

# The State Of Digital Banking, 2019

## Landscape: The Digital Banking Strategy Playbook

by Aurelie L'Hostis

September 6, 2019

### Why Read This Report

The banking industry has entered a period of unprecedented innovation. While many banks have woken up to the threats, few have embarked on a true digital business transformation. This report explores how digital technologies are changing the industry's customers, competitors, and operations globally. It charts the different approaches that digital teams have taken to avoid disruption and deliver superior digital customer experience, drive digital operational excellence, champion innovation, and experiment with digital business models.

### Key Takeaways

#### Digital Disruption Runs Deep

New entrants such as fintech startups, big tech firms, and nontraditional competitors are quickly delivering on customers' increasing expectations. Faster, better, and cheaper services, together with new business models, are rapidly altering banks' competitive landscape. Open banking accelerates these changes.

#### There's A Growing Gap Between Digital Banking Leaders And Laggards

Many banking executives still think of "digital" in a tactical way as relating to just touchpoints or technologies. Leaders focus on how to deliver on customer outcomes through digital customer experience, digital operational excellence, digital innovation, and digital ecosystems.

#### Banks Are Struggling To Transform And Vary Widely On Digital Maturity

Many banks are still exploring the potential of digital technologies in pockets of their organization or striving to digitize the customer life cycle from end to end. Only the leaders are investing in transformation with the aim of delivering compelling digital customer experiences and building strong digital capabilities for the future.

# The State Of Digital Banking, 2019

## Landscape: The Digital Banking Strategy Playbook



by [Aurelie L'Hostis](#)

with [Benjamin Ensor](#), [Jacob Morgan](#), [Peter Wannemacher](#), [Alyson Clarke](#), [Zhi-Ying Barry](#), [Corrado Loreto](#), and [Sam Bartlett](#)

September 6, 2019

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### Related Research Documents

[The Digital Banking Imperative](#)

[Disrupting Finance: Digital Banks](#)

[Disrupt Your Business With A Digital Venture](#)

[Four Ways APIs Are Changing Banking](#)

[Organize For Digital Banking Success](#)

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## Banking Customers Are Becoming Digital-First

Digitally empowered customers are changing the way they shop, travel, and manage their finances. As born-digital businesses like Alibaba, Amazon, PayPal, Paytm, Uber, WeChat, and Xero reset customer expectations, bank executives are seeing their customers bring these same behaviors and expectations to banking.

### Customers Use A Mix Of Touchpoints For Banking Activities

Over the past 15 years, the use of digital banking touchpoints such as online banking and mobile banking has grown steadily, while the use of older touchpoints like ATMs, branches, and telephone banking has slowly declined. To find out how customers are using different banking channels, we surveyed online adults in Europe, Canada, and the US in 2018 and online adults in Asia Pacific in 2019 and asked them how often they use the banking touchpoints at their disposal.<sup>1</sup> We found that (see Figure 1):

- › **Online banking remains the most widely used banking touchpoint.** Sixty-nine percent of UK online adults, 74% of US online adults, and 76% of Canadian online adults use online banking on a desktop or laptop computer at least once a month. Most people use online banking for routine tasks, such as transaction history, account transfers, and bill pay functionality. Online banking also serves more complex needs as customers increasingly use it more widely to research, buy, or apply for financial products.<sup>2</sup>
- › **Mobile banking is growing.** Banking on smartphones continues to grow, fueled by rising smartphone use and steadily improving mobile banking services worldwide.<sup>3</sup> Mobile banking is the most popular banking touchpoint in Asia Pacific, excluding Australia.<sup>4</sup> Half of UK online adults now use a smartphone app and/or their bank's mobile website for banking activities at least monthly. In the US, 48% of online adults use a smartphone for banking activities monthly or more. Customers use mobile banking for a wide range of interactions like checking account balances, viewing recent transactions, making payments, and transferring money.
- › **Branch use is declining, but some customers still use branches for routine tasks.** The number of customers visiting branches each month continues to fall as people shift to digital touchpoints for basic tasks. Even so, 20% of US online adults, 25% of Canadian online adults, and 28% of UK online adults still visit a branch at least once a month. Most of these branch visits in Europe and North America are for low-value, routine interactions, such as check or cash deposits and cash withdrawals.<sup>5</sup> Branches remain the dominant channel for account opening, and access to a physical branch (and ATM) network is still an important attribute when customers — including Millennials — select their primary bank. Customers buying banking and lending products are also more likely to do so face to face, although there are regional variations.<sup>6</sup>

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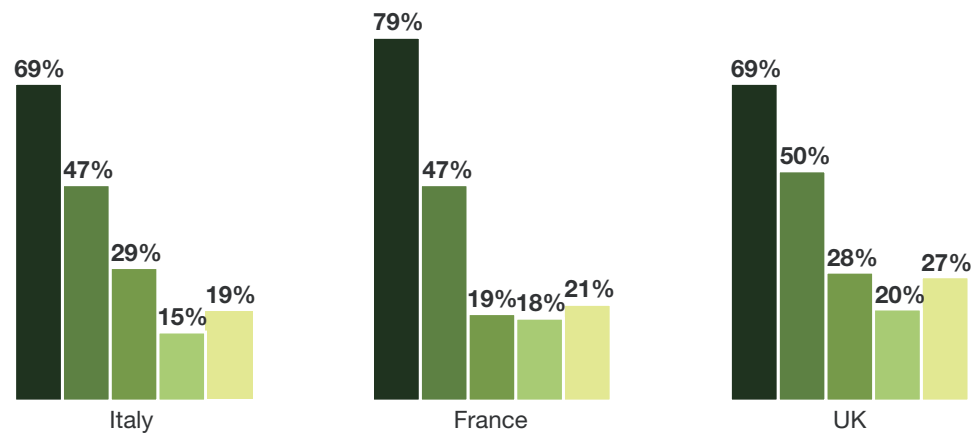
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- › **ATM use is in decline as digital payments climb.** Cash remains popular in many countries, but with the widespread use of debit cards, the growing use of contactless payments, and the adoption of mobile payment systems like Apple Pay, ATM use is going down.

**FIGURE 1** Banking Touchpoint Choices In Europe, The US, And Canada**1-1 Banking touchpoint choices in Italy, France, and the UK****“How often do you do each of the following banking activities?”**

(Monthly or more)

- Bank online on a desktop or laptop
- Bank on a smartphone
- Bank in person at a branch
- Bank over the phone
- Bank on a tablet



Base: 3,558 Italian, 3,561 French, and 3,441 UK online adults (18+)

Source: Forrester Analytics Consumer Technographics® European Financial Services Topic Insights 3 Survey, 2018

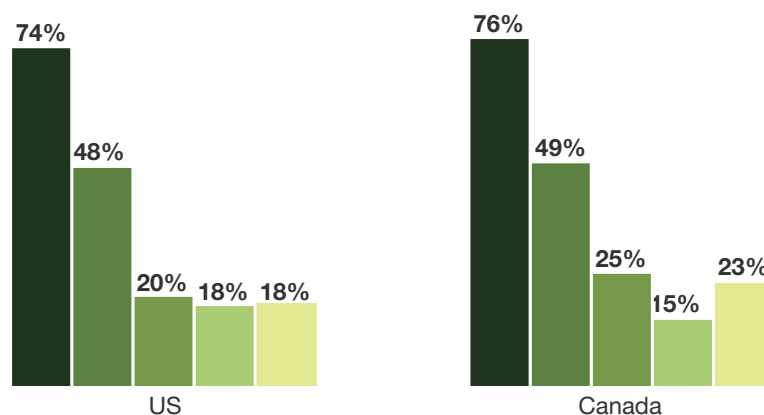
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**FIGURE 1** Banking Touchpoint Choices In Europe, The US, And Canada (Cont.)**1-2 Banking touchpoint choices in the US and Canada****“How often do you do each of the following banking activities?”**

(Monthly or more)

- Bank online on a computer
- Bank on a smartphone
- Bank in person at a branch
- Bank over the phone
- Bank on a tablet



