digital transformation trends for banks

Faced with new customer expectations, banks are encountering obstacles in their transformation, regardless of their size, segmentation and geography.

Between 2021 and 2022, the share of banks showing room for improvement with regards to their digital maturity increased by 12 points.

This is disproportionately the case for small and medium-sized banks. They have decreased their investment in service and payment innovations, preferring instead to prioritize short-term actions, such as protecting their IT systems and improving their productivity and efficiency.



Priorities for accelerating transformation

The banks that are most advanced in their digital transformation are unanimous on the measures to be taken to accelerate their evolution. 94% believe that Software-as-a-Service (SaaS) will become the main deployment model in the future. 95% of these same banks will rely on collaborative business models.

Collaboration with ecosystems is also a key concern for the sector. 59% of banks say they have made investments in this area, but only 19% say they are ready for open finance. The biggest challenges in this area remain the interoperability of internal and external systems and data, as well as security requirements. In order to facilitate exchanges and promote their services on third-party platforms, 33% of the most advanced banks will facilitate the use of their APIs. 83% will also significantly increase their investments in emerging technologies.

Finally, the use of data and emerging technologies is also a pressing issue among banks.

"To face the future, banks must rethink the way they work and focus on creating value by offering adapted services accessible from service platforms,"

says Jean Carpentier, Director of Banking Consulting at Sopra Steria.

Digital banking maturity assessment

As part of the annual DBX report, Sopra Steria and Forrester segment banks' respondents into five different categories of readiness: Explorer, Technologist, Strategist, Specialist and Pioneer. The graph below shows some key stats about each category, as well as a brief description.

We will refer to these categories throughout this report.

Key facts

Explorer	<ul style="list-style-type: none">• Developing a clear strategy and vision is a fundamental priority• Must focus on building a digital-first, collaborative culture and mindset• Need to establish, invest in and nurture their collaborative ecosystems
Intermediate Technologist	<ul style="list-style-type: none">• Strong in technology and processes, but weak in strategy and culture• Requires buy-in of senior leadership to accelerate path to future-readiness• Need to build skill and competence and cement cultural change to fully transform
Intermediate Strategist	<ul style="list-style-type: none">• Strong strategic and cultural foundation but processes and technologies are not yet fully formed• Next step will be to balance vision with underpinning technology• Need to assemble stronger tech stacks through the right investments, partnerships, and expertise
Intermediate Specialist	<ul style="list-style-type: none">• Strong in all areas but yet to perfect ecosystem engagement• Focused strategies, strong technology competence and internally optimized• Need to get better at seeking out and curating partnerships
Pioneer	<ul style="list-style-type: none">• Future-ready. Current priorities sorted and a clear future vision for their operating model• Significantly ahead in mastery of both digital and CX capabilities, prioritizing progress evenly across the board• Embraces partner ecosystems, nurturing relationships to deliver value

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01 The customer-bank relationship

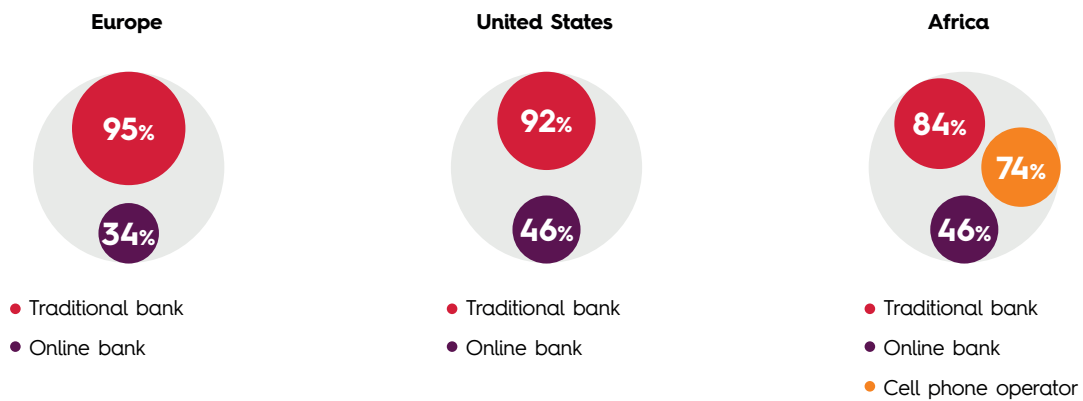
01 The customer-bank relationship

Brick-and-mortar bank branches are on the decline, and yet customers have more ways to communicate with their bank than ever before, thanks to online and mobile banking.

