

The State Of Digital Banking, 2021

Landscape: The Digital Banking Strategy Playbook

by Aurelie L'Hostis

January 29, 2021

Why Read This Report

The 2020 coronavirus pandemic has driven disruption and turbocharged digital transformation in banking. Disruptors are gaining ground, innovating around both customers' and businesses' needs. While a handful of leading banks are pushing ahead with their digital transformation, others are still struggling to create and execute a coherent transformation strategy. This report explores how digital technologies are changing the industry's customers, competitors, and business and tech priorities globally.

Key Takeaways

COVID-19 Has Accelerated Consumer Digital Adoption

The pandemic induced a radical shift in consumer behaviors and expectations. Many consumers have accessed their financial accounts via their desktop or smartphone, opened a new financial product online, or made digital payments for the first time amid the pandemic. These new digital behaviors are here to stay.

Banks Have Never Had So Much Competition

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.

Banks' Business Priorities Have Changed As A Result Of The COVID-19 Pandemic

COVID-19 has brought uncertainty and reduced profitability to banking. Many banks have accelerated their digital efforts amid the crisis. Sustaining that momentum — keeping innovation at the heart of change and ensuring that the efficiency gains made during the crisis do not go to waste — will become the next challenge as banks enter the recovery phase.

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Digital Banking Uptick Has Accelerated As A Result Of COVID-19

The COVID-19 pandemic has induced a radical shift in both consumer behaviors and expectations. As many entertainment venues, restaurants, retail stores, and bank branches remain closed — or are operating under restrictions — consumers all over the world have been forced to migrate online for products, services, and entertainment.¹ Many consumers started using digital touchpoints to manage their finances and tried digital payment methods for the first time during the pandemic.² Meanwhile, customers who could no longer walk into a branch or were facing long waits to connect with their bank over the phone turned instead to digital touchpoints for customer service.³ These digital changes in behavior will persist in the post-pandemic era.

Customers Use A Mix Of Touchpoints For Banking Activities

Over the past 15 years, adoption of online banking and mobile banking has grown steadily, while the use of older channels like ATMs, branches, and telephone banking has slowly declined. The 2020 COVID-19 pandemic has accelerated customers' migration to digital banking. To find out how customers are using different banking channels, we surveyed online adults in North America, Europe, and Asia Pacific and asked them how often they use the banking touchpoints at their disposal.⁴ We found that:

- **Online banking remains the most widely used touchpoint outside of Asia.** The number of customers using online banking at least monthly decreased slightly as more people used smartphones to perform banking tasks (see Figure 1). In 2020, 80% of Canadian online adults and 76% of US online adults used online banking on a computer at least once a month. Most people use online banking for routine tasks, such as checking account balances, viewing recent transactions, transferring money, and making payments. Online banking also serves more complex needs; customers use it to research, buy, or apply for financial products.⁵ Twenty percent of Italian and 19% of Chinese online adults have accessed their financial accounts via their desktop and 6% of UK and French online adults have opened a new financial product online for the first time during the pandemic.⁶
- **Mobile banking has surged amid the COVID-19 pandemic.** Some 13% of French and 19% of Italian online adults accessed their financial accounts through a mobile app for the first time during the pandemic.⁷ Among UK online adults, 68% now use their smartphone for banking at least monthly. Mobile banking is the most popular banking touchpoint in Asia.⁸ Customers use mobile banking for a wide range of interactions like checking account balances, viewing recent transactions, making payments, and transferring money. Customers are also increasingly using mobile banking to better manage their finances, as more banks offer personal financial management tools.⁹ Among US online adults, 12% used money management tools on a smartphone in the past month.¹⁰

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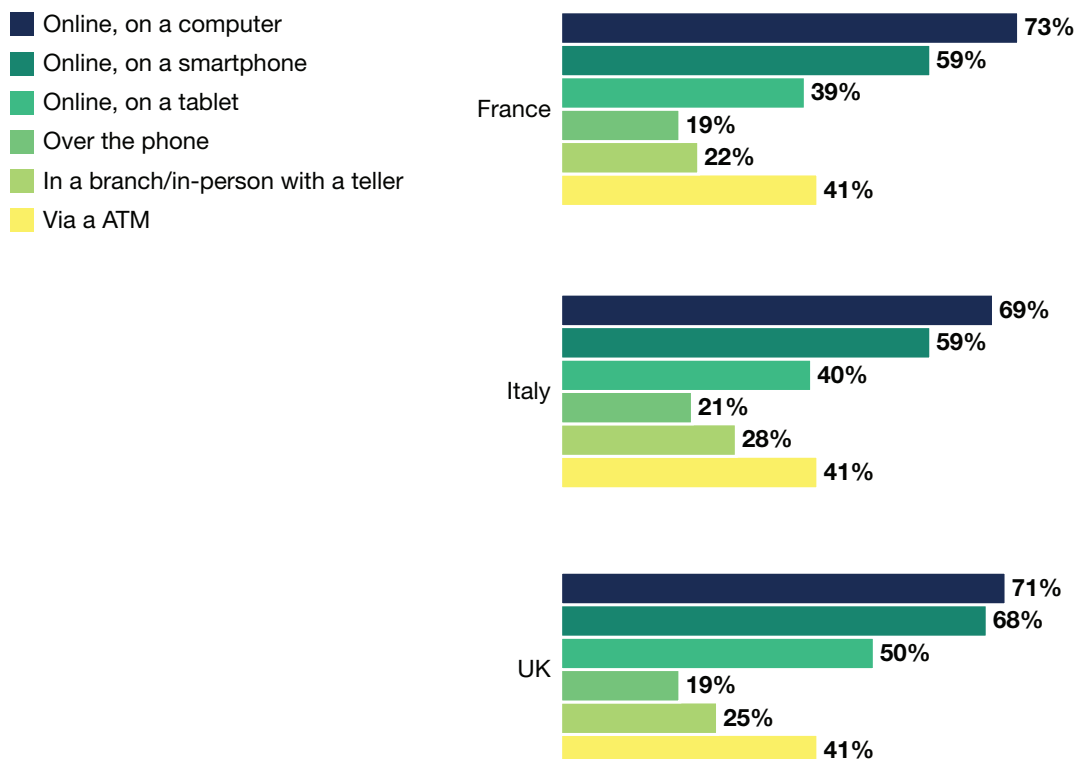
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- Branch use is declining.** Prior to the pandemic, the number of customers visiting branches each month was already falling as people shifted to digital touchpoints for basic tasks.¹¹ In 2020, 36% of online adults in the US, 25% in the UK, and 24% in Canada did their banking at a branch at least once a month.¹² Branches remain the dominant channel for account opening, and convenient access to a physical branch (and ATM) is still an important attribute when customers select their primary bank.¹³ Customers applying for banking and lending products are also more likely to do so face to face, although there are regional variations.
- ATM use is in decline as digital payments soar.** The COVID-19 pandemic has driven consumers toward digital payments, as consumers shied away from using cash due to contamination fears and difficulties with obtaining or using cash during lockdown.¹⁴ Many started using digital payment methods such as contactless, mobile, and digital wallets instead. One-third of online adults in China, 12% in the US, and 11% in Europe used their phone to make contactless payments in a store for the first time during the pandemic.¹⁵ And roughly half of consumers in Canada, the UK, and Italy plan to use cash less often moving forward.¹⁶