Base: 11,109 US and 4,753 Canadian online adults (18+)

Source: Forrester Analytics Consumer Technographics® North American Financial Services Benchmark Recontact Survey, 2018 and Forrester Analytics Consumer Technographics North American Financial Services Topic Insights 3 Survey, 2018

**Innovative Entrants From Far And Wide Are Changing The Landscape**

Banking is going through a period of unprecedented innovation. Customers have more information than ever before to make better-informed choices and can pick the banking and other financial services they need from a wide range of providers. New players like fintech startups and large tech firms are responding to changing customer expectations with faster, better, and cheaper services, altering the competitive landscape. Governments and regulators across the world are promoting increased transparency and competition with regulations such as the European Union’s revised Payment Services Directive (PSD2), which allows third-party companies to access and aggregate customers’ financial data with their permission and offer products and services.<sup>7</sup>

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**Digital Disruptors Are Attacking Banking's Inefficiencies**

Financial technology startups such as Acorns, Alipay, Betterment, Revolut, Tide, Venmo, WeBank, and Xero are disrupting nearly every aspect of banking. These firms are using technologies like smartphones, cloud services, artificial intelligence, and application programming interfaces to address opportunities they see as ripe for disruption — where there are high margins, inefficiencies, unmet customer needs, or new ways to deliver simpler, cheaper, and better services.<sup>8</sup> They rely on partners to develop and provide services more quickly. These new entrants are moving faster than most traditional financial services firms, as they don't have existing banking revenues to protect or legacy — systems or people — to stop them. And this is only the beginning. Digital giants such as Alibaba, Amazon, Apple, Facebook, Ping An, and Tencent are also making large strides forward in the financial services sector.<sup>9</sup> Disruptors (see Figure 2):

- › **Provide faster and cheaper digital experiences.** Digital upstarts use digital technologies to make their services available on any device, in context and at any time, with paperless automated processes. Automation brings efficiencies that help new entrants undercut incumbents' fees while offering customers speed and convenience. For example, in the UK, digital bank Starling Bank promises customers a five-minute account opening process; reports all data in real time; lets customers make instant payments, receive real-time notifications, and make smarter decisions through understanding and analysis of their spending; and uses APIs to offer services from partners like Tail for cash back or Moneybox for microsaving.<sup>10</sup>
- › **Provide tools and advice for customers to better manage their finances.** Automated financial advice enables firms to deliver high-quality advice to millions more people at a lower cost than traditional firms and financial advisors do today.<sup>11</sup> Money management apps such as Yolt in the UK and Pocketbook in Australia offer an aggregated view of users' financial position, guidance on what to do about it, and the encouragement to act, helping users budget, save money, and make better financial decisions.<sup>12</sup>
- › **Help customers invest for the long term.** Microsavings and investment apps like Acorns and Qapital in the US, Raiz in Australia, and Dreams in Sweden let customers set up rules to automate savings or automatically round up customers' purchases and invest those savings in funds.<sup>13</sup> Automated financial advice platforms like Personal Capital and SigFig deliver free or low-cost investment and other financial guidance to consumers who are planning for goals such as home ownership, education, and retirement. Digital investment managers such as Betterment, Scalable Capital, and Wealthfront offer diversified portfolios customized to individual investors.<sup>14</sup>
- › **Serve niche or underserved customer segments.** Disruptors continuously innovate to meet the needs of niche or underserved customer segments like the unbanked, small investors, and small businesses.<sup>15</sup> WeBank — a digital bank backed by Tencent in China — uses artificial intelligence and machine learning to determine credit risk and offer microloans to 100 million Chinese consumers

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and small- and medium-sized businesses that have little or no credit history and are therefore underserved by traditional banks. Firms such as Amazon and PayPal now offer credit to small businesses using their services, often tying their loans to the sales flowing through their platforms.<sup>16</sup>

- › **Make it easier for customers to compare and choose financial products.** Disruptors help customers find the best financial products and services for their needs. Comparison websites and apps like Bankrate.com in the US, CHECK24 in Germany, and Gocompare.com in the UK aggregate product information from every category of finance, letting customers specify their requirements to find the product that is right for them.<sup>17</sup> Aldermore, a UK digital bank focused on small businesses, helps business owners compare various account rates.<sup>18</sup> UK online mortgage broker Habito claims to analyze over 20,000 mortgages from 90 lenders in real time, using artificial intelligence to help identify the most suitable mortgage for the customer's individual circumstances.
- › **Enable faster, cheaper, and more convenient payments.** Disruptors are making both domestic and international payments faster and easier for consumers and merchants alike.<sup>19</sup> P2P currency exchange platforms like TransferWise in the UK offer a cheaper way to transfer money abroad by matching customers with one another to facilitate currency exchanges.<sup>20</sup> Belgium's iBanFirst offers foreign exchange services for businesses of all sizes, using a platform-as-a-service model.<sup>21</sup> iZettle, Shopify, Square, SumUp, and dozens of other startups convert mobile devices into mobile point-of-sale (POS) terminals, enabling small merchants to accept card payments. Stripe provides payments services tailored for online businesses, with products for individual traders through to global online marketplaces and platforms.
- › **Provide value above and beyond products and payments with digital wallets.** Digital wallet innovators such as Alipay and WeChat Pay in China and Paytm in India drive deeper customer engagement by offering more than digital payments — such as offers, augmented reality (AR) coupons, enhanced product information, loyalty programs, digital receipts, package delivery status, and identity management.<sup>22</sup> By delivering contextually relevant services to customers' fingertips and enabling them to make payments easily using their smartphones, digital wallet operators like Alipay, Apple, and Samsung threaten to come between banks and their consumer and merchant customers — and the valuable data insights into their spending habits.<sup>23</sup>

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**FIGURE 2** Digital Disruptors Are Finding Opportunities Across Myriad Financial Services

Categories	What they do	Examples of firms
Comparison engine	Let customers compare financial products and services to find the best for their needs	Bankrate.com (US); comparethemarket.com (UK); Confused.com (UK); CoverHound (US); FindBankRates (US); GoCompare.com (UK); Meilleurtaux.com (FR); MoneySuperMarket.com (UK); NerdWallet (US)
Consumer lender	Lend money to consumers primarily or entirely through online and mobile touchpoints	Avant (US); Best Egg (US); CoinTribe (IN); Earnest (US); Ferratum (UK); Pave (US); Quicken Loans (US); QuickQuid (UK); SoFi (US); Upstart (US)
Digital bank	Use digital technologies to offer better digital consumer experiences than those offered by traditional banks and serve customers primarily or entirely through digital touchpoints	Banco Original (BR); Chime (US); digibank (IN, ID); Fidor Bank (DE); GoBank (US); imaginBank (ES); Jibun Bank (JP); Knab (NL); Liv. (UAE); Marcus (US); Monzo (UK); Moven (US); MYbank (CN); N26 (DE); Nubank (BR); Orange Bank (FR); Simple (US); Starling Bank (UK); Tide (UK); Timo (VN); Tinkoff (RU); Volt (AU); WeBank (CN)
Digital financial advice	Help customers track their investments and make better long-term financial decisions	FlexScore (US); Grisbee (FR); Jemstep (US); MarketRiders (US); Personal Capital (US)
Digital investment manager	Offer consumers a cheaper alternative to traditional fund management, delivered entirely through digital touchpoints	Betterment (US); Ellevest (US); Moneyfarm (IT, UK); Nutmeg (UK); Scalable Capital (DE, UK, AT, & CH); Wealthfront (US); Wealthify (UK); Yomoni (FR)
Digital money manager	Help customers manage their spending and budgets and make better short-term financial decisions	Bankin' (FR); HelloWallet (US); Linxo (FR); Mint.com (US); Money Dashboard (UK); Pocketbook (AU); Qapital (SE); Tink (SE)



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**FIGURE 2** Digital Disruptors Are Finding Opportunities Across Myriad Financial Services (Cont.)

