

Survey: The State of Digital Banking 2022

Achievements, Challenges, and Opportunities in Innovation

Research by Arizent for Q2



Q2

ABOUT THIS STUDY

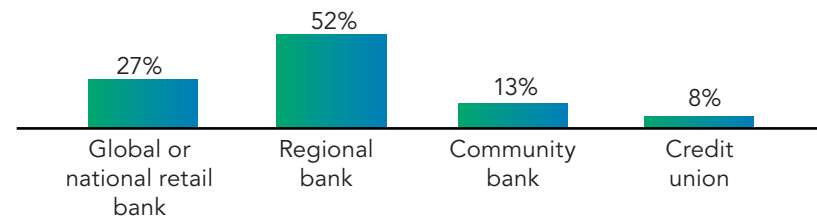
Research Overview

This research was conducted by Arizent and American Banker on behalf of Q2. The primary objective of the research is to discern bank leaders' expectations for (and the current state of) their digital transformation journey. Questions addressed overall expectations as well as organizational approaches to leveraging customer data, innovation strategy, and fintech partnerships.

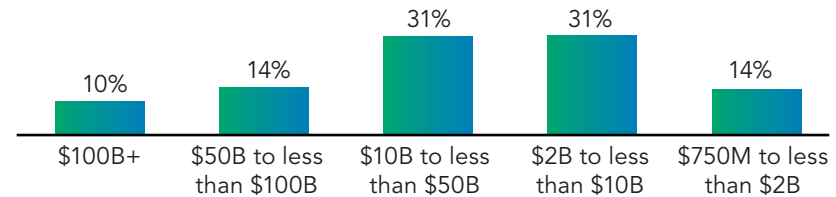
Methodology

This research was conducted online during May 2022 among 100 qualified respondents. To qualify for this research, banking professionals had to be director-level or higher and be involved in decisions related to digital banking strategy and/or technology investments. This was a blind data collection effort; Q2 was not identified as a sponsor of the research.

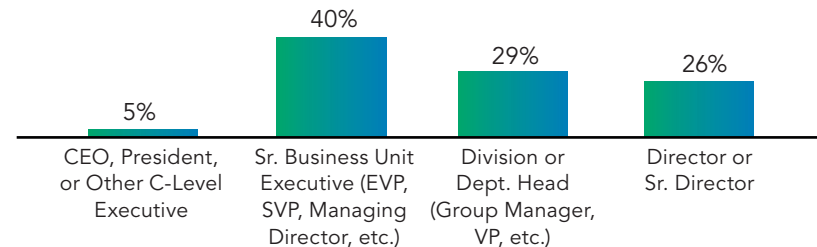
Do you work for...?



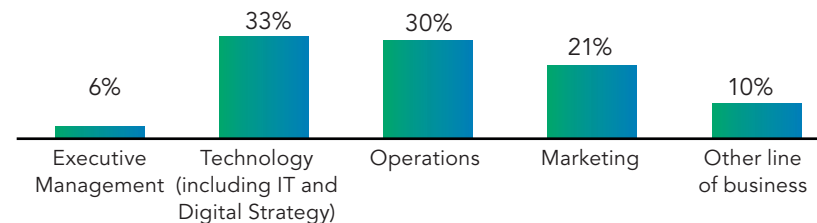
Which one of the following best describes your financial institution's assets for 2021?



Which one of the following closely matches you position/level?



Which of the following best describes your functional role at your organization?



The financial services sector faces ongoing disruption.

While digital experiences and user expectations have evolved—and continue to transform in fundamental ways—change-averse organizations have lagged.

Most financial institutions (FIs) have responded to a degree—embracing some new technology, though rarely forming a comprehensive strategy to direct their digital transformation.

At the same time, an array of fintech companies, consumer brands, and banking-adjacent providers have taken advantage of this shift, chipping away at FIs' customer relationships with low-friction point solutions and platforms.

