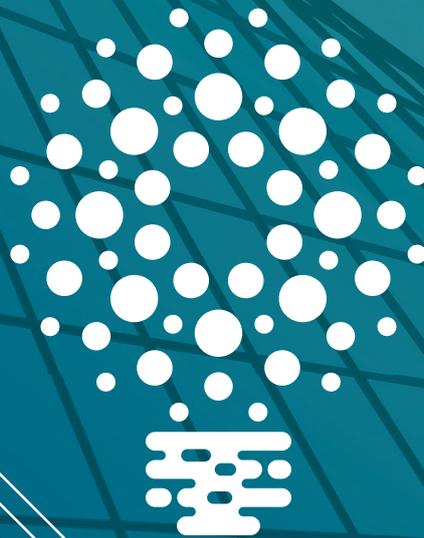
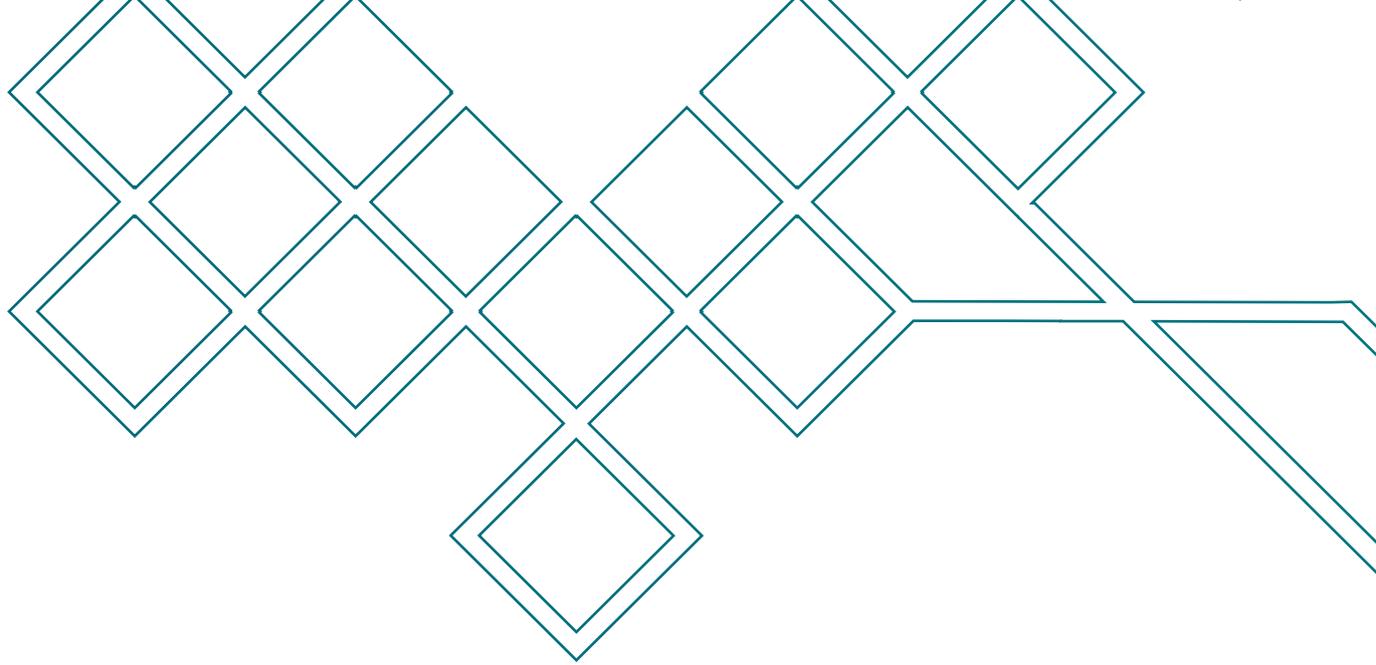