FIGURE 1 Banking Touchpoint Choices In North America And Europe

“How often do you do your banking in the following ways?”

(At least monthly or more)

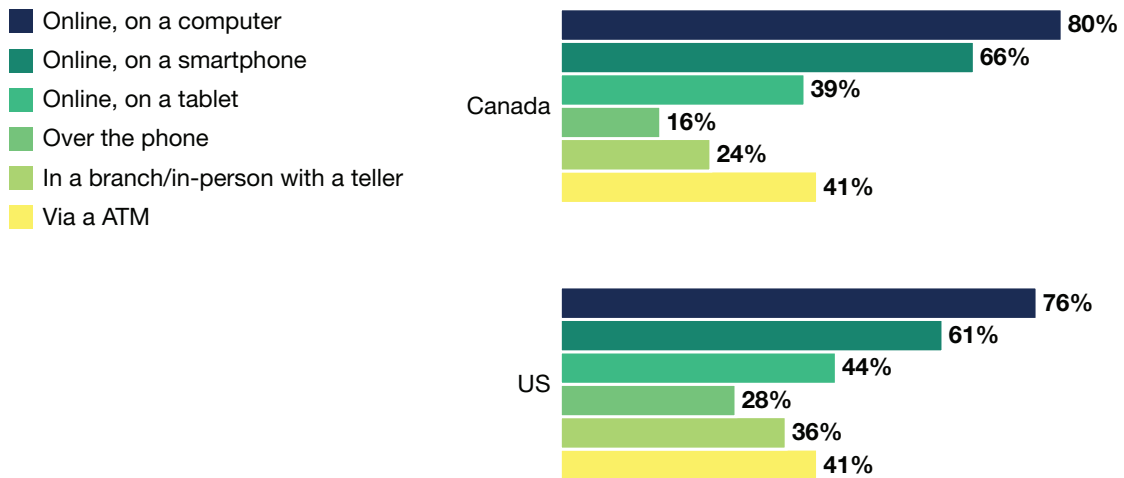


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FIGURE 1 Banking Touchpoint Choices In North America And Europe (Cont.)**“How often do you do your banking in the following ways?”**

(At least monthly or more)



Base: 4,044 US; 4,546 Canada; 2,320 Italian; 2,458 French; and 2,455 UK online adults who are banking customers and own the specified device

Source: Forrester Analytics Consumer Technographics® Financial Services Topic Insights 1 Survey, 2020

Innovative Entrants Are Changing The Industry Landscape

Banking is going through a period of unprecedented innovation. Governments and regulators across the world are promoting increased transparency and competition.¹⁷ Customers have more information than ever before and can pick the banking products and other services they need from an ever-wider range of providers. As the COVID-19 crisis further exposed the inefficiencies of current financial services processes, these disruptors are capitalizing on their digital DNA to innovate further around customers’ financial needs.

Disruptors Raise Consumer Expectations With Innovative Experiences

New players — including fintech startups and nonfinancial digital brands branching into financial services — are responding to changing customer expectations with faster, better, and cheaper services, altering the competitive landscape. Fintech entrants such as Affirm, Betterment, Chime, Judo Bank, OakNorth, Robinhood, and Starling Bank are disrupting nearly every aspect of banking — promising superior customer experience (CX) and offering a wide range of digital services.¹⁸ Disruptors (see Figure 2):