Categories	What they do	Examples of firms
Digital point-of-sale (POS) lender	Offer customers short-term credit, usually integrated into the checkout	Affirm (US); American Express Pay Over Time (US); Klarna (SE); PayPal Credit (US)
Digital retirement plan advice	Help employees optimize their retirement plan investments	Financial Engines (US); PensionBee (UK); Rebalance IRA (US); Smart401k (US); Wealth Wizards (UK); Zuper (AU)
Digital wallet	Let customers initiate payments from multiple sources and manage related features such as coupons and electronic receipts	Alipay (CN); Apple Wallet (US); Google Pay (US); Lyf Pay (FR); Masterpass (US); PayPal (US); Samsung Pay (KR); WeChat Pay (CN); Yoyo Wallet (UK)
Mobile payment	Let customers initiate a payment using a mobile phone	Boku (US); Google Pay (US); Jiffy (IT); LevelUp (US); Lydia (FR); MobilePay (DK); M-Pesa (KE); PayLah (SG); Paylib (FR); Paym (UK); Swish (SE); Venmo (US); WeChat Pay (CN); Zelle (US)
Mobile point-of-sale (POS) solution	Convert smartphones and tablets into mobile POS terminals, enabling small merchants to accept card payments	Clover (US); Handpoint (UK); Intuit GoPayment (US); iZettle (SE); Jusp (IT); orderbird (DE); Paymate (AU); Square (US); SumUp (UK); VeloPOS (UK)
P2P currency exchange	Offer better exchange rates than retail banks and international money transfer firms do by letting customers exchange currencies	CurrencyFair (IE); KlickEx (NZ); Lufax (CN); MoneySwap (HK); Renrendai (CN); TransferWise (UK); WeSwap (UK)
P2P lending	Connect borrowers in need of cash with lenders who want to invest spare capital	Fixura (FI); Funding Circle (UK, US); LendingClub (US); Prosper (US); RateSetter (UK); SocietyOne (AU); Younited Credit (FR); Zopa (UK)
Small business funding	Lend money to SMEs primarily or entirely through online and mobile touchpoints	Assetz Capital (UK); CAN Capital (US); ezbob (UK); Funding Circle (UK); Growth Street (UK); iwoca (UK); Kabbage (US); MarketInvoice (UK); MercadoLibre (AG); OnDeck (US)

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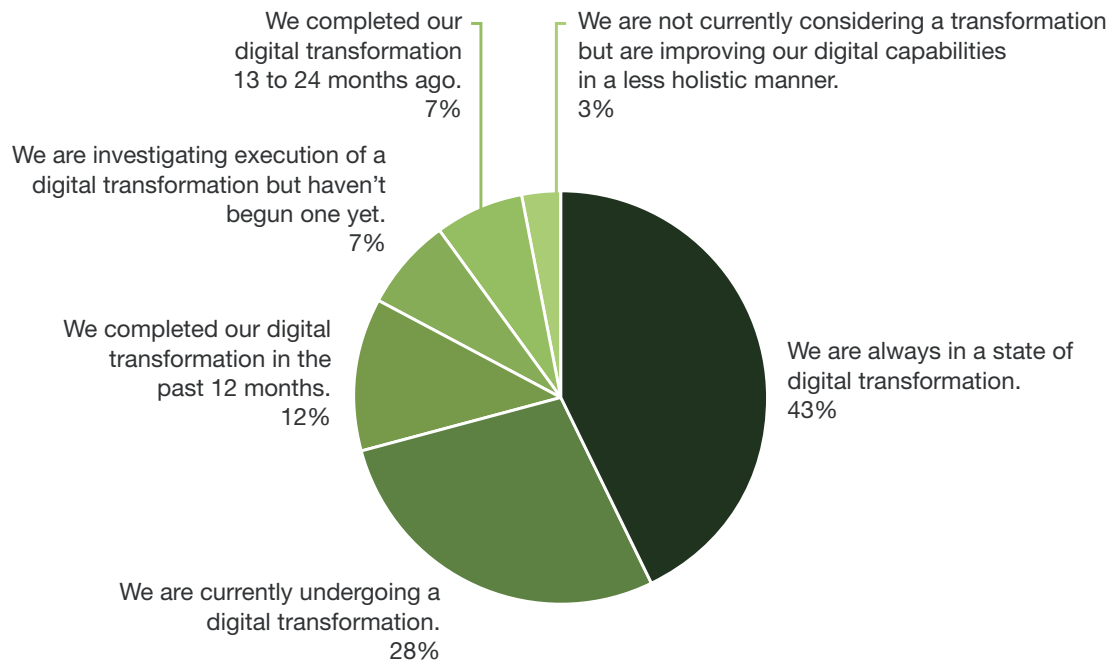
## Banks Are Struggling To Transform Fast Enough

How are banks, credit unions, card issuers, and other lenders responding to the seismic shifts affecting the industry? We surveyed decision makers at banks, credit unions, credit card issuers, and consumer lending firms worldwide and found that:

- › **Banks are in the throes of digital transformation.** Some 70% of global services decision makers at banks are either currently undergoing digital transformation or see themselves as in a constant state of digital transformation; another 12% think — mistakenly — that they're done (see Figure 3). At the same time, only 34% of global purchase influencers at banks see accelerating their digital business as a high or critical priority over the next 12 months: Digital transformation is trumped by competing short-term goals and imperatives such as improving CX, growing revenue, and reducing costs.<sup>24</sup>
- › **Digital transformation is often led by technology, not business, leaders.** According to 47% of our respondents at banks, the CIO or the CTO is responsible for setting the digital transformation strategy — ahead of the 27% who say the CEO is; execution also rests on the CIO or CTO, according to 50% of respondents.<sup>25</sup> With no disrespect to the great ability of many banks' CIOs, that implies that at least half of banks see digitization as primarily a technology problem, not an existential challenge to a bank's continued relevance to its customers.
- › **Cost reduction and customer acquisition are main drivers for digital transformation.** As the returns on digital customer experience plateau, and margin pressure on core business lines such as lending increase, banks are shifting their focus to reducing the cost to serve customers through greater operational efficiency. Reducing costs (37%) is competing with other priorities like improving customer acquisition (34%) and improving the customer experience (33%) (see Figure 4).
- › **Security concerns and legacy technologies impede banks' efforts.** With rising cyberattacks and the advent of open banking and regulatory-driven third-party access — which means that banks have less control over customer interactions and greater risk of exposure via a rogue third party — banks are rightly worried about the security and integrity of customer interactions, forcing them to move cautiously. According to 37% of our respondents, security is the biggest obstacle to digital transformation, followed by 29% who say crippling legacy technologies are.<sup>26</sup>
- › **Culture remains one of the biggest challenges for digital transformation.** Forrester defines culture as “a set of shared values and beliefs that drive behavior.” Many banks' digital initiatives are held back by a lack of cultural alignment across the organization.<sup>27</sup> This misalignment often leads to the wrong behaviors and values, such as risk aversion, product-driven decisions, sales-driven culture, siloed work patterns, and hierarchical accountability — all of which leads to systemic problems, such as stalled decision making and difficulty executing beyond a controlled lab environment, and impedes a bank's ability to transform.<sup>28</sup>

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**FIGURE 3** The Status Of Digital Transformation In Banking**Banks' digital transformation status**

Base: 115 global services decision makers at banks

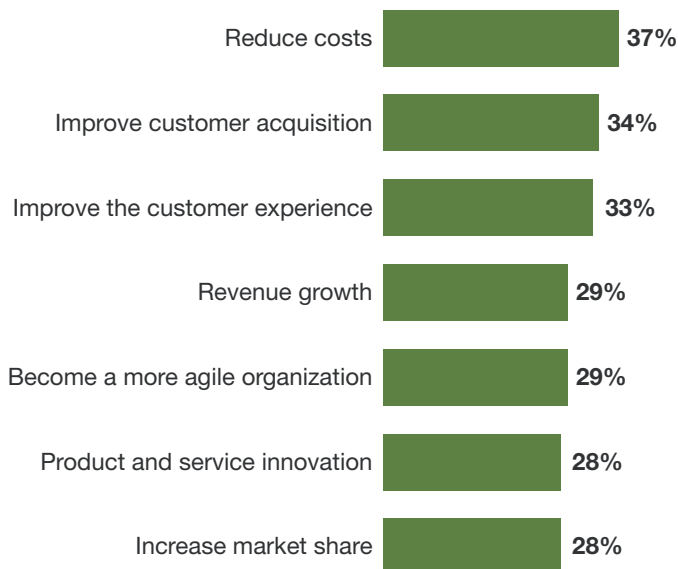
Source: Forrester Analytics Global Business Technographics® Business And Technology Services Survey, 2018

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**FIGURE 4** The Business Drivers Behind Digital Transformation In Banking**“Which of the following objectives will be/are the key drivers of your firm’s most recent digital transformation?”**

(Multiple responses accepted)



Base: 102 global services decision makers at banks

Note: Not all responses are shown.