# BANKING ON DIGITAL



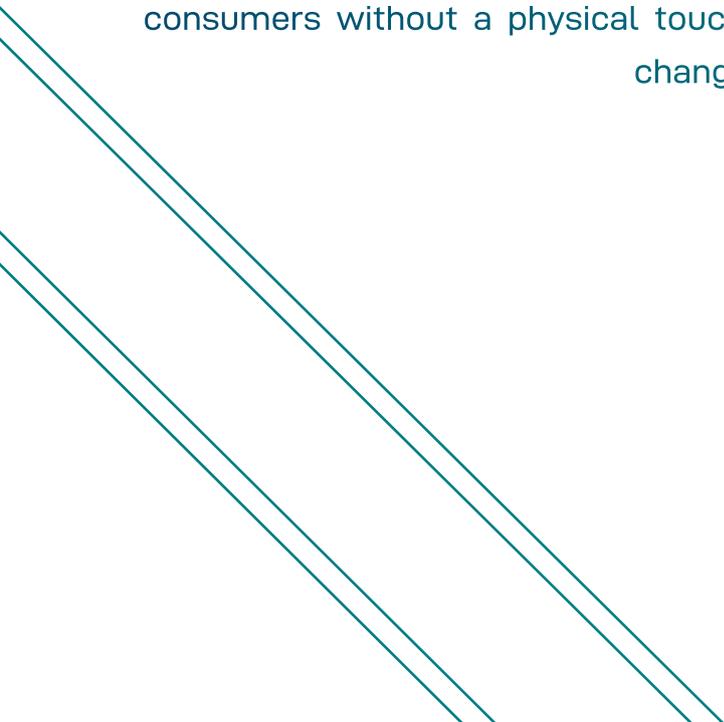


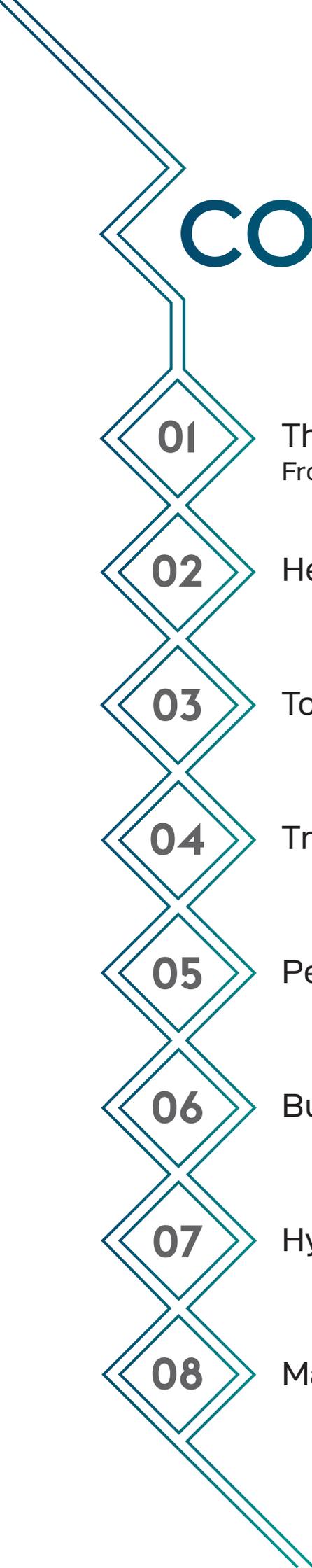
Across the world, many are grappling with social, economic, and environmental challenges exacerbated by the past year's events. From the abrupt halt of the world as we know it, to forcing organisational change, these recent unprecedented events have led many organisations to focus on creating new ways to provide access to banking for all, whilst contending with growing consumer expectations and demand.



As we look ahead and reflect on what the surge in digital use means for a post-pandemic world, many organisations may be questioning how to achieve long-term success, ensuring they don't just survive but also thrive in this new banking ecosystem.

Digitalisation has slowly been paving the way, allowing many to build on current infrastructure, embrace innovative approaches and interactively deepen customer relationships. However, this current surge has compelled many have been to pivot. From implementing remote working practices at scale to keep their staff safe to rethinking strategies on re-engaging and maintaining communications with consumers without a physical touchpoint it seems banking as we know it has changed indefinitely.





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# INTRODUCTION

Before 2020 organisations across the world were already deploying processes, strategies, and technical solutions on the road to digital transformation, however, the pandemic enacted an almost immediate digital adoption. The rapid shift from in-person to remote forced a multitude of industries to pivot and digitalise in an instant. The banking industry was no different. While digital transformation was steadily on the rise before the COVID-19 pandemic, its adoption has been given even greater impetus these last twelve months. In this whitepaper, we explore the power of digital, shifting consumer trends and how banks can embrace and be empowered by digital acceleration.