Digital-only banks are profiting from this shift; however, a vast proportion of customers still hold accounts with traditional banking players.

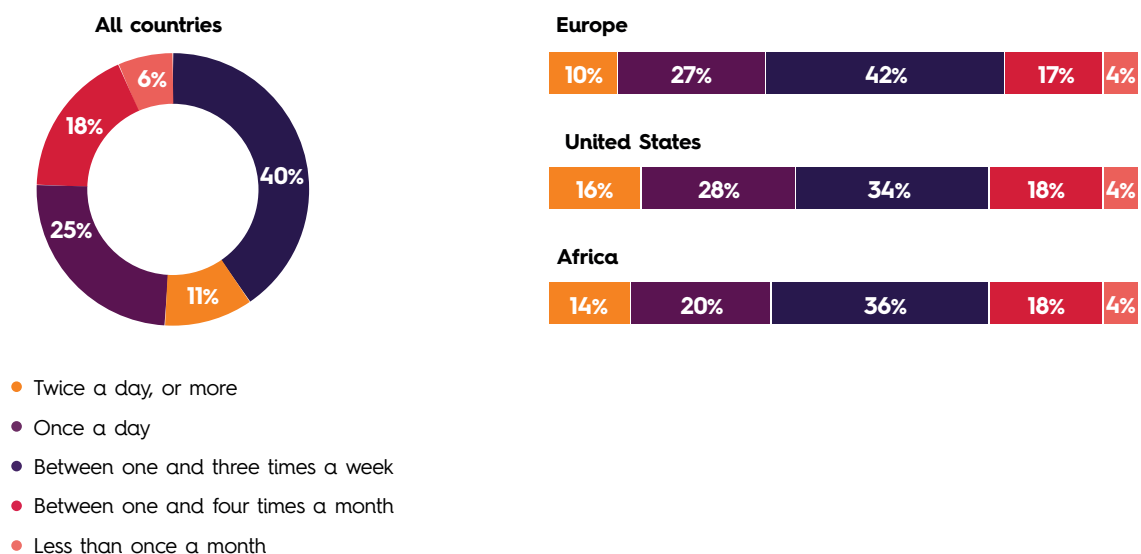
Nearly all (92%) respondents say they have an account with a traditional bank, and 39% say they have an account with an online, digital-only bank. A large majority (74%) of African respondents say that they bank with a cell phone operator that is not a bank, but that allows bill payments and the withdrawal and sending of money by cell phone.

It is also interesting to note that European respondents appear more reluctant than Americans and Africans to adopt online bank accounts.



Over a third of all respondents say that they check their accounts at least once a day. This trend is more prevalent in the US and Africa than in Europe, where customers are slightly less engaged with digital banking.

Generally, how often do you check your accounts?





02 Banks' digital maturity

02 Banks' digital maturity in 2022

The future of banking is digital, and cloud is an essential component of banks' digital transformation.

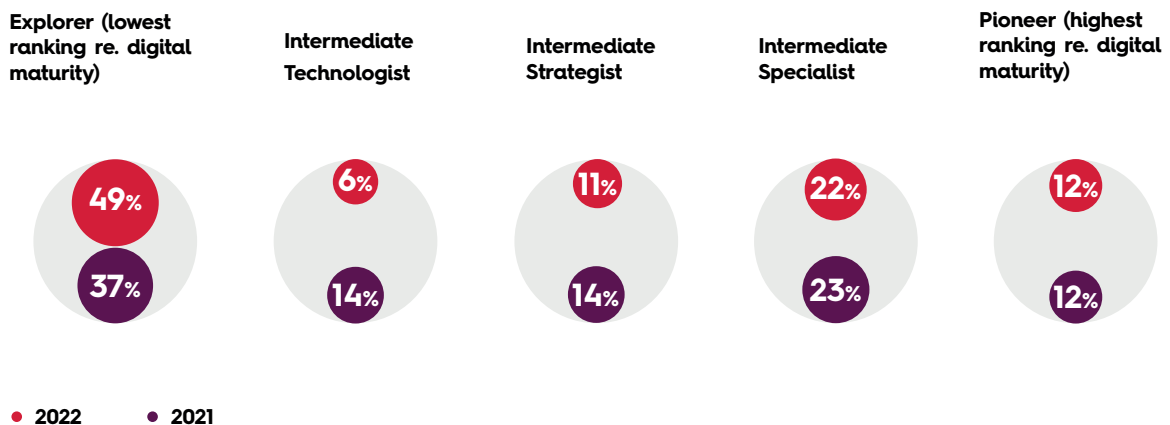
74% of banks agree as-a-service will become the leading deployment/delivery mode in the future. Half of all banks already source SaaS capabilities for their own products and services, and offer their capabilities to third parties, enabling new revenue streams.

