



# **Digital Effectiveness in Retail Banking | Focus on Banks in the UK and Europe: Identifying Digital Banking Leaders in the Open Banking Era**

Banking & Financial Services (BFS) - IT Services (ITS)

Market Report – May 2018: Complimentary Abstract / Table of Contents

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- Tracking services | Service providers, locations, risk
- Other | Market intelligence, service provider capabilities, technologies, contract assessment

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# Background and scope of the research

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## Background of the research

Technology is creating entirely new ways of serving the existing needs of the customers and is significantly disrupting the value chain by improving the quality, speed, and price at which value is delivered. Challenger banks (FinTechs, non-traditional financial service providers, and neo-digital banks) are developing new products, services, and business models, impacting front- to back-office functions to compete with traditional banks. At the same time, regulators in Europe are pushing for open banking, thereby increasing API adoption among banks.

The increasing competition and the growing adoption of digital channels are forcing traditional banks to adapt to new client processes and reinvent themselves.

In this research, we analyze the customer-facing digital investments for 20 European retail banks. These banks have been mapped on Everest Group's **Digital Effectiveness Assessment model**, which is a composite index of a range of distinct metrics related to each bank's capability maturity and the resultant business outcomes. In this report, we focus on:

- Disruption in the UK and European retail banking sector
- Assessment of 20 leading European banks' on Everest Group's Digital Effectiveness Assessment model
- Identification of Digital Banking Leaders and their features across all assessment dimensions
- Snapshot of capability maturity and business outcomes of all European banks assessed on the Digital Effectiveness Assessment model