# THE POWER OF DIGITAL: FROM STEADY TO RAPID TRANSFORMATION



*RFi research shows an increase of 68% of consumers using digital within the UK, with Mexico and India having the highest usage at 82 and 83% respectively.*

Nothing made traditional banks recognise that they need to be able to innovate faster than the year 2020. Despite competitive new entrants and customers turning to FinTechs for better customer and rich digital solutions, traditional banks were still heavily reliant on legacy systems and complex processes. However, whilst many managed to overcome the challenges of the recent unprecedented events catapulting their transformation almost overnight, there remains a lot of work to be done, namely how inclusive and sustainable is this step-change?

As more consumers widely adopt digital platforms, banks, FinTechs and challengers are continuing the battle for digital supremacy. From minimal cash use, limited branch access and the reduction of paper statements, the pandemic heralded a new relationship between consumers

and banks, fast-tracking the need for a digital focus within banking much sooner than many anticipated. This is further illustrated by the key role digitisation plays in the financial lives of many and with the increase in the use of electronic payments. RFi research shows an increase of 68% of consumers using digital within the UK, with Mexico and India having the highest usage at 82 and 83% respectively.

Digital continues to play a significant role in the monthly channel mix. Our data shows that an increasing number of consumers rely on only digital channels. Routine tasks such as money transfers often act as the starting point for new digital users. However, the pandemic has fostered greater digital engagement, with the most significant impact noticed in India, China and Singapore.



## CONSUMERS USING DIGITAL BANKING CHANNELS WEEKLY

% Consumers interacting with their main bank via digital banking channels at least once a week