However, banks have fallen behind on their path to becoming future ready. Per our 2022 digital assessment framework, almost half of banks fall (49%) into the lowest ranking category (Explorers), compared to 37% in 2021.

As the graphs below suggest, this shift comes from the Intermediate segments, i.e., those banks who have made progress on their digital journeys, but still have a way to go. The most advanced segment (Pioneers) is unchanged from 2021 (12%).

Alarming as this drop-off may seem, we believe that it is not due to stalled progress on the part of banks, but rather a multitude of issues coming together to complicate digital transformation:

- Realization of how hard transformation is in disruptive times. Banks now know what they did not last year. This realization is a step ahead in itself, but also triggers a step back to their maturity
- Global shifts in geopolitics, wars, regulatory developments and economic volatility weighing heavily on confidence
- Sustained pressure to future-proof business models by shoring up existing revenue streams and developing new ones.



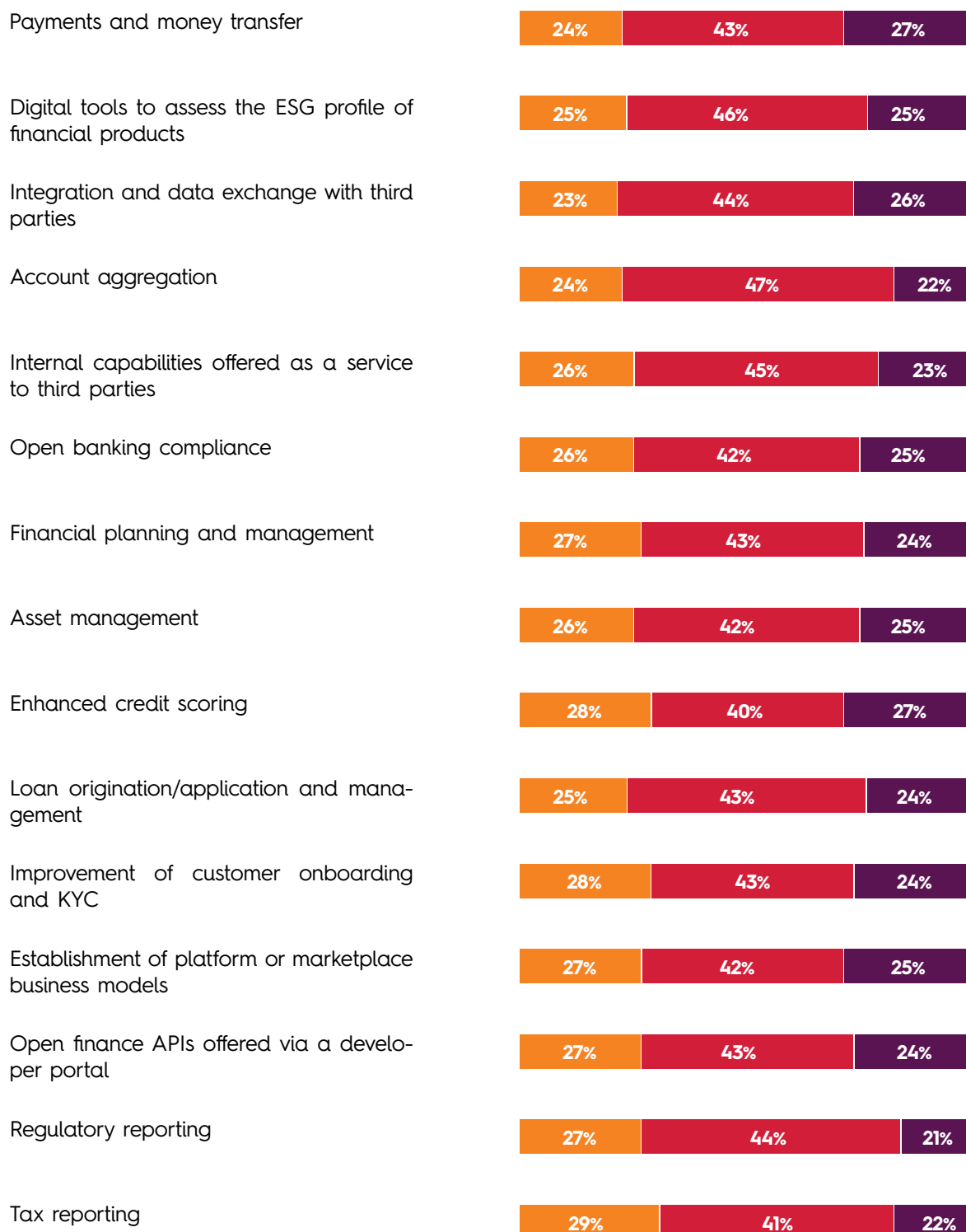
Banks are aware of the digital maturity problems they face, and how such problems have shifted since DBX 2021. The response from practically all banks has been a significant increase in investment across all digital banking capabilities.