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- **Provide better customer experience at a lower cost.** Digital upstarts use 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. In the UK, digital bank Monzo promises individuals and small businesses a fast account opening process, reports all data in real time, and lets customers make instant payments, receive real-time notifications, and make smarter decisions through understanding and analysis of their spending.
- **Help customers better manage their finances.** New entrants are using digital technologies to help customers build financial capability and resilience.¹⁹ The UK's money management app Money Dashboard lets users connect current, savings, and investment bank accounts and credit cards together and shows an aggregated view of users' financial position. The fintech also provides money guidance, nudging users to budget and save money, track and cancel wasteful subscriptions, and make better financial decisions. In the US, loan management app EarnUp uses cash-flow analysis to automate debt repayments, while in the UK, Tully helps people manage debt by using open banking technology to get an overall picture of their finances and suggest a more tailored, flexible repayment plan.
- **Help customers with their investments and long-term financial plans.** Digital brokers Degiro, Freetrade, and Robinhood are engaging small retail investors with cheap or commission-free trading. These firms have seen a spike in activity and an influx of first-time traders as market volatility drove small investors to try their luck. To move away from fee-based competition, digital investment managers are innovating their products.²⁰ In the US, Acorns, Betterment, and Wealthfront launched FDIC-insured deposit accounts, while in Europe, Scalable Capital has partnered with the deposit marketplace Raisin and pension aggregator PensionBee to help users save and invest for retirement. This strategy lets fintech firms attract new customers with a compelling savings rate and convert them into investors later. US fintech M1 Finance goes further, adding borrowing against the value of the portfolio to its investment and checking account products.
- **Serve niche or underserved customer segments.** Disruptors have been particularly active in targeting underserved segments amid the COVID-19 pandemic. In 2020 alone, Nubank — one of the world's largest digital banks, which targets the underbanked population in Brazil — grew its customer number by 50%, taking the total to 30 million.²¹ The US digital bank Chime added hundreds of thousands of accounts amid the pandemic by facilitating access to federal stimulus checks (before most of the major US banks), offering no-fees overdrafts, and launching secured credit cards designed to help customers build a credit history.²² Judo Bank — an Australian neobank specializing in business lending and banking — was chosen by the Australian federal government to participate in its small- and medium-sized business (SMB) guarantee scheme and disburse loans to ailing businesses.²³
- **Make it easier for customers to find relevant financial products.** Comparison sites such as the US's NerdWallet, the UK's Uswitch, or India's BankBazaar let users specify their requirements to find the financial product that is right for them. Disruptors now embed AI, machine learning, and

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predictive analytics into their recommendation engines to continuously learn from individual behavior and use factors like recent life events to make more targeted recommendations.²⁴ Credit Karma lets users in the US, Canada, and the UK monitor and build their credit profile and recommends credit cards and loans tailored to users' needs. UK online mortgage broker and lender 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.²⁵

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); GoCompare.com (UK); Meilleurtaux.com (FR); MoneySuperMarket.com (UK); NerdWallet (US)
Consumer lender	Lend money to consumers or match consumers to the lender that funds the loan	Aura (US); Avant (US); Best Egg (US); Borrowell (CA); Earnest (US); Ferratum (UK); Habito (UK); Quicken Loans (US); Roostify (US); SoFi (US); Splash Financial (US); Trussle (UK); Upstart (US)
Digital bank	Use digital technologies to offer better digital experiences to individual consumers and MSMEs than those offered by traditional banks	bunq (NL); Chime (US); KakaoBank (KR); KOHO (CA); Liv. (UAE); Monzo (UK); MYbank (CN); N26 (DE); Neat (HK); Nubank (BR); Penta (DE); Qonto (FR); Revolut (UK); Starling Bank (UK); Tide (UK); Timo (VN); Tinkoff (RU); Ualá (AR); Varo (US); Volt (AU); WeBank (CN)
Digital financial planning and advice in investment, pensions, and retirement	Help customers and employees track and optimize their investments, plan for retirement, and make better long-term financial decisions by automating financial advice	Betterment (US); Ellevest (US); Grisbee (FR); Lufax (CN); Moneybox (UK); MoneyFarm (IT); Nutmeg (UK); PensionBee (UK); Personal Capital (US); Rebalance IRA (US); Scalable Capital (DE); Wealthfront (US); Wealthify (UK); Wealthsimple (CA); Wealth Wizards (UK); Yomoni (FR); Zuper (AU)
Digital money manager	Help customers track their spending, budget, build savings, and make better financial decisions	Bankin' (FR); Emma (UK); Linxo (FR); Mint (US); Money Dashboard (UK); Moneyhub (UK); Pocketbook (AU); Qapital (US); Yolt (UK)
Digital point-of-sale (POS) lender	Offer customers deferred payment solutions at the point of sale, including installments; buy now, pay later; pay in four; and point-of-sale financing	Affirm (US); Afterpay (AU); ChargeAfter (US); Clearpay (UK); Klarna (SE); Laybuy (AU); PayPal Credit (US); Sezzle (US)

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

Digital wallet and mobile payment solution	Let customers initiate in-app P2P and person-to-merchant (P2M) payments, online payments, and tap-to-pay purchases on mobile devices and manage related features such as coupons and electronic receipts	Alipay (CN); Android Pay (US); Apple Wallet (US); Bizum (ES); Google Pay (US); KakaoPay (KR); Lydia (FR); Lyf Pay (FR); M-PESA (KE); Masterpass (US); Paylib (FR); PayPal (US); Paytm (IN); PhonePe (IN); Samsung Pay (KR); Venmo (US); WeChat Pay (CN); Yoyo Wallet (UK)
Mobile 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); myPOS (UK); orderbird (DE); Paymate (AU); PayMongo (PH); Phos (UK); Square (US); SumUp (UK); VeloPOS (US); Visa Tap to Phone (US)
P2P currency exchange	Offer better exchange rates and cheaper money transfers and cross-border remittance than retail banks and international money transfer firms do by matching customers with one another to facilitate transfers	Azimo (UK); CurrencyFair (IE); KlickEx (NZ); MoneySwap (HK); Remitly (US); TransferWise (UK); WeSwap (UK); WorldRemit (UK)
P2P lending	Connect borrowers (including MSMEs) with lenders that want to invest spare capital	Assetz Capital (UK); auxmoney (DE); Fixura (FI); Funding Circle (UK); KoinWorks (ID); LendingClub (US); Prosper (US); RateSetter (UK); Renrendai (CN); SocietyOne (AU); Toborrow (SE); Younited Credit (FR); Zopa (UK)
Small business lending	Use digital technologies to improve business lending and offer loans, lines of credit, and invoice factoring to MSMEs	CAN Capital (US); Credijusto (MX); Fundbox (US); iwoca (UK); Judo Bank (AU); Kabbage (US); Konfio (MX); Lendio (US); Lumi (AU); MarketFinance (UK); OakNorth (UK); OnDeck (US); Prospa (AU)