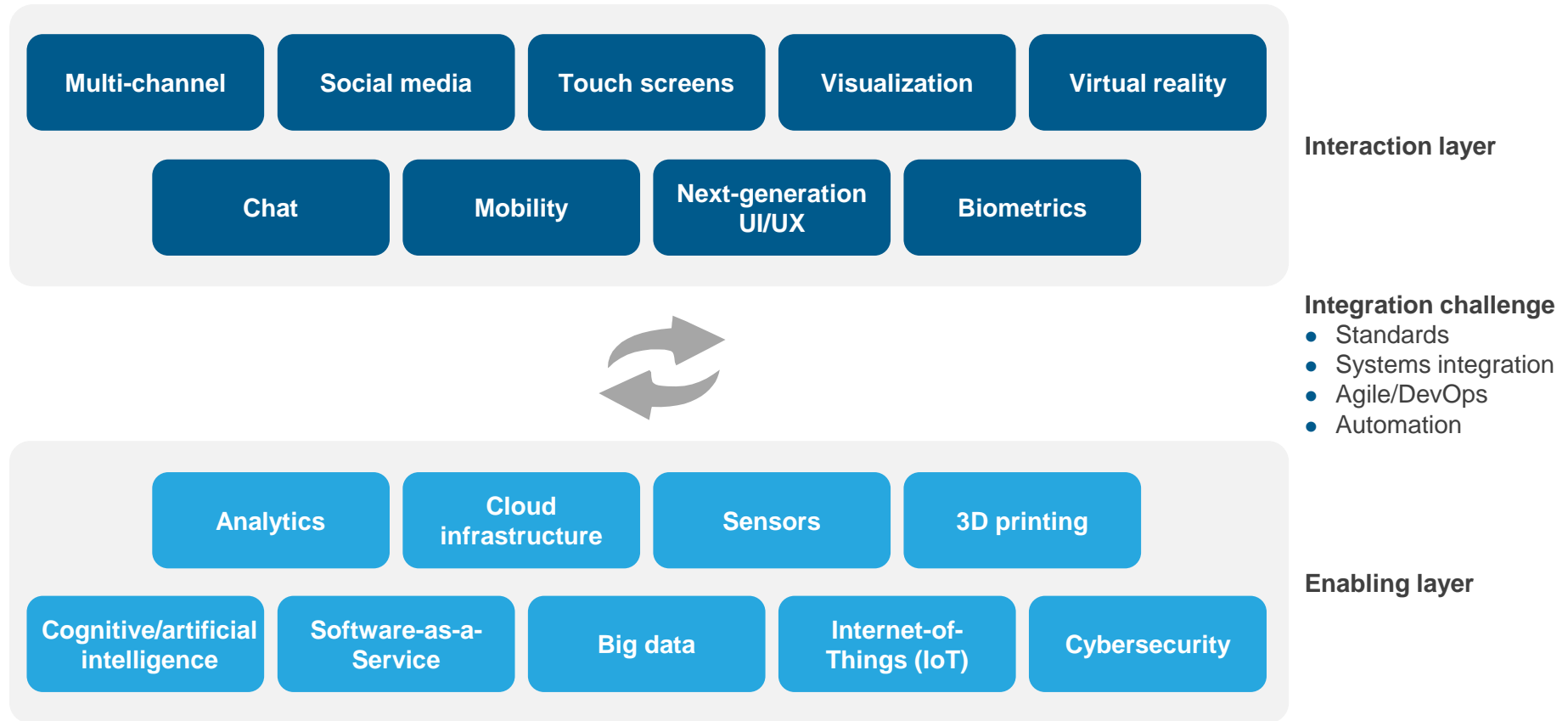
## Scope of this report

- **Industry:** Retail banking
- **Geography:** Europe
- **Enterprises:** Includes 20 leading European banks, shortlisted on the basis of asset size as well as their focus on retail banking

**Sources leveraged:** Only **publicly-available information** (i.e., information from a consumers' lens) has been used for the entire analysis in this report. Key sources include:

- Google Play and App Store
- Demos / consumer access for mobile apps and online platforms of the banks that are assessed
- Social media platforms – Twitter, Facebook, LinkedIn, and YouTube
- Aggregators/tools – Alexa, App Anie, Likealyzer, SEMRush, SocialBlade, and Twitonomy
- Company filings and press releases (annual reports, investor presentations, SEC filings, etc.)

# Everest Group's digital effectiveness assessment focuses on the consumer-facing interaction layer of digital technologies



The assessment focuses on the consumer-focused initiatives in the “Interaction Layers” and only takes into account those aspects of digital functionality that a **consumer could evaluate**.

Source: Everest Group (2018)

# Overview and abbreviated summary of key messages

This report covers the key disruption themes in the UK and European banking landscape and provides implications that can help these banks pivot to an experience-first strategy. This report focuses on assessing front office digital effectiveness of 20 leading banks in the UK and Europe and map them on Everest Group's **Digital Effectiveness Assessment Model**, which is a composite index of a range of distinct metrics related to each bank's capability maturity and the resultant business outcomes. The report also highlights key attributes of Digital Banking Leaders and helps to identify investment areas that have enabled these Leaders to offer a superior customer experience.

Some of the findings in this report, among others, are:

## Disruption themes in the UK and European banking landscape

- Rise of challenger banks, open banking, and demand for seamless experiences are three key disruption themes in the European and UK banking landscape
- The increasing competition and the growing adoption of digital channels are forcing traditional banks to adapt to new client processes and reinvent themselves

## Digital Effectiveness in Retail Banking | Focus on Banks in the UK and Europe

- Barclays, BBVA, BNP Paribas, HSBC, KBC Group, Lloyds, and Société Générale have emerged as Digital Banking Leaders, led by their ability to offer superior customer experiences, stronger customer engagement, and higher business growth
- Everest Group has also awarded BBVA, KBC Group, Nationwide, and Société Générale with the title of "Agile Performers", owing to the strongest forward movement over time, demonstrated by these four banks on the Digital Effectiveness Assessment Model

## Implications for the UK and European retail banks

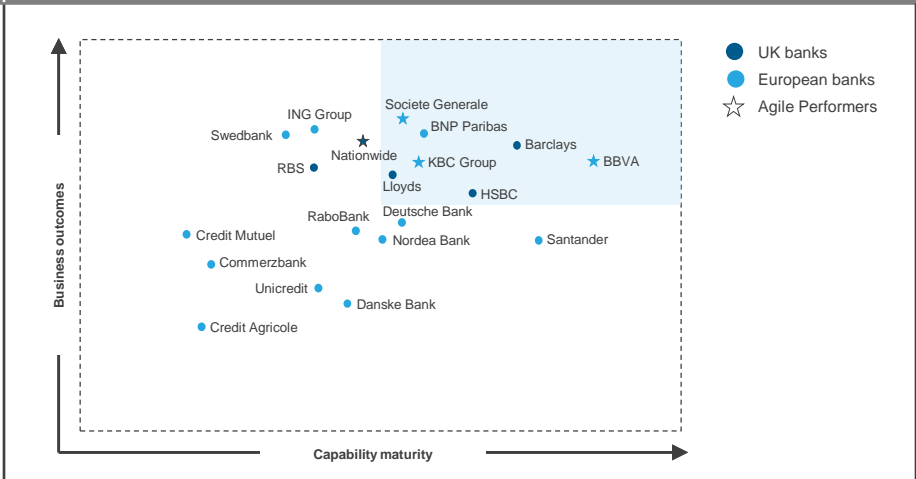
- Rise of challenger banks – Banks should adopt a human-centered design thinking approach to build useful, usable, and user-friendly experiences, in order to compete with challenger banks
- Open banking initiatives – Moving beyond compliance, banks should look to derive maximum value through API monetization, ecosystem orchestration, and launching innovative products
- Experience-first – Banks need to adopt a step-wise approach where-in they start with calibrating current customer satisfaction levels, benchmark current digital maturity with best-in-class enterprises, redesign user experience, and optimize their channel strategy