Banks are also seeking more help from third-party expertise to advance their ecosystems and achieve growth.


Compared to last year, fewer decision-makers at banks plan to build capabilities themselves; rather, they say that they will work with a third party or source them exclusively from a third party.

Furthermore, just under two thirds of banks (65%) now prefer to turn to third parties rather than build homegrown solutions, as they are keen for assistance that allows them to cope better with the forces that are changing the industry.

How do you expect your organization's investment in the following digital banking capabilities to change over the next 12 months?



- **Increase 1% to 5% (%)**
- **Increase 6% to 10% (%)**
- **Increase of more than 10% (%)**



The most advanced category of bank in terms of digital maturity (Pioneers) have also invested the most resources in growing their ecosystem capabilities. 99% of Pioneers foresee revenue growth as a result of adopting collaborative business models.

How does your firm plan to deliver the following digital banking capabilities?

Account aggregation

	Build ourselves	Augment with third party	Source exclusively from third party
• 2022	29%	41%	25%
• 2021	40%	32%	23%

Financial planning and management

	Build ourselves	Augment with third party	Source exclusively from third party
• 2022	30%	38%	27%
• 2021	40%	33%	20%

Payment and

	Build ourselves	Augment with third party	Source exclusively from third party
• 2022	29%	41%	26%
• 2021	37%	33%	22%

Improvement of customer onboarding and KYC

	Build ourselves	Augment with third party	Source exclusively from third party
• 2022	27%	42%	27%
• 2021	35%	37%	23%

Loan origination/application and

	Build ourselves	Augment with third party	Source exclusively from third party
• 2022	30%	40%	25%
• 2021	37%	35%	21%

Average across 15 capabilities

	Build ourselves	Augment with third party	Source exclusively from third party
• 2022	29%	40%	25%
• 2021	35%	37%	22%



03

Consumer expectations vs. banks' future visions

03

Consumer expectations vs. banks' future visions

Banks are concentrated on developing high-tech capabilities, such as blockchain and AI, but their customers are more interested in bread-and-butter banking products and services.

The graphic below shows that there is a strong appetite for day-to-day banking operations around purchasing power and personal finance management (PFM).

Would you be interested in using the following services, if they were offered by your bank?

Loyalty program on credit card transactions

26%	50%	24%
Yes, and I already use this (%)	No, but I would like my bank to offer this product/service (%)	No, not interested (%)

Alerts on overdraft risks, plus PFM recommendations

26%	41%	33%
Yes, and I already use this (%)	No, but I would like my bank to offer this product/service (%)	No, not interested (%)

Advice on financial investments based on key events in a customer's life

22%	41%	37%
Yes, and I already use this (%)	No, but I would like my bank to offer this product/service (%)	No, not interested (%)

Tailored credit products

22%	37%	41%
Yes, and I already use this (%)	No, but I would like my bank to offer this product/service (%)	No, not interested (%)

While banks should continue to keep an eye on forward-thinking technologies, they can still benefit from finetuning existing digital banking offerings.

Cryptocurrency has inspired a wave of investment among almost all our banks' respondents, including in stablecoin, central-bank digital currency (CBDC) and blockchain/distributed ledger-based cryptocurrency.