Disruptors Decouple And Rebundle Capabilities Through Innovative Use Of Technology

Fintech firms like Railsbank, Solarisbank, and Stripe are offering the modular technology components to help other brands embed financial services into their proposition. Meanwhile, tech titans Amazon, Ant Group, Apple, Facebook, Google, Ping An, and Tencent are also making large strides forward into financial services.²⁶ These firms are using digital technologies like mobile, cloud, application programming interfaces, real-time data, and flexible architecture to enable collaboration and together build broader platforms and ecosystem businesses.²⁷ These firms innovate with technology to:

- **Bundle multiple products and services together in a central financial hub.** Some, like microsavings app Digit in the US, are turning into full-fledged financial coaching apps, bringing checking accounts, automated savings, investment, lending, and debt management all under one

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roof. The UK's digital bank Starling Bank is curating third-party products via an online marketplace, avoiding the overhead of building, supporting, and scaling their own products while quickly assembling an extensive service for both personal account holders and small businesses.²⁸ Starling Bank offers customers products and services from partners such as Anorak for life insurance, Flux for digital receipts, Penfold for self-employed pension plans, and Wealthsimple for investments.

- **Enable faster, cheaper, and more convenient payments.** Disruptors are making both domestic and international payments faster and easier for consumers and businesses alike.²⁹ Australian fintech Airwallex helps micro-, small-, and medium-sized enterprises (MSMEs) with global operations manage their foreign exchange needs, sending and receiving multiple currencies without paying high fees to the banks.³⁰ iZettle, myPOS, Phos, Shopify, Square, and SumUp convert mobile devices into mobile point-of-sale terminals, enabling small merchants to accept card payments. Affirm, Afterpay, and Klarna let customers defer payments by offering short-term credit at point of sale.³¹ 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 coupons, enhanced product information, loyalty programs, digital receipts, package delivery status, and identity management.³² 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.³³
- **Provide banking-as-a-service capabilities.** Some fintechs are now offering modular component-based technology and services designed to be built on or used as-a-service for other firms to create their own financial services propositions — enabling collaboration and speed while reducing costs and complexity.³⁴ In China, Ant Group, Ping An Insurance, and Tencent offer other firms platforms on which to build financial services.³⁵ Germany's Solarisbank offers a modular suite of banking components designed as a platform for innovators and developers to build new financial products and services on.³⁶ Meanwhile, a handful of incumbent banks — like BBVA (through its Open Platform in the US), Goldman Sachs, and ING — are also starting to think about becoming the rails for others to run on.³⁷

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:

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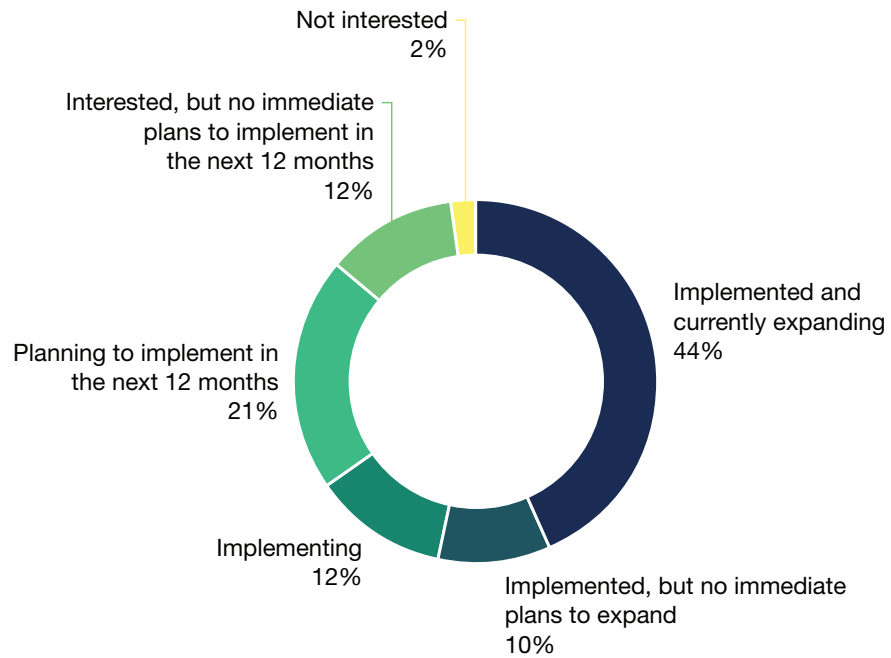
- **Banks' business priorities have changed as a result of the COVID-19 pandemic.** Only 35% of global purchase influencers at banks see accelerating their digital business as a high or critical priority over the next 12 months.³⁸ Digital transformation is trumped by competing short-term goals and imperatives such as reducing costs, improving ability to innovate, growing revenue, and improving products and services.
- **Data issues and security concerns impede banks' efforts.** Among services decision-makers, 25% say that data issues are among the biggest obstacles to digital transformation; 24% cite security.³⁹ With fraud and data breaches expected to reach an all-time high in 2021, banks are rightly worried about the security and integrity of customer interactions, forcing them to move cautiously.⁴⁰
- **Technology strategies and legacy technologies are another big challenge.** Many banks' digital initiatives are held back by their technology strategy and legacy technologies. Ancient core solutions need complex enhancements, a lack of skilled and knowledgeable staff causes uncertainty, and fear of failure prevents transformation initiatives even from starting. Reluctant to fully transform their application landscapes, banks get easily stuck in the planning stages or focus their transformation efforts on a single functional or organizational area.⁴¹
- **Many banks now acknowledge that digital transformation is never-ending.** Forty-four percent of global services decision-makers at banks say they're expanding their transformation (see Figure 3). Ten percent say they've implemented theirs but have no immediate plans to expand it, and 12% say they're currently transforming. Lagging behind are the 21% that only plan to implement their transformation in the next 12 months — and worst of all, 12% say they have no immediate plans to do so.
- **Digital transformation is often led by technology, not business, leaders.** Among services decision-makers at banks, 58% say that the CIO or the CTO is responsible for setting the digital transformation strategy — ahead of the 43% who say that the CEO is; 54% say that execution rests on the CIO or CTO.⁴² Sadly, a majority of banks see digitization as primarily a technology problem, not an existential challenge to a bank's continued relevance to its customers.
- **Operational efficiency and CX are important drivers of digital transformation.** As COVID-19 reshapes customer expectations and competition heats up, banks are focusing on improving operational efficiency and CX to better serve customers across all touchpoints (see Figure 4). Growing revenue, improving IT capabilities, and becoming a more agile organization are also key drivers behind banks' digital transformation.