# This study offers distinct chapters providing a deep dive into key attributes of Digital Banking Leaders; below are four charts to illustrate the depth of the report

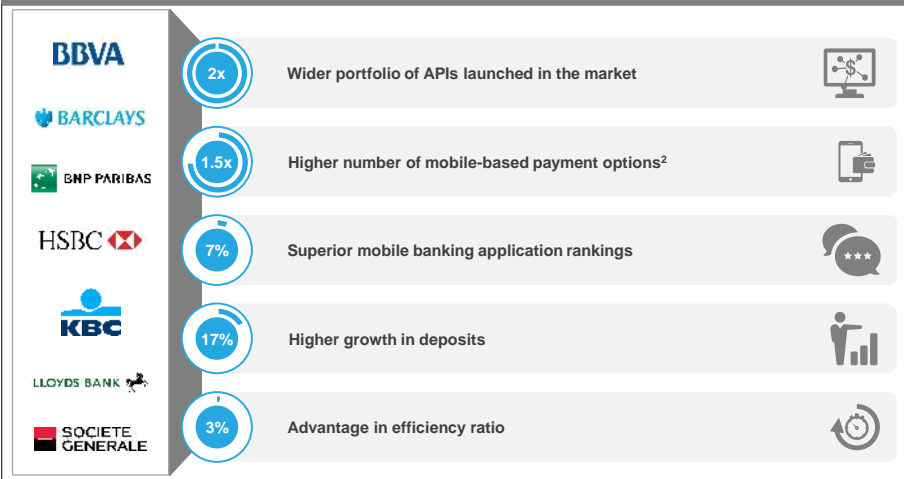
## Disruption themes in the UK and European banking landscape



## Digital Effectiveness Assessment model | Retail banks in Europe



## Key attributes of Digital Banking Leaders



## Implications for retail banks – Adopt an experience-first strategy

- Curate experiences**
  - Adopt a human-centered design thinking approach to understand the stated and unstated needs of the customer
  - Leverage data and analytics to build personalized experiences for customers across multiple channels
- Build useful, usable, and user-friendly experiences**
  - Simplify business processes and drive automation to reduce the number of inputs any user needs to provide on an interface
  - Strive to leverage data to provide more transparency to customers
  - Build experiences that will integrate cognitive and human elements of design in a cohesive manner
  - Build experiences/products that are usable. These should imbibe the principles of high learnability, consistency, and satisfaction
- Adopt a compliant-by-design approach**
  - Block non-compliant actions/transactions across interfaces by leveraging intelligent controls while designing/building application interfaces
- Build agile teams with a culture of obsessive customer focus**
  - Build and measure experiences in quick sprints to continuously iterate at the speed of customer demand
  - Keep the customer at the center of all design and development activities to ensure that all objectives/goals of business stakeholders are aligned to build superior customer experiences



# The report also provides a snapshot of capability maturity and business outcomes of all 20 banks in the UK and Europe assessed on the Digital Effectiveness Assessment Model

## XXX Bank | Digital snapshot

Excellent ■ ■ ■ ■
Good ■ ■ ■ □
Average ■ □ □ □
Poor □ □ □ □

**Headline assessment**

Growth in digital channel adoption, improvement in brand ranking, and expansion of its open banking API services, helped the bank to be positioned as a Digital Banking Leaders. Though the bank reported the highest customer deposit growth, it lagged behind other banks in overall financial performance, which might be due to the indirect impact of poor mobile experience and low response rate on social media.