Enabling stablecoins


5%	19%	32%	28%	15%
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Enabling CBDC

3%	16%	31%	34%	15%
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Enabling ledger-based cryptocurrency

5%	18%	28%	32%	17%
No plans to invest (%)	Plans to invest within next 12 months (%)	Plans to invest within next 24 months (%)	Already investing (%)	Already investing, expanding investment (%)

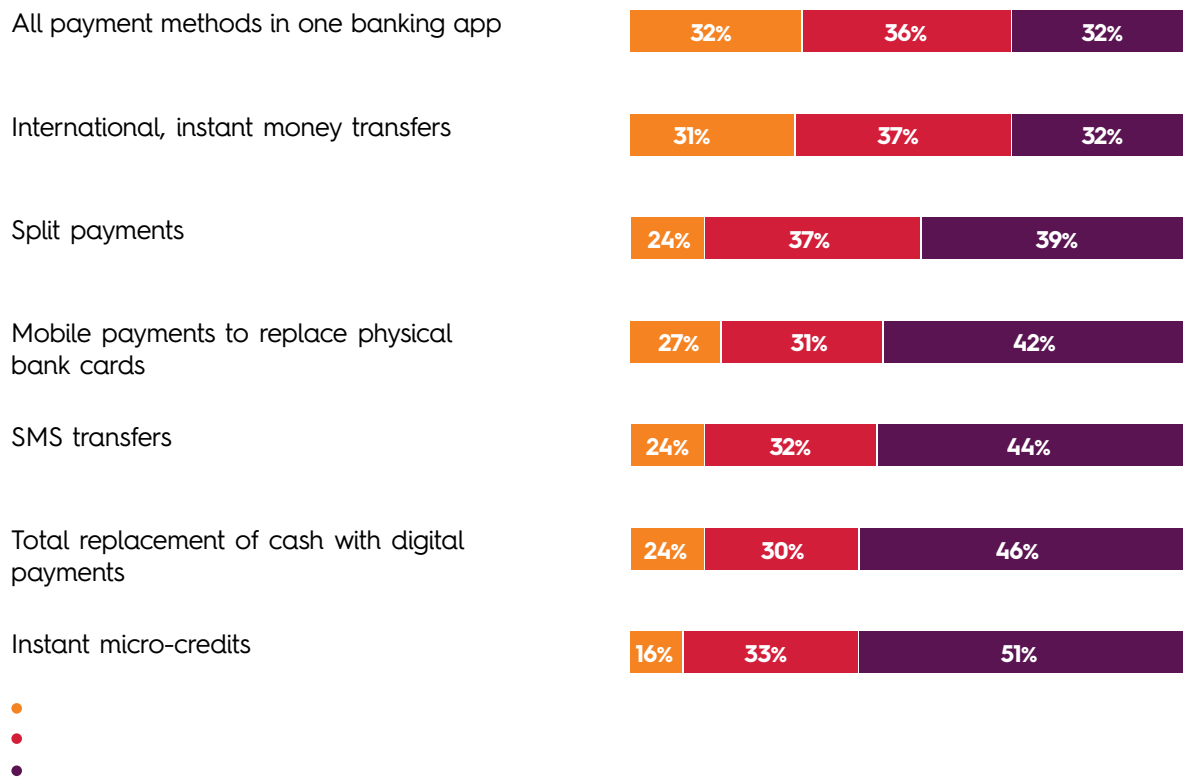


Banking customers are most interested when it comes to multi-banking options, instant money transfers and split payments, among financial products and services offered or potentially offered by banks.

Would you trust your bank(s) to offer you the following services?

	Provide you with information about cryptocurrencies	Act as an intermediary to invest in cryptocurrency
I would trust my bank, and I am interested (%)	33	30
I would trust my bank, but I am not interested (%)	37	36
No (%)	29	33
No opinion (%)	1	1


Would you be interested in using the following services, if they were offered by your bank?



As for banks, virtually all respondents say that they will be increasing investment in payment capabilities, such as real-time, cross-border capabilities, modernization of the payment infrastructure and BNPL.

How do you expect your organization's investment in payments and money transfer to change over the next 12 months?

Stay the same	5%
Increase 1% to 5%	24%
Increase 6% to 10%	43%
Increase of more than 10%	27%



Environmental, social and governance (ESG) elements are important for consumers. They can govern which products and services they choose, and even which banks they set up accounts with, as the graphics shows.