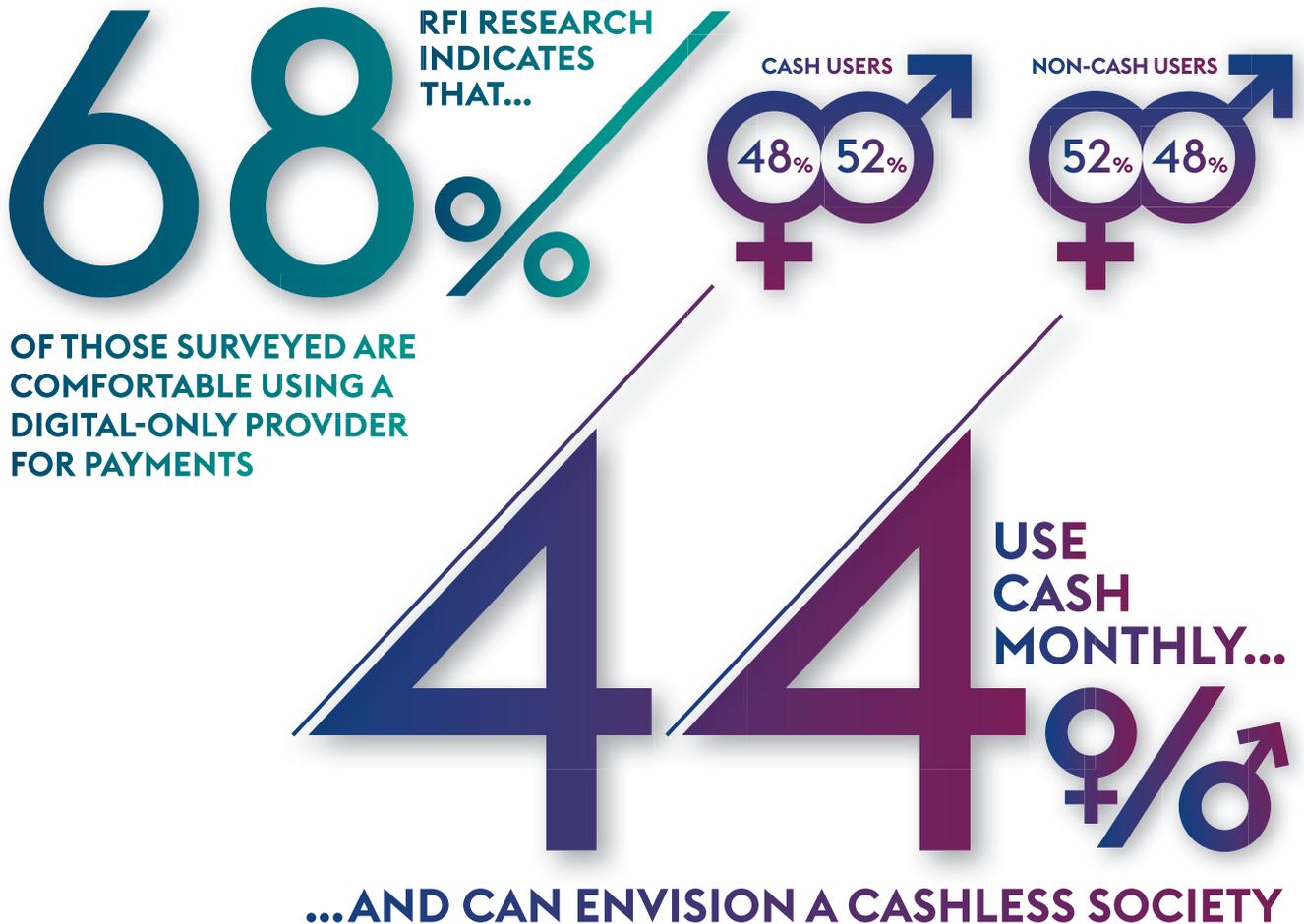
# HEADING TOWARD A CASHLESS REALITY

*In the next 12 months, consumers intend to increase their card usage and decrease their cash use.*



As restrictions on in-person contact increased, consumers across the globe adopted digital behaviours with cash becoming less relevant as an immediate consequence. The shift to cashless means the banking industry's role is not only driving innovation but the prioritisation of inclusion is becoming vehemently clear. In the next 12 months, consumers intend to increase their card usage and decrease their cash use. Digital payments are sharply becoming the norm, accelerated by the restriction on cash purchases in-store, and this movement to electronic payment may be here to stay.

The perception that younger consumers are more inclined to embrace digital payments channels is borne out by the data—but only to an extent. Cash continues to still be widely used across all age groups, with younger consumers still relying on cash for purchases at small retailers and to cover transportation costs. RFI Research indicates that 68% of those surveyed are comfortable using a digital-only provider for payments and 44% can envision a cashless society.





**CONSUMERS IN  
CHINA AND MEXICO  
ARE ALSO MORE LIKELY TO RELY ON  
CASH ALONE IN TYPICAL MONTH.**



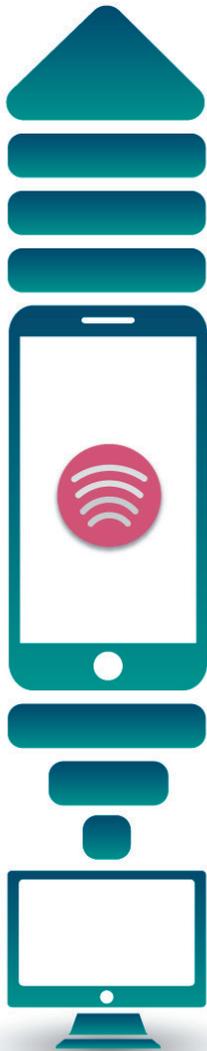
Does this recent digital surge spell the end for cash? Our recent Global Digital Survey highlights how consumers across India, Malaysia and Mexico are the most likely to envision a cashless future. This trend shows a significant uplift in Canada, the UK, and the US. However, this does not mean the complete demise of cash. Delving into the insights from our recent survey we noticed that while few consumers rely on cash globally, those who use it regularly do so for 38% of their spend. Consumers in China and Mexico are also more likely to rely on cash alone in a typical month with regular cash users tending to be slightly older consumers who are less technologically savvy.

Behind the shift to cashless is the more profound change in the way that payments are being transformed. Payments are reshaping the entire financial ecosystem forcing new business models to develop across the retail and banking landscape. From the emergence of Buy Now, Pay Later providers, to increasing digital currencies, both consumers and organisations are spoiled for choice. This results in a complex payments matrix that leaves many organisations undecided on what strategies will help them compete and win in the coming years.

How inclusive and sustainable is this step-change? Fewer consumers are relying on cash globally and those who do use cash regularly do so for a minimal part of their spending. In Mexico, it is common practice to use cash to pay for smaller bills.