The research in the next section highlights areas where FIs have begun to effectively innovate as well as opportunities for further transformation.

Opportunities

Fintech partnerships

Well over half (61%) of the banking professionals surveyed feel fintech partnerships are key to their growth. Over a third reported that their FI had multiple fintech partnerships, but many reported difficulties establishing and scaling them adequately to make a significant impact.

What may make a difference is an “app-store” model, where a marketplace of pre-built fintech integrations live within their digital branch.

Pre-built integrations would reduce both time and cost to deploy new products; a revenue-share model could also lead to new revenue streams for FIs.

Personalization

Providing personalized digital experiences to business customers is very important or critical for 71% of financial institutions. For consumer customers, that number rises to 89%.

Data is the key to unlocking these personalized experiences and, although 73% report that they have aggregated customer data across their processes and systems, fewer than half (47%) are leveraging it to provide personalized services.

An effective personalization strategy enables FIs to deliver the customized, relevant experiences that grow account holder relationships. Having the ability to aggregate and extract meaning from data is the first step to making this possible.

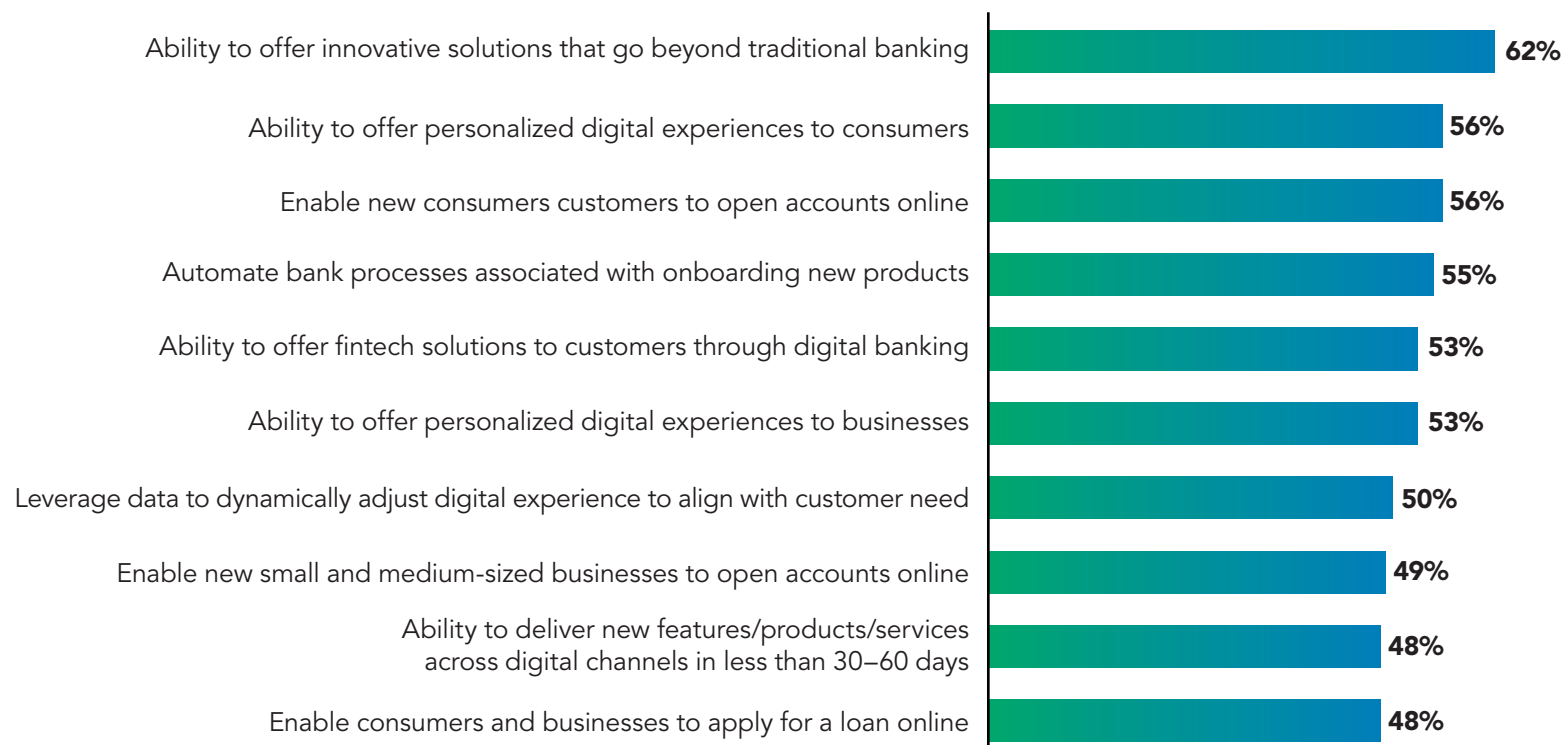
Onboarding

The research revealed that a great deal of account opening (40% or more) still requires branch intervention or paper-based processes.

But the opportunity here goes well beyond reducing friction in the account opening process. With an approach that mirrors e-commerce experiences, digital account opening can become an automated launchpad that collects data, begins personalizing experiences, and deepens engagement by capturing direct deposits, recurring payments, and more.

1. 6-in-10 report that the ability to offer innovative solutions that go beyond traditional banking is an essential outcome of digital transformation.

QUESTION: Which of these would you consider essential outcomes or end states of digital transformation?



Most respondents (62%) agree that offering solutions beyond traditional banking is an important part of their necessary transformation. The answers to the other questions—regarding personalization, online account and loan applications, etc.—indicate a seeming lack of cohesion across digital channels.

2. 6-in-10 report that new consumer customers can open accounts online, but fewer than half have achieved other digital transformation goals.

QUESTION: How many of these are being done at your financial institution today?

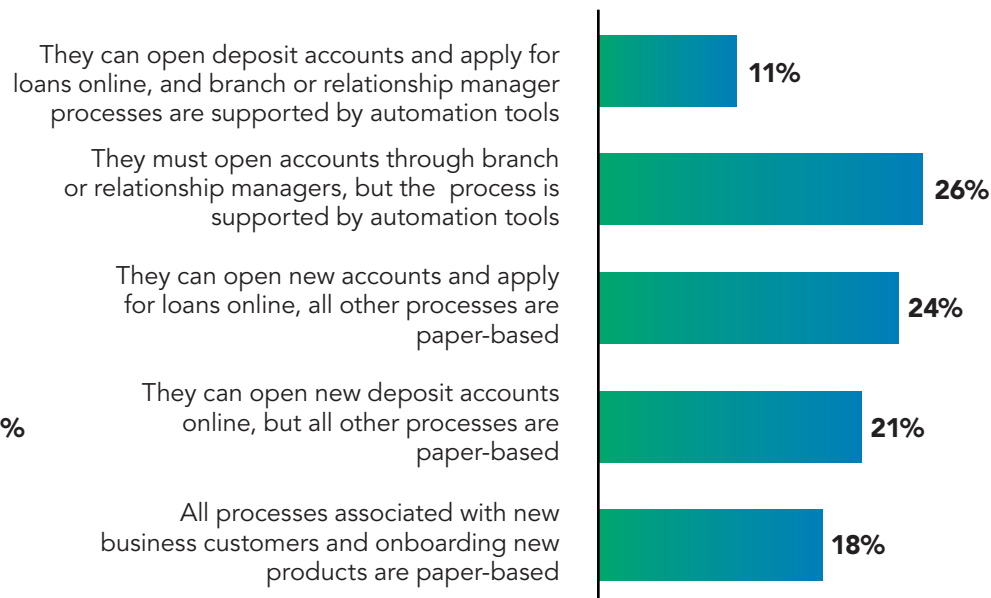
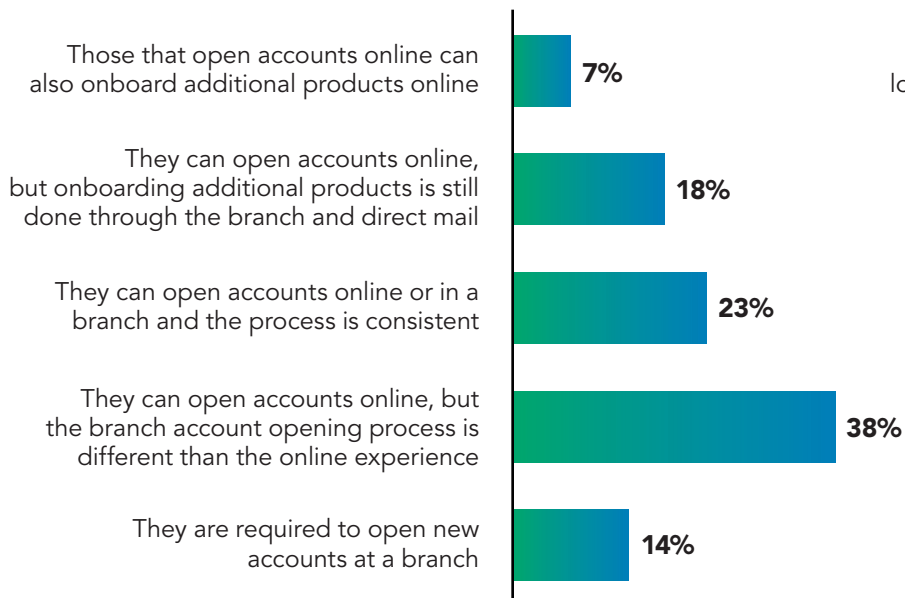