An organization's prioritizing of environmentally friendly issues...

Plays an important role in where I choose to invest

22%	35%	26%	17%
Yes, absolutely (%)	Yes, somewhat (%)	No, not really (%)	No, not at all (%)

Is more important than how profitable my investments are

20%	35%	29%	16%
Yes, absolutely (%)	Yes, somewhat (%)	No, not really (%)	No, not at all (%)

Plays an important role in who I choose to bank with

19%	33%	30%	18%
Yes, absolutely (%)	Yes, somewhat (%)	No, not really (%)	No, not at all (%)

For banks, ESG elements are a key part of their future vision and roadmap. A quarter (25%) of banks' respondents say that using ESG elements in customer-facing products and services is their highest-ranked priority in the coming years.

Furthermore, the vast majority of our banks' respondents say that they plan on increasing their investment in ESG over the next 12 months.

How do you expect your organization's investment in ESG-related initiatives to change over the next 12 months?

Improving ESG factors for our business

7%	28%	40%	25%
Stay the same (%)	Increase 1% to 5% (%)	Increase 6% to 10% (%)	Increase of more than 10% (%)

Using ESG elements to differentiate our customer-facing products and services

5%	27%	43%	24%
Stay the same (%)	Increase 1% to 5% (%)	Increase 6% to 10% (%)	Increase of more than 10% (%)



04

Banking beyond 2022

04 Banking beyond 2022

Banks have demonstrated an appetite for investing in new technology, placing an increasing importance on the wants and needs of their customers. They are well aware that the sector is changing around them and that they need to act fast in order to keep up.

This was true in our 2021 survey, as it is now.

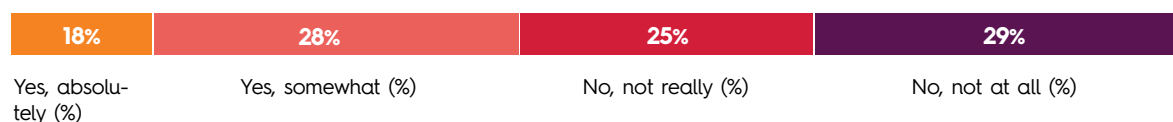
The concern for banks has been, and continues to be, the threat of competition and/or disintermediation from younger, more agile industry entrants. In years past, these competitors came in the form of digital-only banks. In the near future, they will be Big Tech giants, like Apple and Google.

Would you be willing to set up an account with the following players if they were to offer attractive financial products?

Major players in online services (Amazon, Alibaba, Uber, etc.)



Hi-tech hardware and software suppliers (Apple, Microsoft, etc.)



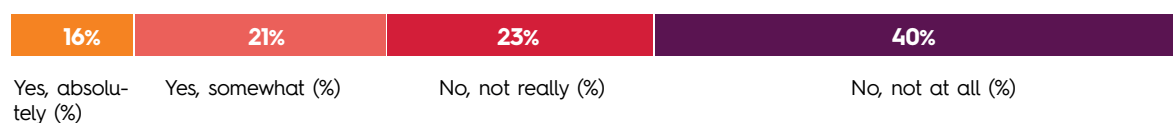
Email and search engine providers (Google, Yahoo, etc.)




Telecom operators (M-Pesa, Orange money, etc.)



Social media networks (Facebook, TikTok, etc.)





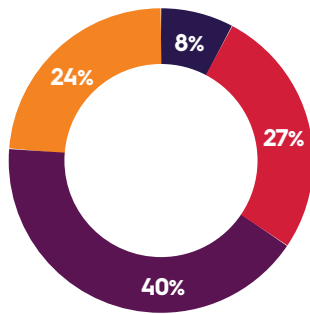
Despite this looming threat, banks will continue to depend on the trust capital they have gained with their customers over the years, thanks to their known position in the market, long-standing reputations and familiarity/expertise with a heavily regulated industry. One of the major talking points in the coming years will be how banks can leverage this trust toward improving the customer experience for new and old customers alike.



Of course, banks could – and should – use their position of trust to improve on hyper-personalized products and services. Key areas that would be of particular value to consumers are tools that help with financial wellbeing. According to our study, improving the financial savviness of customers is the sixth-highest ranked priority among banks, per their future vision and roadmap; and almost all are planning on investing in it over the next twelve months.