Online shopping and purchases at department stores are the scenarios where consumers are most likely to pay via credit card. This gradual shift requires banks to modernise their infrastructure and create frictionless offerings whilst also contending with satisfying more vulnerable consumers and smaller merchants who are not yet accustomed to digital interfaces, highlighting the fine line many tread. Failure to implement the right applications appropriately may do away with the notion of financial inclusion and leave the most vulnerable in our society behind.

# TAPPING INTO MOBILE BANKING



*Although online banking continues to be the most widely used channel, a higher proportion of weekly banking activity is also through mobile banking..*

The financial services sector has notably heeded a transformation, with mobile banking adoption rising exponentially. As smartphone use increasingly becomes the norm, mobile applications will play a crucial role in the future of banking. Our research reveals that although online banking continues to be the most widely used channel, a higher proportion of weekly banking activity is also through mobile banking. This appeal of mobile wallets is heavily illustrated across Asia, presenting an opportunity for financial institutions to develop mobile applications that enable customers to carry out all their banking needs without the necessity of traditional in-person interaction.

The uptick in digital use, driven by the pandemic means a complete transition to mobile banking in the future is fathomable. This sentiment is further supported by our research showing consumer preference for using a big screen in addition to the belief that mobile banking has better functionality and access to information. Further to this point, RFI data highlights that the amount of access a consumer has to mobile payments could also influence their decision to take out a card with a bank, this is particularly evident across Asia. Whilst it is the norm for organisations that are accustomed to Generation Z customers (those born after 1996) using mobile banking, the pandemic spurred digital banking usage across older generations who traditionally preferred to bank in branches.



*The amount of access a consumer has to mobile payments could also influence their decision to take out a card with a bank, this is particularly evident across Asia.*

To succeed in deploying these applications, banks must do so from a customer-centric standpoint, ensuring they meet customer demand as mobile use increases across all demographics, this means developing user-friendly apps.

# TRUST AND TECH AN INCOMPATIBLE MATCH

At the start of 2020, consumers were feeling increasingly comfortable with the idea of using digital-only solutions, however, consumer confidence has fallen. Consumers today are less comfortable using a FinTech provider, with many preferring to bank with established providers. This decreased trust in digital-only providers, is further illustrated by our recent research, showing that fewer consumers are using FinTech providers, although the number of Klarna customers has grown over the last 12 months. The digital growth picture is not entirely rosy, as consumer trust has eroded slightly and although consumers are turning to digital payments in increasing numbers, it is not clear whether all recent behaviour shifts will prove to be permanent.



Globally, **India** and **China** remain the markets with the highest levels of FinTech usage.

## TOP 5 REASONS CONSUMERS ARE NOT COMFORTABLE USING A FINTECH (0-4)



Some consumers are yet to be convinced of the benefits of digital banking. To persuade these ambivalent digital adopters more will need to be done to instil confidence in security. This further establishes the reason most consumers continue to place the most trust in traditional institutions, with our data showing that banks and card schemes are trusted more than new digital-only players, even among users of these providers. Globally, India and China remain the markets with the highest levels of FinTech usage, with the key drivers for using fintech providers is due to ease of use, lower fees, and simple application processes.

As consumers searched for stability during the recent uncertainty, banks remained at the forefront for consumer trust. Banks are therefore in a great position to enhance their mobile banking offering, however, they face a challenging task, as they endeavour to balance providing functional but frictionless services and products. Banks who aim to offer tools that help customers manage spending, with enhancements such as budget analysis, and forecasting, are likely to prove popular with consumers who are open to using digital-only payment providers in the coming years.

Greater importance will also need to be placed on educating consumers around the security of digital banking. This will be key in breaking down barriers and additionally providing fraud reassurances which will, in turn, play a significant role in concerns.

# PERSON-TO-PERSON PAYMENTS GO MAINSTREAM

The pandemic propelled Person-to-Person (P2P) payments to the mainstream. Already standing out as one of the payment methods consumers feel most comfortable with carrying out, P2P picked up during the pandemic as it cemented itself as an effortless way to exchange funds without physical contact.

China continues to lead in digital P2P payments, with most consumers making P2P payments through Alipay or WeChat Pay. Through our research we observed that non-traditional banking apps are likely to continue growing, with this being the most preferred payment method across the market. However, consumers in Australia, France, Mexico and the UK would prefer to use their digital banking platforms.