Source: Forrester Analytics Global Business Technographics® Business And Technology Services Survey, 2018

**Banks Are Embracing Digital Business Transformation At Different Speeds**

A growing number of bank chief executives, at firms like BBVA, Commonwealth Bank of Australia, DBS Bank, and Santander, have put energy and resources into digital transformation. Meanwhile, many other banks are struggling to digitize; their chief executives are focused on other priorities, such as capital requirements and pursuit of market share. Change is mandatory, but failed banking transformation projects continue to highlight the risks and challenges this poses.<sup>29</sup> While leading banks are embracing digital business transformation, too many banks continue to tackle digital banking as a series of one-off, check-the-box projects.<sup>30</sup> Different understandings of the digital opportunity and internal resistance due to the costs involved in overhauling legacy systems translate into four types of approaches with divergent focus and impact:

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1. **Taking a piecemeal approach to digitizing the business.** Many banking executives still think of “digital” as touchpoints or technologies rather than thinking strategically about how they can create and exploit digital assets to deliver new sources of customer value, improve customer experience across touchpoints, and increase operational agility.<sup>31</sup> The realities of business timelines and budget restrictions force executives to make compromises and follow the path of least resistance: They optimize touchpoints as a series of unconnected projects and focus where it’s easiest or quickest to show the results, such as digital marketing or paperless processes. This “digital bolt-on” approach can deliver tactical results, but long-term business growth, and a sustainable and competitive advantage, require a more holistic transformation.
2. **Launching separate digital-only brands.** Executives who are tired of internal obstacles are launching new digital ventures to target specific segments like Millennials or small- to medium-sized enterprises (SMEs), as well as to chase P&L-focused goals like growing deposits. Options range from digital-only brands to digital subsidiaries with a separate legal structure, team, and P&L.<sup>32</sup> These greenfield operations are a chance to start afresh — with new brands, new customer interfaces, and new transactional systems that allow more speed and flexibility.<sup>33</sup> For instance, Bank Leumi’s mobile bank, Pepper, is being used as a test bed for running its own next-generation core systems in the cloud.<sup>34</sup> Creating a separate digital bank might move a bank forward in certain areas, but it will not result in more fundamental changes to the business overall.<sup>35</sup>
3. **Focusing on front-end digital touchpoints only.** Some banks decide to move toward sophisticated front-end solutions that support mobile, internet, or cross-channel banking and analytics without embedding their banking systems of engagement into a customer-centric banking platform. Banks with a narrow view of customer-facing processes often create business capabilities that lack process integration and consistency across the entire customer life cycle.<sup>36</sup> Addressing the touchpoints without supporting the back-end systems and processes can tarnish customer experience in the long term rather than improve it.<sup>37</sup>
4. **Embarking on a complete digital business transformation.** Leading banks aim to reinvent their business with technology.<sup>38</sup> They enhance their digital customer experience while also driving agility and efficiency through digital operational excellence. Firms like BBVA, DBS Bank, Lloyds Bank, Macquarie Bank, Sberbank, USAA, and others are embedding innovation in their processes and culture; integrating, re-engineering, or replacing back-end systems; shoring up their data infrastructure; using technologies like AI to create new sources of value to customers and drive operational efficiency; and collaborating and partnering with fintech companies through wider ecosystems, using open APIs to boost their digital capabilities.<sup>39</sup>

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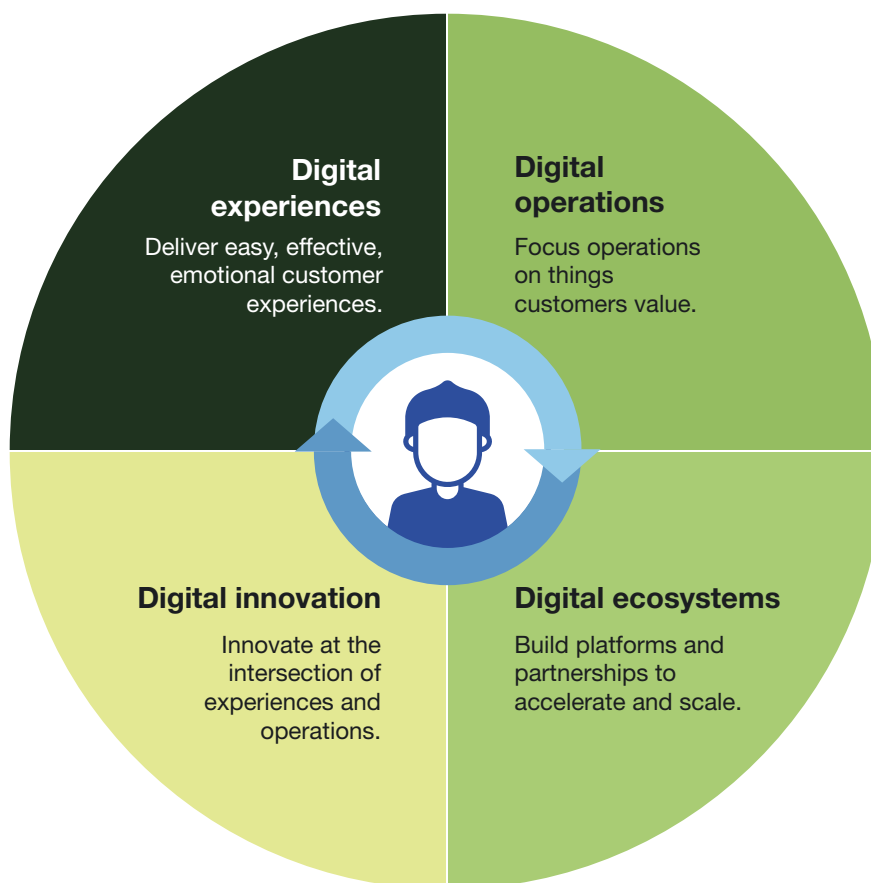
## Banks Need To Transform Themselves Into Digital Businesses

Every bank must accelerate the pace of transformative change to enhance their digital customer experience while also driving agility and efficiency through digital operational excellence. Digital banking leaders must champion digital innovation, use digital technology to invent new models or transform the very core and model of their existing business, and thrive within wider digital ecosystems. They need to apply digital thinking across everything banks do: how they win, serve, and retain customers; how they operate their internal processes; and how they source business services. The mission of these digital innovators is to:

*Harness digital assets and ecosystems to continually improve customer outcomes and, simultaneously, increase operational effectiveness.*

Digital banking leaders embrace the [four principles of digital business](#) to engage customers, compete, and grow (see Figure 5).<sup>40</sup>

**FIGURE 5** Leading Banks Embrace The Four Principles Of Digital Business



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**Use Technology To Deliver Great Experiences That Customers Value**

Leading banks focus on delivering easy, effective, and emotionally rewarding experiences that customers value. Banks should use digital technologies to offer customers:

- › **Extensive functionality and superior usability across digital touchpoints.** Digital banking strategy leaders differentiate with high-value digital experiences that meet or exceed customers' needs and expectations. Leaders like BBVA in Spain are pulling ahead with digital onboarding, enhanced self-service functionality, and advanced money management tools.<sup>41</sup> Digital banks like Monzo in the UK and Tinkoff in Russia have set up data analytics and management infrastructures and built large data teams to make insights-driven internal decisions and develop customer-centric services and experiences.<sup>42</sup>
- › **Personalized experiences that meet their needs.** Digital innovators personalize interactions based on a customer's full context, not just their segment or last action. Royal Bank of Canada offers personalized insights about customers' financial situations and a fully automated savings solution that uses predictive analytics to identify money in a customer's cash flow that can be automatically saved.<sup>43</sup> Banks such as BBVA and USAA have implemented digital personal finance management tools and deliver personalized experiences tailored to customers' unique financial situations.