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FIGURE 3 The Status Of Digital Transformation In Banking

“Which of the following best describes your organization’s digital transformation efforts to date?”



Note: Percentages may not total 100 because of rounding.

Base: 156 global services decision-makers at banks

Source: Forrester Analytics Business Technographics® Business And Technology Services Survey, 2020

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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 organization’s digital transformation?”

(Multiple responses accepted)



Note: Not all responses are shown.

Base: 150 services decision-makers at banks who are involved in their organization’s digital transformation efforts

Source: Forrester Analytics Business Technographics® Business And Technology Services Survey, 2020

Recommendations

Capitalize On The Pace Of Change And Get Ready For The Next Decade

In order to meet the needs of the future customer and the rapidly changing financial landscape, banks must pivot and reboot their strategy. In 2020, COVID-19 has shifted the focus but will not dominate the future narrative. The economics of the next decade will challenge banks. Banks need to capitalize on the pace of change and innovation and set their course for the next decade. Other chapters in this playbook will help you:

- **Articulate a compelling business vision for your bank.** Future banking will be invisible, connected, insights-driven, and purposeful. In the era of open finance, no bank can do it alone. From connected customer experiences that are blending human and digital together to connected products and constellation architectures, new business models will only succeed if collaboration networks and partnerships are strong. Banks will have a stark choice: Own customers, or power finance.⁴³
- **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.⁴⁴ Knowing where you are in relation to your competition is a compelling driver for action and investment.
- **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 CX and differentiation. Leaders also need to consider how they will deliver value and compete in an age of open finance where collaboration will be key and multiple routes to market are available.⁴⁵
- **Reevaluate 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 more invisible, connected, insights-driven, and purposeful. Open finance 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® Financial Services Topic Insights 1 Survey, 2020, was fielded from July to September 2020. This online survey included 4,494 respondents in the US and 4,737 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 US online adults (defined as those online weekly or more often) had been surveyed and plus-or-minus 1.4% of what they would be if the entire population of Canadian online adults had been surveyed.

Forrester weighted the data by age, gender, income, region, and broadband adoption to demographically represent the US and Canadian online adult populations. The survey sample size, when weighted, was 4,494 in the US and 4,737 in Canada. (Note: Weighted sample sizes can be different from the actual number of respondents to account for individuals generally underrepresented

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in online panels.) 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. Dynata fielded this survey on behalf of Forrester. Survey respondent incentives included points redeemable for gift certificates.

The Forrester Analytics Consumer Technographics Financial Services Topic Insights 1 Survey, 2020, was fielded from July to September 2020. This online survey included 2,599 respondents in the UK, 2,617 respondents in France, and 2,660 respondents in Italy over the age of 16. 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 1.1% of what they would be if the entire population of European online adults (defined as those online weekly or more often) had been surveyed. This confidence interval widens to 1.9% 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 2,599 in the UK, 2,617 in France, and 2,660 in Italy. (Note: Weighted sample sizes can be different from the actual number of respondents to account for individuals generally underrepresented in online panels.) 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. Dynata fielded this survey on behalf of Forrester. Survey respondent incentives included points redeemable for gift certificates.

The Forrester Analytics Consumer Technographics COVID-19 Survey (Wave 2) was fielded from May 8 to May 15, 2020. This online survey included 1,154 respondents ages 16 or older in the UK, 1,117 respondents in France, and 1,147 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 2.9%.

Forrester weighted the data by age and gender. The survey sample size, when weighted, was 1,154 in the UK, 1,117 in France, and 1,147 in Italy. (Note: Weighted sample sizes can be different from the actual number of respondents to account for individuals generally underrepresented in online panels.) 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. Dynata fielded this survey on behalf of Forrester. Survey respondent incentives included points redeemable for gift certificates.

The Forrester Analytics Consumer Technographics COVID-19 Survey (Wave 2) was fielded from May 8 to May 15, 2020. This online survey included 1,093 respondents in the US and 1,120 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 3.0% in the US and 2.9% in Canada.