**CHINA CONTINUES TO LEAD IN DIGITAL P2P PAYMENTS, WITH MOST CONSUMERS MAKING P2P PAYMENTS THROUGH ALIPAY OR WECHAT PAY.**

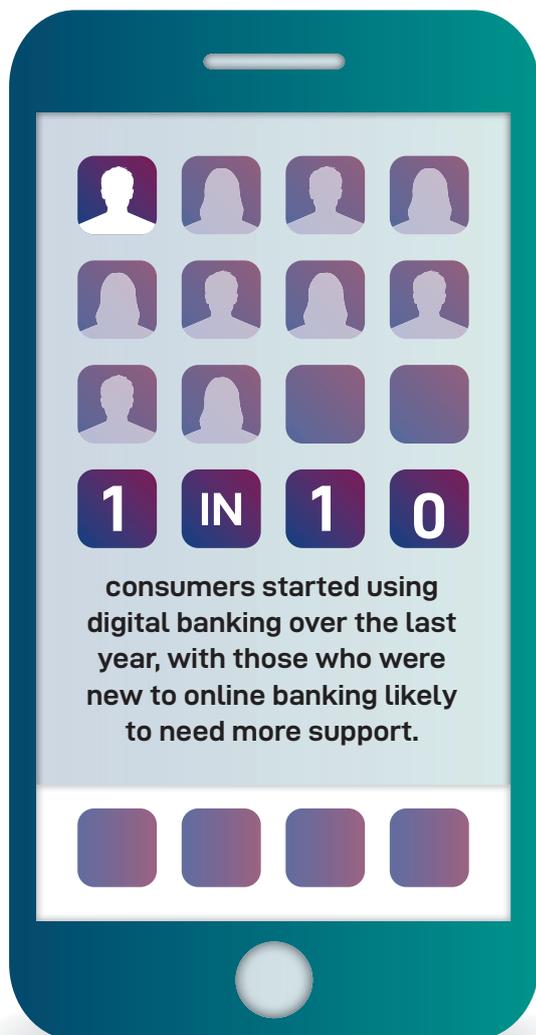
With post-pandemic recovery underway, there's reason to assume consumers will not immediately abandon their newly adopted digital behaviours. The pandemic has urged more consumers to use contactless payments including older consumers. Banks and financial organisations who want to create longstanding relationships with consumers can further their transition to digital by increasing their interactions through video, helping older consumers and those who have slowly adjusted to digital and mobile banking become more confident in easily sending payments and other online transactions.



**CONSUMERS IN AUSTRALIA, FRANCE, MEXICO AND THE UK WOULD PREFER TO USE THEIR DIGITAL BANKING PLATFORMS.**

# BUILDING BETTER (DIGITAL) BANKING EXPERIENCES

Today's consumers are no longer considering and comparing financial institutions solely based on their product offering, instead, experience plays a key role. Experience continues to drive consumer choice, making them turn to providers who offer more than just a product. This is a result of their daily digital interactions, as they continuously become used to smart and user-friendly interfaces that allow them to flow seamlessly across various touchpoints. From signing up in seconds to hassle-free checkout processes, unsatisfied consumers are indulged with choice, with the option to search and switch providers in a click.



Consumers today expect and demand banks provide a similar experience to those delivered by their retail and social media interactions. As consumers become accustomed to digital, its value lies in its features. Banks need to continue responding with new products and services that look, act, and feel like those frictionless experiences. Applications that factor in the experience of the end-user are likely to be welcomed. When RFI asked consumers what features they would like to see during their digital banking

Banks now have the challenge of keeping consumers engaged in an age of digital banking and social distancing. Part of this retention requires banks to provide excellent tools, resources and services that all contribute to the overall customer experience. These include a clearer interface, as well as an easier sign-up and login process. Those new to mobile are more likely to also benefit from tutorials. This is further outlined by our research, indicating that 1 in 10 consumers started using digital banking over the last year, and those who were new to online banking are likely to need more support.

RFI research indicates that while consumers are satisfied with their digital banking, they do believe their experience could be improved slightly by increased functionality. This is one of the key factors driving FinTech satisfaction, alongside ease and speed of use.