**Capability maturity - snapshot of collected data** ■ ■ ■ □

**Mobile banking value-added features**  
Mobile banking app comprises unique features such as quick view, chat, and remote advisory, which at least 50% of banks do not offer

**API**  
Offers five different API modules. It also provides an API developer platform and hackathon platform

**Social media presence**  
Strong Facebook and YouTube presence with higher likes on community page (above 80% of the banks) and number of subscribers (above 70% of the banks) respectively. Last six month activities include:  

- Facebook – Post per day (0.7) ahead of 80% of the banks
- YouTube – Videos post (217) ahead of 80% of the banks

**Mobile payment and platform support**  
Does not support:  

- Platforms other than iOS and Android
- Mobile payments such as Android, and Samsung Pay

**Social media response rate**  
Low response rate on Twitter of 10%, compared to about 75% of the banks

**Business outcomes - snapshot of collected data** ■ ■ ■ □

**Adoption**  
Best-in-class customer adoption index:  

- Over 75% of retail banking customers utilize digital banking services and over 60% of retail banking customers utilize mobile banking services
- Average number of retweets per company tweet of ~13.1, which is one of the highest amongst banks in France

**Customer deposits**  
Reported the highest growth in customer deposits (CAGR 2014-2016) as compared to the 20 banks assessed in this research

**Brand perception**  
Holds the third highest brand ranking among all the banks

**Financial**  
Reported a below average financial performance compared to all the other banks  

- Revenue drop of x.x% (CAGR 2014-2016)
- Cost-to-income ratio of xx% (12 banks have better cost-to-income ratios in this research)

**Mobile app rating**  
Low mobile app experience:  

- Low App Store (3.0) and Play Store (3.6) rating (lagging behind 70% of banks)

Source: Everest Group (2018)

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# Research calendar – BFS IT Services

Published
  Planned
  Current release

## Flagship reports

## Release date

Capital Markets IT Annual Report Part 1 - Platformification Wave Disrupting Buy-Side .....	April 2018
Capital Markets IT Annual Report Part 2 - Data and Intelligence Transforming Customer Experiences for Sell-Side .....	April 2018
Capital Markets IT Annual Report Part 3 - Building Digital Market Infrastructures .....	April 2018
<b>Digital Effectiveness in Retail Banking   Focus on Banks in the UK and Europe: Identifying Digital Banking Leaders in the Open Banking Era .....</b>	<b>May 2018</b>
Banking & Capital Markets – ITO Transaction Activity and Market Trends Annual Report .....	Q2 2018
Application Services in Banking PEAK™ Matrix Assessment 2018 .....	Q2 2018
Open Banking IT Services PEAK™ Matrix Assessment 2018 .....	Q2 2018
Application Services in Capital Markets PEAK™ Matrix Assessment 2018 .....	Q3 2018
Banking ITO Annual Report – Exploring adoption of Artificial Intelligence (AI) uses cases .....	Q3 2018

## Thematic reports

Enterprise Digital Adoption in Banking and Financial Services   Pinnacle Model™ Assessment 2018: Artificial Intelligence Enabled Transformation .....	March 2018
Maximizing Value From Open Banking .....	March 2018
Blockchain: Is It the Silver Bullet? .....	March 2018
Securing Digital Experiences in Banking and Financial Services – State of Digital Identity Services Market .....	April 2018

Note: For a list of all BFS ITS reports published by us, please refer to our [website page](#)

# Additional BFSI ITO research references

The following documents are recommended for additional insight into the topic covered in this report. The recommended documents either provide additional details on the topic or complementary content that may be of interest.

1. **Enterprise Digital Adoption in Banking and Financial Services | Pinnacle Model™ Assessment 2018: Harnessing Artificial Intelligence for Digital Leadership** ([EGR-2018-31-R-2562](#)); 2018. In this report, we understand enterprises' digital strategies, by conducting a study of 55 banking and capital markets organizations across North America, Europe, the United Kingdom, and Asia Pacific. We identified 18 key dimensions in which enterprises are making investments for digital transformation, and further identified five key dimensions where Digital Pinnacle Enterprises™ in BFS differentiate and reap higher returns
2. **Digital Enablers – State of Application Programming Interface (API) Adoption in Banking: The Open Banking Revolution** ([EGR-2017-11-R-2372](#)); 2017. In this research, Everest group provides the definition and functioning of API and explores the evolving banking API ecosystem. The report also analyzes the state of API adoption and open banking initiatives of 13 leading BFS firms across Europe, the United Kingdom, and the United States using Everest Group's proprietary assessment
3. **Digital Force Multiplier – A Cloud Adoption Story in Banking and Financial Services: Public Cloud First** ([EGR-2017-11-R-2315](#)); 2017. In this research, Everest Group analyzes top 15 BFS enterprises across four geographies (Australia, Europe, United Kingdom, and United States) to understand the role of cloud technology in enhancing the digital experience. These BFS enterprises have been analyzed using Everest Group's proprietary assessment framework, which is a composite index of a range of distinct metrics related to an enterprise investments in cloud technology and digital experience

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