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Forrester weighted the data by age and gender. The survey sample size, when weighted, was 1,093 in the US and 1,120 in Canada. (Note: Weighted sample sizes can be different from the actual number of respondents to account for individuals generally underrepresented in online panels.) 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. Dynata fielded this survey on behalf of Forrester. Survey respondent incentives included points redeemable for gift certificates.

The Forrester Analytics Business Technographics Business And Technology Services Survey, 2020, was fielded from August to October 2020. This online survey included 2,801 respondents in Australia, Canada, China, France, Germany, India, the UK, and the US from companies with 500 or more employees.

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 as well as marketing efforts. Dynata 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	Groupe BPCE
Bank Millennium	Intesa Sanpaolo
Bank of America	mBank
Bank Pekao	Nationwide Building Society
BBVA	Nordea
Belfius	PKO Bank Polski
BMO	Rabobank
CIBC	Royal Bank of Canada
Commonwealth Bank of Australia	Sberbank
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Endnotes

- ¹ COVID-19 has transformed customer behavior overnight. To understand the impact of the pandemic and the resulting lockdown measures on consumer behaviors, we surveyed online adults in North America, Europe, and China in April and May 2020. Source: Forrester Analytics Consumer Technographics COVID-19 Survey (Wave 2).
- ² See the Forrester report [“How The COVID-19 Crisis Is Impacting Consumer Behaviors In Italy,”](#) see the Forrester report [“The UK In The Pandemic: How Consumers And Businesses Are Changing,”](#) see the Forrester report [“How The COVID-19 Crisis Is Affecting Consumer Behaviors In France,”](#) and see the Forrester report [“The COVID-19 Pandemic Alters The Payment Industry In Europe For Good.”](#)
- Source: [“In The Wake Of The COVID-19 Crisis, Canadian Financial Services Firms Must Respond To Changing Customer Needs And Behaviors,”](#) Forrester (<https://www.forrester.com/fn/VWWJaCEW1XMwtqzajSWb>) and [“In The Wake Of The COVID-19 Crisis, US Financial Services Firms Must Respond To Changing Customer Needs And Behaviors,”](#) Forrester (<https://www.forrester.com/fn/2SMqStStyQ3FQIVWbtBZI>).
- ³ During the COVID-19 lockdowns, banks and credit unions were considered “essential businesses” in many countries, and many bank branches remained open. However, to limit risk, banks reduced hours at some of their branches, temporarily closed some branches, or allowed visits by appointment only. Source: [“Redesign Bank Branches In Response To COVID-19,”](#) Forrester (<https://www.forrester.com/fn/2Q2hmfUBmfmcqRWBH5MSh>).
- As a result of lockdown measures, banks also saw an unprecedented surge in the volume of customer enquiries in their contact centers — which were already under strain given social distancing measures.
- ⁴ Note: Branch banking does not include ATM use or speaking to an advisor in a bank branch; mobile banking does not include tablet banking.
- ⁵ We asked 4,068 online adults in Canada, 2,169 in the UK, and 3,398 in the US who are banking customers and use a computer which banking activities they performed on a PC in the past month. Nineteen percent in the UK, 14% in Canada, and 10% in the US said that they used their computer to research financial products. Source: Forrester Analytics Consumer Technographics Financial Services Topic Insights 1 Survey, 2020.
- ⁶ Source: Forrester Analytics Consumer Technographics COVID-19 Survey (Wave 2).
- ⁷ Source: Forrester Analytics Consumer Technographics COVID-19 Survey (Wave 2).
- ⁸ We asked online adults with a bank account in Australia, China, Hong Kong, India, and Singapore how they prefer to do their banking. “On a smartphone” was the clear favorite everywhere except Australia, where smartphone banking and PC banking tied for the top spot. Source: Forrester Analytics Consumer Technographics Asia Pacific Financial Services 1 Survey, 2020.
- ⁹ See the Forrester report [“Use Digital Technologies To Boost Customers’ Financial Capability.”](#)
- ¹⁰ Source: Forrester Analytics Consumer Technographics Financial Services Topic Insights 1 Survey, 2020.
- ¹¹ COVID-19 has required banks to accelerate their digital transformation and to rethink branches. Source: [“Redesign Bank Branches In Response To COVID-19,”](#) Forrester (<https://www.forrester.com/fn/2Q2hmfUBmfmcqRWBH5MSh>) and [“In The Wake Of The COVID-19 Crisis, Canadian Financial Services Firms Must Respond To Changing Customer Needs And Behaviors,”](#) Forrester (<https://www.forrester.com/fn/VWWJaCEW1XMwtqzajSWb>).

The State Of Digital Banking, 2021

Landscape: The Digital Banking Strategy Playbook

Many banks were already trimming their physical footprint before COVID-19. Now, low branch usage as a result of the pandemic as well as expensive leases and real estate in an environment of intense cost pressure will be too much for some firms. In 2021, some banks, credit unions, and building societies will attempt to pivot to 100% (or near-100%) digital. But while these firms may see short-term cost benefits, we expect regret will kick in later. Banks shouldn't abandon the branch but should instead refocus it to drive customer and employee engagement. They can reduce branch costs by being smarter about their footprint and technology as well as shifting to paperless and cashless branches. Source: "Predictions 2021: Banking," Forrester (<https://www.forrester.com/fn/5rYEFhzMml7VW9GLGWYly6>).