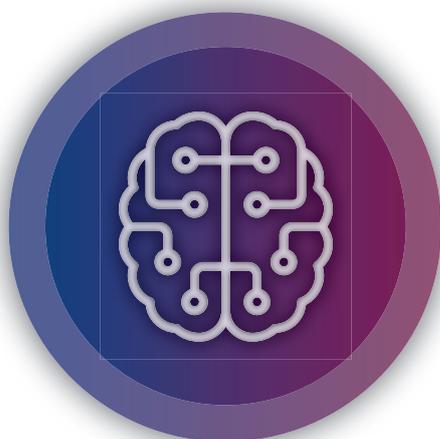
Banks who prioritise their digital offering will not only remain relevant but will more than likely achieve higher retention rates. This fundamental shift in business operations means organisations who want to succeed must integrate digital into part of their customer's lifecycle.

With tech giants like Google, Apple and Samsung making their way into the financial space, traditional banks must have the right framework in place to compete. Experience management will emerge as a primary driver and differentiator for banks. Banks, now and in the future, need a real understanding of consumer experiences. They also need an environment in which they can learn from and act on this information, make decisions, solve problems, and carefully deliver great customer experiences.

By shifting their priorities to becoming data-focused, they have the opportunity to study consumer behaviour, tailoring their approach, and becoming proactive rather than reactive. This will lead them to pre-empt future consumer attitudes that will result in creating intelligent solutions that satisfy consumers and drive performance.

This centralised view of data allows them to peruse, aggregate and reflect on trends and behaviours, providing a holistic understanding that permits them to identify gaps in the market and even better make improvements to increase the satisfaction of their products. This data viewpoint gives them the leverage to create and offer services that they know will meet customer needs.

**BANKS PRIORITISING THEIR DIGITAL OFFERING ARE NOT ONLY REMAINING RELEVANT THEY ARE RETAINING THEIR CUSTOMER BASE.**



**BANKS, NOW AND IN THE FUTURE, NEED A REAL UNDERSTANDING OF CONSUMER EXPERIENCES.**



# HYBRID SOLUTIONS FOR THE FUTURE

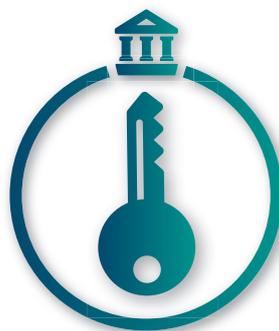
Whilst there was a decline in branch usage in the last 12 months - this is borne merely from physical restrictions rather than the shift to digital. While on average fewer than one in three consumers use a branch monthly, RFi expects at least one in five will still visit a branch monthly.



**RFI GROUP EXPECTS AT LEAST ONE IN FIVE CONSUMERS WILL STILL VISIT A BRANCH EVERY MONTH.**

Branches are still important, and many continue to visit their local branch to resolve problems and get specialist advice. What consumers want is the choice to choose and alternate their banking services.

While digital comfort is strongest among those who have stepped up their digital banking as a result of the pandemic, Consumers are yet to feel comfortable seeking help or performing more complex tasks digitally. The branch remains key to the overall banking experience, which presents a significant challenge considering ongoing restrictions to branch access. Branches saw a decline in customers.



**THE BRANCH REMAINS KEY TO THE OVERALL BANKING EXPERIENCE.**

Digital resources and tools are crucial for future-looking organisations and will continue to be so in the coming years. What will also play a significant role will be customer relationships and interaction. What does the future of banking look like? Whether it be digitally or in person, or a combination of both, it is clear that all touchpoints must be met, especially the human touch. This omnichannel experience remiss of a human touchpoint may result in consumers feeling dissatisfied with their overall banking experience.

# MAKING SMARTER DATA-DRIVEN DECISIONS

Banks face the challenge of having to effectively respond to increasing customer demands all whilst remaining compliant. Should banks level with the current pace of technological advancements, there is no telling how this can supercharge their transformation further in the next few years. Consumers, as well as companies, require solutions that are built to meet growing demand. Increasing customer expectations are forcing banks to shift from their legacy infrastructure and traditional approach and extend their offers to include services that deliver a personalised, valuable, and engaging experience.