**Build Agile Operations Focused On Customer Outcomes**

Digital banking leaders rearchitect business operations to automate, streamline, or eliminate processes and empower employees with tools and insights to help deliver customer outcomes. At banks like Lloyds Bank in the UK and Macquarie Bank in Australia, development teams work hand in hand with customer experience professionals to build, assemble, configure, and automate coherent, contextual, and connected customer journeys.<sup>44</sup> Leading firms invest in:

- › **Better tools for frontline employees.** Technologies such as APIs, digital decisioning software, and natural language processing are making customer service agents and financial advisors more productive and effective at their jobs. Israel Discount Bank deployed a new knowledge management system with an intelligent chatbot to deliver actionable advice and help customer service agents answer customers' questions about products and services at the right point in the process.<sup>45</sup> Crédit Mutuel in France partnered with IBM to improve financial advisor productivity: The bank created an email analyzer and four virtual assistants to help answer simple and repetitive questions. More complex questions are still passed on to advisors, but the virtual assistants give the advisors more time to focus on building client relationships.<sup>46</sup>
- › **Process automation technologies.** Leading banks are using technologies like robotic process automation, artificial intelligence, and machine learning to improve customer onboarding, anti-money-laundering (AML) and know-your-customer (KYC) capabilities, detect fraud, and mitigate compliance risks.<sup>47</sup> In the US, Wells Fargo uses machine-learning techniques to determine whether customers' debit card transactions are fraudulent with more accuracy.<sup>48</sup> Singapore's OCBC Bank,

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working with ThetaRay, uses machine-learning algorithms and analysis of corporate banking transactions to detect anomalies. The software learns over time as new transaction patterns emerge to improve the accuracy of suspicious transaction detection.

**Build Platforms And Partnerships To Accelerate And Scale**

Digital ecosystems are accelerating the pace at which firms can innovate and deliver products and services. As banks pivot away from product-centric selling to helping customers achieve outcomes, they engineer interconnected webs of services and business capabilities to meet customers' needs.<sup>49</sup> Thanks to internet-based connections and APIs, the cost of integrating business capabilities with suppliers, distributors, and partners has plummeted. Digital banking leaders:

- › **Enrich propositions by embedding partner products and capabilities.** The UK's Nationwide Building Society is piloting a service to inform its lending strategy for first-time home buyers. CreditLadder, a licensed account information service provider, uses open banking APIs to identify rental payment reliability, helping to assess the credit history of a new homebuyer.<sup>50</sup> Many leading banks, including ANZ, BBVA, Capital One, DBS Bank, Nordea, and Santander, have built developer portals to harness the broader innovation ecosystem.<sup>51</sup>
- › **Adopt platform-based strategies.** Digital banks such as Starling Bank in the UK seek rapid scale by enabling interoperability and providing a marketplace of third-party services. Starling Bank focuses on the current account as its core value proposition, using a marketplace to extend the services it offers through partnerships with startups such as Tail for cash back or Wealthify for investing, all connected by an open API.
- › **Identify capabilities that can be sold as a service.** Some established firms are pivoting to create a platform from their financial infrastructure. Poland's mBank offers a banking platform, called mBox, that is used by France's La Banque Postale.<sup>52</sup>

**Innovate At The Intersection Of Experiences And Operations**

No matter how you go about it — design thinking, Agile development, rapid prototyping, or continuous delivery — you must transform product and experience development by starting small and adapting as you learn with rapid releases. Digital innovators are moving beyond isolated innovation teams and digital labs to innovate at scale.<sup>53</sup> Digital innovators:

- › **Develop a test-and-learn culture that sparks multiple innovation pipelines.** The process of testing, failing, iterating, and redeploying are key to a strong innovation culture.<sup>54</sup> Digital innovators empower product and process owners to take measured risks and treat failure as part of the learning process.<sup>55</sup> One innovation team at a bank does this through its weekly prioritization meetings. As the head of the team explained: "The team members must take rejection well. We capture best practices and lessons learned at the point when we decide which project to pursue. In this way, we can fail quickly."<sup>56</sup>



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**› Orchestrate ecosystems of lean, autonomous, data-driven teams and business units.**

Leading banks have reorganized parts of their businesses, embracing progressive organization structures that align small, flexible, autonomous, demand-driven teams around customers' needs.<sup>57</sup> DBS Bank is shifting from a project-based approach to a platform-based approach built around product management. The bank's 33 cross-functional teams from business and technology are structured around platforms — enterprise ones such as payments or journey-focused ones such as home buying.<sup>58</sup>

**› Evolve their business model and embrace new tech.** The most effective innovation efforts address emerging or unidentified customer needs through disruptive, market-changing technology-driven products and services.<sup>59</sup> China's WeBank harnessed the resources and digital assets of its parent company — the Chinese tech giant Tencent — to develop a digital microlending proposition that could be scaled up rapidly and sustainably.<sup>60</sup> To boost innovation further, forward-looking banks build partnerships with technology startups.<sup>61</sup>**Recommendations****Embrace Digital Banking As A Catalyst For Wider Change**

Digital business strategy professionals are ideally placed to play a lead role in defining their bank's approach to digital business. In many banks, the head of digital banking is already directly responsible for creating the digital business strategy. Few other executives are so well equipped. Digital business leaders typically bridge the strategic and the operational, as well as understanding their firm's marketing, sales, service, analytical, and technical contexts. You need to transform your bank by applying digital thinking across everything you do: how you win, serve, and retain customers; how you operate your internal processes; and how you source business services and collaborate with partners to deliver value. Other chapters in this playbook will help you:

- › Articulate a compelling digital business vision for your bank.** It's vital that you articulate a vision of how digitization will affect your customers and how you create value for them. Digital leaders recognize that they don't need a digital strategy; instead, they need to digitize the bank's business strategy. Don't just focus on digital customer experience. Think about how you can use the data you already hold to unlock new sources of customer value or build new revenue streams. Your strategy should focus on building financial ecosystems to provide more relevant and expansive services for customers.<sup>62</sup> Your digital vision must encompass every aspect of how your firm does business.
- › Assess your firm's digital readiness.** Forrester can help you benchmark your digital functionality against your banking peers, assess your digital banking capabilities, and evaluate your digital transformation competencies in areas such as culture, talent, and technology. Our three tools will help you identify crucial gaps and benchmark your position relative to your peers in banking and in other industries.<sup>63</sup> Proving to others that you are behind your competition can be a compelling driver for action and investment.

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- › **Build a business case for digital transformation.** To win the backing and resources needed for digital business transformation, banks' digital leaders will need to demonstrate the returns on the substantial investments required. They can measure the success of digital business transformation through increased revenues, reduced costs, improved time-to-market, or enhanced customer experience and differentiation.
- › **Re-evaluate your processes, organization, and metrics.** Digital business transformation is a journey, not a destination. Much of the work involved is about embedding capabilities that will position your bank well for the future. Your operating model will have to evolve so that your bank can become a more customer-focused, collaborative, and fast organization. Open banking will create new dependencies on third parties. This involves setting up new processes and governance models, as well as defining how you will measure the progress of both your transformation and your business strategy.