- ¹² We saw a spike in the number of US customers visiting a branch in the second part of the year — most probably due to the fact that customers had to postpone their visits due to lockdowns earlier in the year.
- ¹³ Source: Forrester Analytics Consumer Technographics Financial Services Consumer Buyer Journey Survey, 2020.
- ¹⁴ See the Forrester report "[The COVID-19 Pandemic Alters The Payment Industry In Europe For Good.](#)"
- ¹⁵ Source: Forrester Analytics Consumer Technographics COVID-19 Survey (Wave 2).
- ¹⁶ Fifty-one percent of online adults in Canada, 49% in the UK, and 48% in Italy agree that they plan to use cash less often now. France and the US are not far behind, at 44% and 43%, respectively. Source: Forrester Analytics Consumer Technographics COVID-19 Survey (Wave 2).
- ¹⁷ Governments and regulators across the world are promoting increased transparency and competition with regulations such as the UK's open banking legislation, the European Union's revised Payment Services Directive (PSD2), and the Consumer Data Right (CDR) in Australia. See the Forrester report "[Europe Lays The Foundations Of Open Banking](#)" and see the Forrester report "[The State Of Open Banking In Australia.](#)" Singapore is adopting an organic approach to open banking, facilitated by the Monetary Authority of Singapore. Although open banking is not mandatory, Singaporean banks are embracing it, actively adopting APIs to build partnerships and participate in ecosystems. See the Forrester report "[The State Of Open Banking In Singapore.](#)" Japan is also adopting an organic approach to open banking. See the Forrester report "[The State Of Open Banking In Japan.](#)"
- ¹⁸ Fintech is a category of startups and fast-growing companies that has disrupted markets and incumbent firms around the world, attracting over \$30 billion in funding every year for five straight years. Each quarter, Forrester — in partnership with Venture Scanner — reviews and analyzes fintech funding from venture capital firms, investors, and traditional financial institutions looking to get in on the next big thing instead of losing out to disruption. To learn which startups are getting attention in 2020, where the money is going, and what to do next, see the Forrester report "[Fintech Funding Roundup, Q1 2020,](#)" see the Forrester report "[Fintech Funding Roundup, Q2 2020,](#)" and see the Forrester report "[Fintech Funding Roundup, Q3 2020.](#)"
- ¹⁹ Financial capability — the ability for an individual to manage day-to-day finances, plan for the short and long term, and ultimately make the right financial decisions to achieve his or her financial goals — is a key component of financial well-being. But it's not easy to develop. This report explains how banking executives can leverage digital technologies to help customers build their financial capability. See the Forrester report "[Use Digital Technologies To Boost Customers' Financial Capability.](#)"
- ²⁰ Accustomed to falling prices in many other industries, retail investors are now benefiting from a price war that makes investing in the stock market cheaper and more attractive. As fees hit zero, investment management firms are evaluating and evolving their business models to remain relevant and attract customers. This report gives digital business strategy professionals advice on how to evaluate these disruptive price models and deal with the expectation of zero fees. See the report "[The Race To Zero Fees In Investment Management.](#)"
- ²¹ Source: "How the digital surge will reshape finance," The Economist, October 8, 2020 (<https://www.economist.com/finance-and-economics/2020/10/08/how-the-digital-surge-will-reshape-finance>).
- ²² As a result of these and other factors, Chime — which recently overtook Robinhood as the most valued US consumer fintech — nearly tripled its transactions volume and revenue and recorded a strong customer acquisition rate. See the Forrester report "[Fintech Funding Roundup, Q2 2020](#)" and see the Forrester report "[Fintech Funding Roundup, Q3 2020.](#)"

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A secured credit card is a type of credit card that is backed by a cash security deposit from the cardholder. This deposit acts as collateral on the account, providing the card issuer with security in case the cardholder can't make payments. Secured credit cards are often issued to subprime borrowers or those with limited credit histories.

²³ See the Forrester report "[COVID-19 Is Forcing Lenders To Transform.](#)"

Judo Bank also landed AUD \$500 million (\$307 million) in funding from the Australian government to support local SMBs. The Australian Office of Financial Management has invested half the capital through the Treasurer's Australian Business Securitisation Fund, and the other AUD \$250 million comes from the government's AUD \$15 billion Structured Finance Support Fund. See the Forrester report "[Fintech Funding Roundup, Q2 2020.](#)"

²⁴ This Forrester Tech Tide™ report presents an analysis of the maturity and business value of the 18 technology categories that support financial well-being. Financial services executives should read this report to shape their firm's investment approach to these technologies. See the Forrester report "[The Forrester Tech Tide™: Financial Well-Being, Q3 2020.](#)"

²⁵ In 2018, Habito received its lending license from the Financial Conduct Authority and launched its own range of mortgages. Habito also helps with every other aspect of buying a home, giving customers access to a whole team of home-buying advisors, solicitors, and property surveyors through its Habito Plus premium service.

²⁶ The tech titans — Amazon, Apple, Facebook, and Google — have been dabbling in financial services for years, and they continue to push into many aspects of banking and payments. This report looks at how their role in the banking landscape is evolving and what US banks can learn from them as they prepare for the future of banking. See the Forrester report "[Learn From — Don't Fear — The Tech Titans To Prepare For The Future Of Banking.](#)"

²⁷ Platform business models (e.g., Alibaba, Amazon, and Apple) dramatically improve growth and drive better outcomes for customers. Platform business models also require substantial collaboration with other companies, but most financial services firms are competitive, not cooperative. That presents a challenge for businesses in a connected economy. Digital business leaders should read on to recognize patterns in platform business models, appreciate how transformative collaborative approaches will be for financial services, and understand the roles their firm can play. See the Forrester report "[How To Use Platform Business Models In Financial Services.](#)"

²⁸ Marketplaces are designed expressly to facilitate sales via a plug-and-play interoperable platform that multiple suppliers use to distribute products and services to customers. See the Forrester report "[How To Use Platform Business Models In Financial Services.](#)"

²⁹ By enabling customers to make payments easily using their smartphones, disruptors such as Apple Pay, Dwolla, 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.](#)"

³⁰ Source: Henny Sender, "Airwallex aims to upend global payments system," Financial Times, July 7, 2020 (<https://www.ft.com/content/6e90f9a2-303d-4c64-849d-718cd87f3727>).