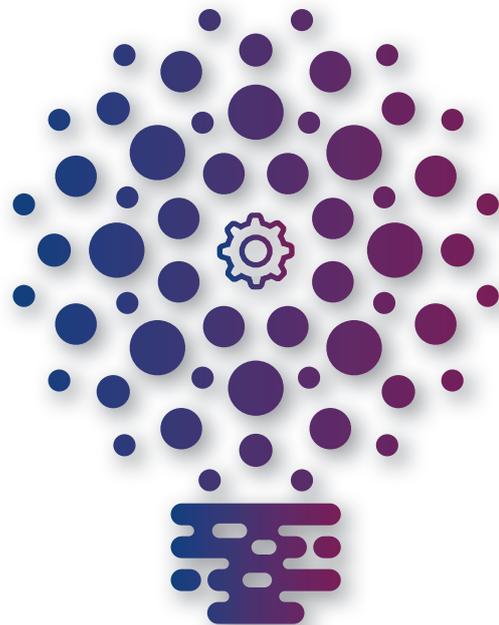
To achieve true transformation successfully, banks need to intelligently use data to enable a thorough risk management and product positioning, enabling them to create products and services that elevate customer choices, increase customer engagement, and reduce churn. Achieving this requires the forecasting of various scenarios which can only occur with robust data frameworks and real insights that measure and aggregate customer satisfaction, consumer sentiment and key drivers of use for products or services among many other factors.

Survival in today's digital-first world means traditional, neobanks and new entrants need to bank on digital, with clear strategic business priorities based on robust data. As evidenced in the past year, digital banking is no longer a nicety but a necessity. This ongoing shift to digital banking, and the slow shift to paperless, cashless, and a bevy of payment options means we are at the cusp of a banking digital revolution.

With effective digital solutions, banks can combat competitive threats, in keeping with regulatory change all whilst delivering and improving on their customer experience. As consumers steadily become accustomed to digital financial offers, banks

who successfully enhance and extend their digital offering have the opportunity to compete against new providers.

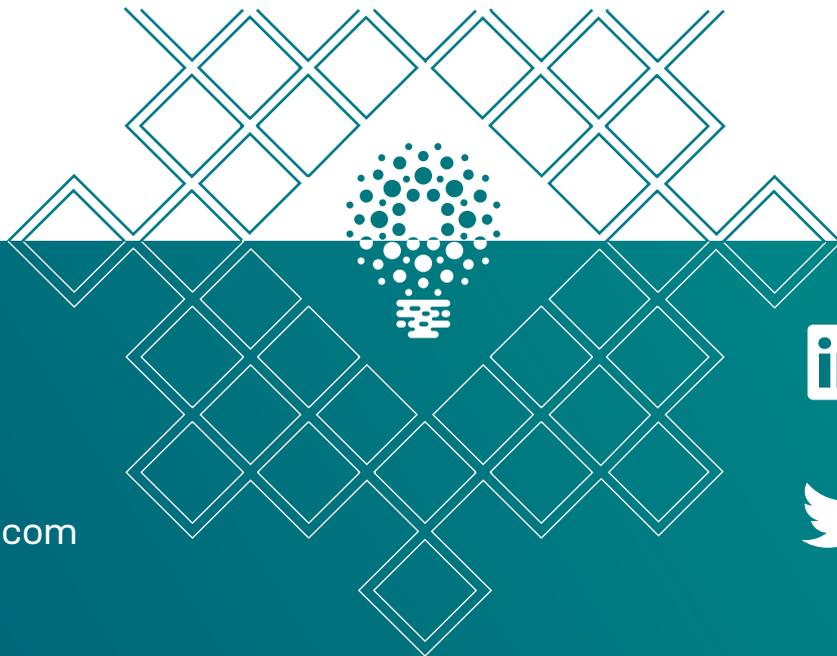
True digitalisation can only begin with a complete understanding of your customer base, pinpointing drivers, identifying pain points and tracking sentiment among other metrics. Only by collating this targeted data can banks begin to create actionable insights and make informed decisions. Financial organisations that leverage data will be able to translate it into both customer and business value beyond the pandemic and for many years to come.



**TO SURVIVE IN TODAY'S DIGITAL-FIRST WORLD, TRADITIONAL, NEOBANKS AND NEW ENTRANTS MEANS OUTLINING AND IMPLEMENTING STRATEGIC BUSINESS PRIORITIES BASED ON ROBUST DATA.**

# TURN INSIGHTS INTO ACTION WITH RFI

RFi Group delivers data-driven insights to address and solve key challenges facing financial services institutions. We combine global intelligence and local knowledge to provide valuable and actionable recommendations. Key players within the financial sector trust us to supply data frameworks that allow them to implement innovative solutions that enhance organisational performance.



Website:  
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