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## Supplemental Material

### Survey Methodology

The Forrester Analytics Consumer Technographics® North American Financial Services Benchmark Recontact Survey, 2018, was fielded in February and March 2018. This online survey included 11,109 respondents in the US between the ages of 18 and 88. For results based on a randomly chosen sample of this size, there is 95% confidence that the results have a statistical precision of plus-or-minus 0.93% of what they would be if the entire population of US online adults (defined as those online weekly or more often) had been surveyed. Forrester weighted the data by age, gender, income, broadband adoption, and region to demographically represent the US online adult population. The survey sample size, when weighted, was 11,109.

The Forrester Analytics Consumer Technographics North American Financial Services Topic Insights 3 Survey, 2018, was fielded in August and September 2018. This online survey included 4,753 respondents in Canada between the ages of 18 and 88. For results based on a randomly chosen sample of this size, there is 95% confidence that the results have a statistical precision of plus-or-minus 1.5% of what they would be if the entire population of Canadian online adults (defined as those online weekly or more often) had been surveyed. Forrester weighted the data by age, gender, income, broadband adoption, and region to demographically represent the Canadian online adult population. The survey sample size, when weighted, was 4,753 in Canada.

The Forrester Analytics Consumer Technographics European Financial Services Topic Insights 3 Survey, 2018, was fielded in August and September 2018. This online survey included 3,532 respondents in the UK, 3,582 respondents in France, 3,603 respondents in Germany, and 3,564 respondents in Italy. For results based on a randomly chosen sample of this size, there is 95% confidence that the results have a statistical precision of plus-or-minus 1.65% when the data is analyzed at a country level. Forrester weighted the data by age and gender to demographically represent the online adult population within each country. The survey sample size, when weighted, was 3,532 in the UK, 3,582 in France, 3,603 in Germany, and 3,564 in Italy.

(Note: Weighted sample sizes can be different from the actual number of respondents to account for individuals generally underrepresented in online panels.) Please note that the programming language herein reflects the survey respondent base for each question. Bases for specific questions have been changed in published data for increased clarity. Therefore, the base in published data may not match the base language in this document. Research Now fielded these surveys on behalf of Forrester. Survey respondent incentives included points redeemable for gift certificates.

The Forrester Analytics Global Business Technographics Business And Technology Services Survey, 2018, was fielded between July and September 2018. This online survey included 2,570 respondents in Australia, Canada, China, France, Germany, the UK, and the US.

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Forrester Analytics' Business Technographics ensures that the final survey population contains only those with significant involvement in the planning, funding, and purchasing of business and technology products and services. Research Now fielded this survey on behalf of Forrester. Survey respondent incentives include points redeemable for gift certificates.

Please note that the brand questions included in this survey should not be used to measure market share. The purpose of Forrester Analytics' Business Technographics brand questions is to show usage of a brand by a specific target audience at one point in time.

### Companies Interviewed For This Report

We would like to thank the many individuals from the following companies and others who generously gave their time during the original or subsequent research for this report.

AIB	Nationwide Building Society
Bank Millennium	Nordea
Bank of America	PKO Bank Polski
Bank Pekao	Rabobank
BBVA	Royal Bank of Canada
Belfius	Sberbank
BMO	Scotiabank
CIBC	Tink
Commonwealth Bank of Australia	Tinkoff
Emirates NBD	TMRW
Garanti Bank	USAA
Groupe BPCE	WeBank
Intesa Sanpaolo	Wells Fargo
mBank	

### Endnotes

<sup>1</sup> Note: Branch banking does not include ATM use or speaking to an advisor in a bank branch; mobile banking does not include tablet banking.

<sup>2</sup> We asked European, Canadian, and US online adults which banking activities they have performed with a desktop or laptop computer over the past three months; 16% of online adults in the UK, Canada, and the US used their computer to research financial products. Source: Forrester Analytics Consumer Technographics European Financial Services

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Topic Insights 3 Survey, 2018; Forrester Analytics Consumer Technographics North American Financial Services Topic Insights 3 Survey, 2018; and Forrester Analytics Consumer Technographics North American Financial Services Benchmark Recontact Survey, 2018.

<sup>3</sup> In 2019, we used our Forrester Banking Wave™ methodology to evaluate the mobile banking services of more than 50 large retail banks around the world. See the Forrester report [“The Forrester Banking Wave™: US Mobile Apps, Q2 2019,”](#) see the Forrester report [“The Forrester Banking Wave™: European Mobile Apps, Q2 2019,”](#) see the Forrester report [“The Forrester Banking Wave™: Australian Mobile Apps, Q2 2019,”](#) see the Forrester report [“The Forrester Banking Wave™: Indian Mobile Apps, Q2 2019,”](#) and see the Forrester report [“The Forrester Banking Wave™: Mainland China Mobile Apps, Q2 2019.”](#)

<sup>4</sup> Source: Forrester Analytics Consumer Technographics Asia Pacific Financial Services Survey, 2019.

<sup>5</sup> Source: Forrester Analytics Consumer Technographics European Financial Services Topic Insights 3 Survey, 2018 and Forrester Analytics Consumer Technographics North American Financial Services Benchmark Recontact Survey, 2018.

<sup>6</sup> Source: Forrester Analytics Consumer Technographics European Financial Services Topic Insights 1 Customer Life Cycle Survey, 2018 and Forrester Analytics Consumer Technographics North American Financial Services Topic Insights 1 Customer Life Cycle Survey, 2018.

<sup>7</sup> Executives globally are focusing on open banking. Banks and payments companies in Europe implemented the early stages of PSD2 in January 2018. Different firms, and different countries, are taking different approaches. Problems of fragmentation and standardization loom. New actors, including telcos and airlines, mull over entering banking and payments. Digital business execs in financial services should read Forrester’s digest of the early days of open banking to see how competitors are responding both within and outside the industry. See the Forrester report [“Europe Lays The Foundations Of Open Banking.”](#)

<sup>8</sup> Five years ago, we charted the impact of digital disruption on financial services. See the Forrester report [“Digital Disruption Hits Retail Financial Services.”](#) Since then, investors have pumped \$128 billion dollars into fintech and swelled the ranks of fintech unicorns. See the Forrester report [“The Wounded Unicorns Of Fintech.”](#) There are now 33 unicorns, and companies such as Adyen or Square have attracted billions. Incumbents are feeling the impact of software-driven startups such as Revolut, TransferWise, or Stripe on their balance sheets.

<sup>9</sup> Digital giants such as Alibaba, Amazon, Baidu, Paytm, and Tencent are using their technological prowess, customer intimacy, and deep pockets to disrupt finance even further. See the Forrester report [“The BATJ Firms Are Driving Digital Financial Services For All”](#) and see the Forrester report [“Amazon Invades Banking: Here’s What You Should Do.”](#)

On June 18, Facebook officially launched its Libra cryptocurrency project, which aims to leverage blockchain technologies to create a new stable cryptocurrency backed by a basket of fiat currencies. Facebook says its aim is to enable accessible and affordable digital payments for billions of people, including un-/underbanked people across the world. It aims to make sending payments as easy as sending a message across its digital platforms for its 2.7 billion global users. Source: Meng Liu, Benjamin Ensor, and Frederic Giron, “Facebook’s Libra Needs To Answer Three Questions,” Forrester Blogs, June 19, 2019 (<https://go.forrester.com/blogs/facebook-libra-needs-to-answer-three-questions/>).

<sup>10</sup> Starling believes that user data belongs to the user and provides them with the capacity to securely share and integrate their data with the best applications. App developers can perform a basic integration with Starling via the API to allow users to do this or, if desired, become a partner and offer their app via the Starling marketplace. Source: “Starling Developers,” Starling Bank (<https://developer.starlingbank.com/>).