For banks

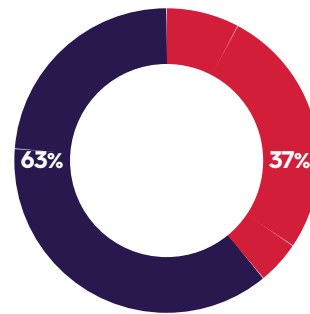
How do you expect your organization’s investment in improving the financial savviness of customers to change over the next 12 months?



- Stay the same
- Increase 1% to 5%
- Increase 6% to 10%
- Increase of more than 10%

For consumers

Would you be interested in receiving advice from banks on certain financial investments based on key events in your life?




- Yes
- No

Going beyond 2022, banks will need to use this trust to maintain existing revenue streams and create new ones, all the while fending off competition from industry entrants. However, a major and viable option for banks is non-consumer facing, collaborative business models. Three in four banks are now ready to become invisible partners – their banking capabilities, products and services integrated into third parties.

With the rise of open finance, this is a trend that is only set to continue. And while two thirds of banks still see open finance and collaborative models as a threat, the majority of them are either ready or preparing for a future with open finance.

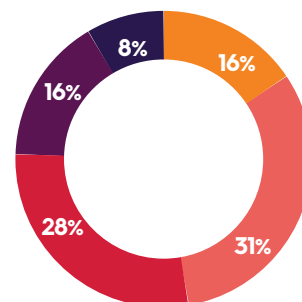
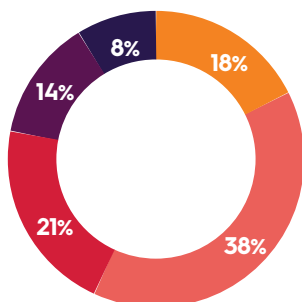
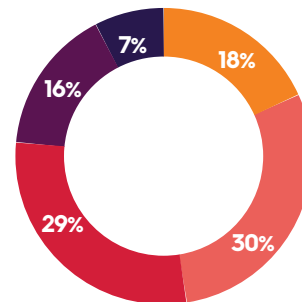
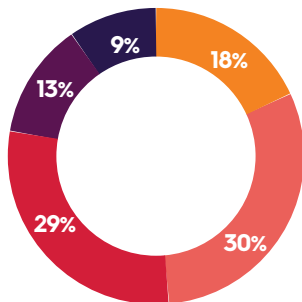
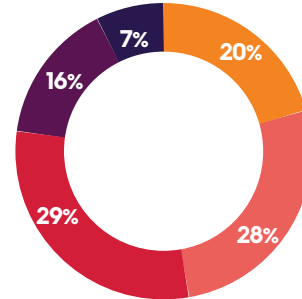
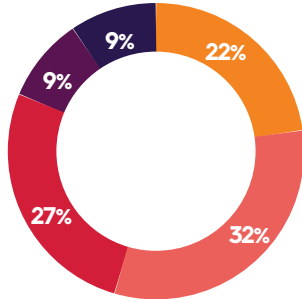
To what extent do you agree with the following: “Collaborative models such as banking-as-a-service or embedded finance are an existential threat to banks”

Strongly agree	31%
Somewhat agree	43%
Neither agree nor disagree	17%
Somewhat disagree	5%
Strongly disagree	3%



Today's bank finds itself in something of a paradox. It strives to maintain touchpoints with customers, while also preparing for a future in which it is invisible - disintermediated from the end-consumer.

How ready is your organization to collaborate (e.g., share/receive data, enable payments) in an open finance approach in the following areas?



				
Ready – we fully embrace the open finance opportunity	We are already building or offering some open finance services	We have a team dedicated to exploring and responding to open	Not ready at all – we are still in a position where our data is siloed	We do not wish to extend capabilities beyond regulatory requirements

19%	59%	22%
19% declare themselves ready for open finance	59% have made some or considerable efforts	22% have not yet embarked on the journey

**Our
extensive
research
shows that
playing
both sides
may well
be the
wisest
course of
action.**

In the ever-changing paradigm of digitization, there is still plenty of ground to be won when it comes to end-customers. However, competition is fierce, and consumers are open to the idea of engaging with non-banks, such as fintechs and Big Tech, for financial services.

By increasing investment in data interoperability, as well as around key consumer-facing banking initiatives, today's bank is preparing to maintain contact with end customers, while also positioning itself as support for non-banks entering the financial services ecosystem. From the bank's point of view, it will ideally serve both sides.