³¹ Within the past few years, the deferred payments market — a broad category covering installments, "buy now, pay later," "pay in four," point-of-sale financing, and alternative lending — has taken off. New vendors and new offerings from stalwarts are cropping up, offering merchants the ability to extend deferred payment terms at the point of sale. This report presents a review of the emerging vendors in the deferred payment market. See the Forrester report "[New Tech: Deferred Payment Providers, Q4 2020.](#)"

³² 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.](#)"

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³³ 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.

³⁴ Banking will become increasingly invisible, as tomorrow's customer will expect banking to be embedded at their point of need. Banking-as-a-service providers will help other brands embed financial services in their customer experiences to provide financial products and services where and when customers need them. See the Forrester report "[The Future Of Banking Is Built On Trust.](#)"

These providers recognize the developer as a critical lever in their business model and have developer experience as a core tenet of their business. Astute digital business leaders recognize that a developer portal is actually a shop window to entice collaboration and innovation with the developer community — the ultimate builders of ecosystems. This report examines leading developer engagement programs in financial services companies, uncovering the crucial features that help you win, serve, and retain your external developer community to help position your firm for success. See the Forrester report "[Build A Thriving Developer Community.](#)"

³⁵ Ping An Insurance, one of the world's largest insurers in terms of market capitalization, used emerging technologies to transform itself from a traditional insurer into a digital innovator. It now provides healthcare, automotive, real estate, and smart city services to more than half a billion internet customers. This report details how digital business pros can leverage Ping An's experience to achieve superior CX and operational efficiencies, innovate their business models, and build new ecosystems. See the Forrester report "[Case Study: How Ping An Insurance Embraced Digital To Rewrite Its Business.](#)"

³⁶ As an example, Solarisbank offers a banking-as-a-platform solution that Poland's Alior Bank is using in combination with Raisin's savings marketplace and Mastercard to expand into other European markets. See the Forrester report "[How To Use Platform Business Models In Financial Services.](#)"

³⁷ Source: "The Future Of Banking: Audio Insights From Our Interviews On Ecosystems, Customer Integration, And Regulation," Forrester (<https://www.forrester.com/fn/s55N01AoVOHKtpSI4N8vv>) and "First Apple, Now Amazon: Goldman Sachs' Move To Help Big Tech Into Banking," Forrester (<https://www.forrester.com/fn/3561A5lu6qbB080gl0jV7O>).

³⁸ Base: 69 purchase influencers (past 12 months/next 12 months) in banking who answered during COVID-19. Source: Forrester Analytics Business Technographics Priorities And Journey COVID-19 Recontact Survey, 2020.

³⁹ Base: 150 services decision-makers at banks who are involved in their organization's digital transformation efforts. Multiple responses were accepted. Source: Forrester Analytics Business Technographics Business And Technology Services Survey, 2020.

⁴⁰ COVID-19 is a crisis for banks but an opportunity for fraudsters and hackers. In the UK, fraud rates rose by 33% across all financial products in April 2020. Forrester predicts that 2021 will reveal the high number of fraudulent COVID-19 loans; while governments have often underwritten these, they will tarnish banks' reputations. And banks will face breaches and fines as a result of naïve businesses that digitized with scant regard for GDPR, PCIDSS, AML, and KYC, exposing data and compromising millions of accounts. Banks need to keep their fraud management up to date and adopt more machine-learning-based solutions to combat fraud in real time. Source: "Predictions 2021: Banking," Forrester (<https://www.forrester.com/fn/5rYefhzMml7VW9GLGWYly6>).

⁴¹ Legacy application landscapes are complex, and one of the challenges of digital transformation is the need to determine the sequence and timing of application replacement and temporary changes to legacy apps. Layered architectures can help banks move away from vintage banking applications such as traditional core banking while mitigating transformation risk. And connected architectures can help them assemble banking application landscapes from cloud-based and on-premises applications and prepare for the heterogeneous application scenarios of the API economy. See the Forrester report "[The Evolution Of Digital Banking Platform Architecture.](#)"

⁴² Base: 150 services decision-makers at banks who are involved in their organization's digital transformation efforts. Multiple responses were accepted. Source: Forrester Analytics Business Technographics Business And Technology Services Survey, 2020.

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⁴³ Many of the drivers of change were already firmly rooted over the past decade — COVID-19 simply changes the emphasis. Future banking will be invisible, connected, insights-driven, and purposeful. While we are already seeing these themes play out now, they will be far more prominent by 2025 and table stakes by 2030. Trust sets banks apart from almost all other platforms. But they must use it wisely to drive value into every engagement, to extend their partnerships, and to deepen collaboration. See the Forrester report [“The Future Of Banking Is Built On Trust.”](#)

⁴⁴ Our Digital Experience Review™ 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 [“The Forrester Digital Experience Review™: Global Mobile Banking Apps Summary, 2020.”](#)

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.”](#)

⁴⁵ Financial services executives have more go-to-market options available than ever before for their firm’s products and services — thanks to open banking and platform business models. But how do you make them pay? Digital execs in financial services firms and banks should read on for Forrester’s monetization framework for ecosystems and open finance. Discover what can become a revenue stream, the possible strategies, and when and how to monetize ecosystems successfully. See the Forrester report [“How To Monetize Open Finance And Platform Business Models.”](#)

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