<sup>11</sup> Digital financial advice platforms deliver free or low-cost investment and other financial guidance to consumers who are planning for goals such as home ownership, education, and retirement. They hope to appeal to consumers who cannot — or choose not to — get person-to-person advice. Previous generations of online advice have sputtered. But with consumer confidence in digital advice rising and technology improving, digital financial advice will be a disruptive force in retail financial services. See the Forrester report [“Disrupting Finance: Digital Financial Advice.”](#)

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<sup>12</sup> Digital money managers offer budgeting and cash management tools to the many people worldwide who need to manage their money but don't have the time, know-how, or inclination to actually do it. See the Forrester report "[Disrupting Finance: Digital Money Managers.](#)"

There's no doubt a number of digital money managers will fail, but with the advent of the Payment Services Directive 2 (PSD2) in Europe, we believe independent platforms for money management will become more viable. In Europe, PSD2 will provide the technical mechanisms to guarantee interoperability. Under PSD2, a customer can grant permission to a third-party provider to access data on her account held at a bank or other payment institution. See the Forrester report "[Brief: Turn PSD2 From A Burden Into A Catalyst.](#)"

<sup>13</sup> Some fintech startups, as well as a handful of established banks and insurance companies, have started weaving the lessons of behavioral economics into the fabric of their services to help customers put money aside for a rainy day, get out of debt, build up savings for a car or for retirement, or make smarter investing decisions. See the Forrester report "[Use Behavioral Economics To Inform Your Financial Well-Being Strategy.](#)"

<sup>14</sup> Digital investment managers like Nutmeg in the UK and Betterment and Wealthfront in the US use the internet to offer to retail investors managed accounts at much lower fees than established asset management, life insurance, and wealth management firms do. They use software to create and rebalance customized, diversified portfolios on a schedule that minimizes costs and taxes. See the Forrester report "[Disrupting Finance: Digital Investment Managers.](#)"

<sup>15</sup> It's not that incumbent retail financial services firms haven't tried to address these needs. Unfortunately, regulatory barriers, outdated technology, and paper-heavy processes have prevented them from doing so profitably. With flexible technology, low overheads, and digital skills, disruptors have been better at meeting these unmet needs. See the Forrester report "[Disruptors Belong In Your Digital Ecosystem.](#)"

<sup>16</sup> For example, PayPal lets small businesses using its platform borrow up to 30% of their annual PayPal sales and then repay the loan through automatic deductions from future sales. See the Forrester report "[Disrupting Finance: Digital Small Business Lenders](#)" and see the Forrester report "[The Digital Disruption Of Small Business Banking.](#)"

<sup>17</sup> By making personal finance far more transparent, comparison engines have savaged incumbents' profit margins and given newcomers a platform on which to compete.

<sup>18</sup> Helping SME owners and operators compare Aldermore's business savings account rates with other providers' rates aids Aldermore in its efforts to sell more products, but it also benefits the firm in other ways: Getting SME owners to select their current provider and the rate they're getting gives Aldermore useful data. Disruptors are often better than established firms at increasing opportunities for data capture, and digital disruptors in the SME banking market are no exception. See the Forrester report "[The Digital Disruption Of Small Business Banking.](#)"

<sup>19</sup> By enabling customers to make payments easily using their smartphones, disruptors like Apple Pay, Dwolla, LevelUp, LoopPay, PayPal, and Venmo threaten to come between banks and their consumer and merchant customers — and the valuable data insights garnered through their spending habits. Banks should not simply cede the mobile payment relationship to other firms. With the right partners, banks can offer many of the mobile payment services that consumers and merchants want. But firms need to act now, because infrastructure, skills, and capabilities will take years to build. See the Forrester report "[Disrupting Finance: Mobile Payment Systems.](#)"

<sup>20</sup> P2P currency exchange platforms like CurrencyFair, TransferWise, and Walutomat.pl match customers with one another to facilitate currency exchanges. These startups offer better exchange rates than retail banks and international money transfer firms do and have already saved customers millions of dollars in transaction fees. See the Forrester report "[Disrupting Finance: P2P Currency Exchange.](#)"

<sup>21</sup> Over the past two years, iBanFirst has expanded beyond its core business of foreign exchange, which lets a business make or accept payments in a wide variety of currencies. iBanFirst is transparent about its fees and updates foreign exchange rate information on its platforms every 10 seconds. Source: Romain Dillet, "iBanFirst raises \$17 million to help companies move money around the world," TechCrunch, November 15, 2018 (<https://techcrunch.com/2018/11/14/ibanfirst-raises-17-million-to-help-companies-move-money-around-the-world/>).



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- <sup>22</sup> Digital wallets are, first and foremost, engagement platforms, relegating payments in the value chain. Banks run the risk of disintermediation and should not simply cede the customer relationship to mobile wallet providers. With the right partners, banks can offer many of the wallet services that customers want most, such as financial information, offers, and loyalty rewards. See the Forrester report [“Disrupting Finance: Digital Wallets.”](#)
- <sup>23</sup> Where, with whom, and how much customers spend is a treasure trove of profitable data that banks and a handful of card networks worldwide currently hold.
- <sup>24</sup> Source: Forrester Analytics Global Business Technographics Priorities And Journey Survey, 2018.
- <sup>25</sup> Source: Forrester Analytics Global Business Technographics Business And Technology Services Survey, 2018.
- <sup>26</sup> Source: Forrester Analytics Global Business Technographics Business And Technology Services Survey, 2018.
- <sup>27</sup> Twenty-five percent of our survey respondents said that their company culture is one of the greatest challenges within their organization for executing their most recent digital transformation. Source: Forrester Analytics Global Business Technographics Business And Technology Services Survey, 2018.
- <sup>28</sup> Culture is one of the biggest barriers to digital transformation. Many firms put it in the “too hard” basket, focusing on all the other aspects of digital transformation until they can’t ignore it any longer. But culture is the glue that binds strategy, technology, processes, and organization. It’s difficult to identify and alter, but it’s foundational. This report describes how digital business leaders can seed the cultural changes that start to move their organization toward a digital culture. See the Forrester report [“Fix Your Culture Gaps To Speed Up Digital Transformation.”](#)
- <sup>29</sup> Banks need to nimbly navigate a landscape dominated by demanding customers; digital disruption; increasing levels of supervisory regulation; and the need for greater process efficiency, cost management, and business agility. Transforming the application landscape remains high on the agenda of many banks, yet a number of large-scale failures over the past few years have shown that transformation involves significant risk. Banks need to be aware of the most critical obstacles to banking platform transformation if they are to achieve ongoing business success while mitigating transformation risk. See the Forrester report [“How To Avoid A Banking Platform Transformation Disaster.”](#)
- <sup>30</sup> Digital maturity varies by country and size of bank. Executive understanding of and commitment to digital transformation is widening the gap between the financial firms that are embracing digital business transformation and those that continue doing things the same old way. There’s nothing like a competitor moving to spark action — resulting in many of the large banks in countries like Australia, Canada, Poland, Singapore, Spain, and Turkey moving faster than their international peers.
- <sup>31</sup> You need to transform your business by applying digital thinking across everything you do — how you win, serve, and retain customers; how you operate your internal processes; and how you source business services. In short, you must become a digital business. See the Forrester report [“The Digital Business Imperative.”](#)
- <sup>32</sup> See the Forrester report [“Disrupt Your Business With A Digital Venture.”](#)
- <sup>33</sup> See the Forrester report [“Disrupting Finance: Digital Banks.”](#)
- <sup>34</sup> Source: “Bank Leumi works with Temenos and VMware on digital banking platform,” Finextra, October 23, 2017 ([https://www.finextra.com/pressarticle/71297/bank-leumi-partners-temenos-and-vmware-on-digital-banking-platform?utm\\_medium=rss&utm\\_source=finextrafeed](https://www.finextra.com/pressarticle/71297/bank-leumi-partners-temenos-and-vmware-on-digital-banking-platform?utm_medium=rss&utm_source=finextrafeed)).
- <sup>35</sup> On June 6, 2019, JPMorgan Chase announced it would be closing its digital-only bank Finn, a little under a year after it was launched. Digital banking is a tough business, and we’ve seen far more examples of failures than successes over the past two decades. The closure of Finn does bring up some important lessons for other digital bank startups or digital offshoots of the major bank brands. Source: Alyson Clarke, “Chase Closes Finn: Lessons For Other Digital Banks,” Forrester Blogs, June 10, 2019 (<https://go.forrester.com/blogs/chase-closes-finn-lessons-for-other-digital-banks/>).

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- <sup>36</sup> Banks need to provide a consistent and enjoyable customer experience along the whole customer engagement life cycle. To ensure process and data consistency, banks must embed a banking system of engagement into a new, customer-centric banking platform. See the Forrester report “[Brief: Banking Platforms Need To Become Customer Centric.](#)”
- <sup>37</sup> Front-end-focused digital banking transformation may create short-term value but won’t deliver true digital banking on the medium to long term. While digital banking platforms supporting digital core banking are not yet the implemented norm, advanced banks are working on tactics and strategies that move them toward digital core banking. See the Forrester report “[Leading Banks Embrace Digital Core Banking.](#)”
- <sup>38</sup> Digital technology dramatically improves the economics and capabilities of every business. Using hardware, software, algorithms, and the internet, it’s 10 times cheaper and faster to engage customers, create offerings, harness partners, and operate your business. Digital natives and innovative giants create customer value with technology at the core. See the Forrester report “[Digital Rewrites The Rules Of Business.](#)”
- <sup>39</sup> See the Forrester report “[Beyond The Hype: How Banks Use AI To Drive Operational Efficiency](#)” and see the Forrester report “[Banks Make Slow But Steady Progress With Customer-Facing AI Use Cases.](#)”
- <sup>40</sup> See the Forrester report “[Digital Rewrites The Rules Of Business.](#)”
- <sup>41</sup> See the Forrester report “[The Forrester Banking Wave™: European Mobile Apps, Q2 2019.](#)”
- <sup>42</sup> Source: Interview with Tinkoff, November 16, 2018.
- Source: “JOIN the Tour 2019 - London: Making Better Decisions, Faster at Monzo,” Looker YouTube video, May 8, 2019 (<https://www.youtube.com/watch?v=k7a3SHkMblI>).
- <sup>43</sup> Source: “RBC first bank in Canada to offer clients personalized digital financial insights & a fully-automated savings service through the award-winning RBC Mobile app,” RBC press release, August 28, 2017 (<http://www.rbc.com/newsroom/news/2017/20170828-nomi.html>).
- <sup>44</sup> See the Forrester report “[Case Study: Lloyds Banking Group Transforms Through 10 Customer Journeys.](#)”
- <sup>45</sup> Israel Discount Bank achieved a 30% reduction in search time for agents as a result of the implementation. Source: Interview with Nir Politzer, head of call center at Israel Discount Bank, January 28, 2019. See the Forrester report “[Use Your Contact Center To Deliver Great Banking Customer Experiences.](#)”
- <sup>46</sup> Source: “Crédit Mutuel,” IBM (<https://www.ibm.com/watson/stories/creditmutuel/>).
- <sup>47</sup> See the Forrester report “[Beyond The Hype: How Banks Use AI To Drive Operational Efficiency.](#)”
- <sup>48</sup> Source: “AI in Financial Services—Final Mile of a Debit Card Fraud Machine Learning Model,” H2O.ai YouTube video, August 24, 2018 (<https://www.youtube.com/watch?v=a0IVOfb4cxM>).
- <sup>49</sup> See the Forrester report “[The Digital Business Imperative.](#)”
- <sup>50</sup> CreditLadder tracks tenants’ rent payments to help them build their credit history and access better rates on credit cards, loans, and utilities. Accessing data via open banking, CreditLadder analyzes the income and expenditure of users and overlays that data against Nationwide’s qualifying mortgage criteria to prompt qualifying tenants to apply for a Nationwide mortgage. Source: “Nationwide and CreditLadder combine to help renters become homeowners,” Finextra, March 20, 2019 (<https://www.finextra.com/newsarticle/33557/nationwide-and-creditletter-combine-to-help-renters-become-homeowners>).
- <sup>51</sup> For many financial services companies, making selected capabilities available to an innovation community via a developer portal is the first step to becoming an innovation platform. The goal is new value creation, exposing APIs and services so that innovators can create customer-focused products and new sources of revenue. Danske Bank positions itself as powering Nordic fintechs via its open banking portal, and banks like BBVA and ING in Europe, Capital One and Citi in the US, and DBS Bank in Singapore are among the 50 or so banks that have developer portals



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to drive innovation. In May 2018, Deutsche Bank acquired Quantigo Solutions to accelerate construction of an open banking platform and expose corporate clients to third-party innovation. See the Forrester report “[Four Ways APIs Are Changing Banking.](#)”

<sup>52</sup> Source: “Poland’s mBank to license tech platform to third party financial institutions,” Finextra, June 26, 2017 (<https://www.finextra.com/newsarticle/30738/polands-mbank-to-license-tech-platform-to-third-party-financial-institutions>).

<sup>53</sup> To speed up digital innovation, many digital teams have launched digital innovation labs. These alternative software development environments mostly sit outside of regular technology management and compliance processes. However, what digital teams gain in development speed, they often lose later when they face unchanged testing and delivery practices and slow governance. See the Forrester report “[Digital Labs Are A Temporary Fix.](#)”

<sup>54</sup> See the Forrester report “[Accelerate Your Culture Practices For Digital Transformation.](#)”

<sup>55</sup> See the Forrester report “[How To Fail And Not Get Fired.](#)”

<sup>56</sup> See the Forrester report “[How To Create An Innovative Culture In Financial Services.](#)”

<sup>57</sup> Digital innovators embrace new organizational structures. Cross-functional working is a given, but innovators go further, democratizing trust in the outside world in return for speed, inspiration, and access to capabilities they can’t, or don’t want to, develop internally. They shift capital, intellectual property, and human resource risk to a dynamic ecosystem of partners, and they embrace technology to drive unprecedented efficiency and scale. This report outlines how digital business leaders structure their teams and business units. See the Forrester report “[Embrace Next-Generation Digital Organization Structures.](#)”

<sup>58</sup> “With the pervasiveness of digital, tech is business and business is tech. Recognizing this, we no longer view technology as a support function. Instead, we have organized ourselves such that business and technology teams are now co-drivers in 33 platforms and work together to deliver on shared goals.” During 2018, over 17,000 employees were involved in innovation programs such as hackathons, incubators, workshops, platform events, and partnerships with the fintech community. Source: “DBS Annual Report 2018,” DBS Bank, February 15, 2019 (<https://www.dbs.com/annualreports/2018/downloads/dbs-annual-report-2018.pdf>).

<sup>59</sup> See the Forrester report “[The Rise Of The Agile Employee: Develop And Evolve Agile Skills.](#)”

<sup>60</sup> The digital bank embraced an operating model championing rapid, iterative innovation to generate revenue from improving financial inclusion in China. WeBank has launched Weilidai, a microloan product for retail customers. WeBank also launched Weiyedai, an SME-focused loan product. Around 70% of the small businesses it acquired with that product have less than 5 million yuan of annual revenue and no corporate credit record. Thirty-eight percent of these small businesses have no personal credit record. Source: Interview with WeBank, November 30, 2018.

<sup>61</sup> There are potential cultural, commercial, and financial benefits to working with startups but also plenty of risks. This report helps digital business executives at financial services firms navigate these risks and make the most of these budding relationships with startups. See the Forrester report “[How To Work With Fintech Startups.](#)”

<sup>62</sup> See the Forrester report “[The Digital Banking Imperative.](#)”

<sup>63</sup> Our digital banking functionality benchmark methodology helps digital banking teams measure and benchmark their own digital services against those of competitors in the three areas with the most impact on customers: mobile banking, online banking, and digital sales. See the Forrester report “[Benchmark Your Customers’ Digital Banking Journeys.](#)” Our digital banking maturity model helps digital business strategy executives in banking assess their digital capabilities and better target their investments. See the Forrester report “[Assess Your Digital Banking Capabilities.](#)” Our digital business maturity model helps banks and other organizations gauge where they are on their journey to becoming a digital business and understand which core competencies they need to strengthen or develop. See the Forrester report “[Gauge Your Digital Business Maturity.](#)”

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