Only consumer account opening breaks 50% among respondents, showing a disconnect between capabilities that feel in-line with consumer expectations and FIs' ability to deliver on those expectations.

3. Most FIs enable digital account opening for both new consumers and new SMB clients. But the process is rarely seamless.

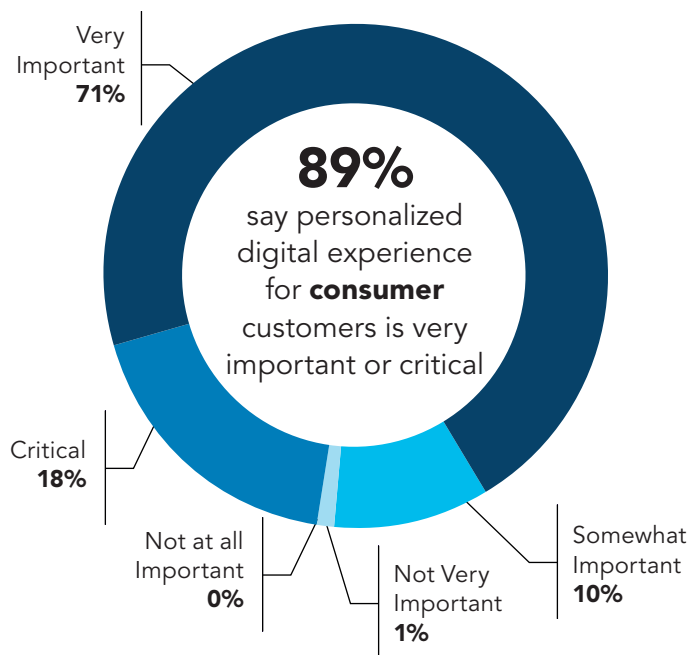
QUESTION: How would you describe the experience of becoming a new customer at your financial institution for consumers?

QUESTION: How would you describe the experience of becoming a new customer at your financial institution for small and medium-sized businesses?

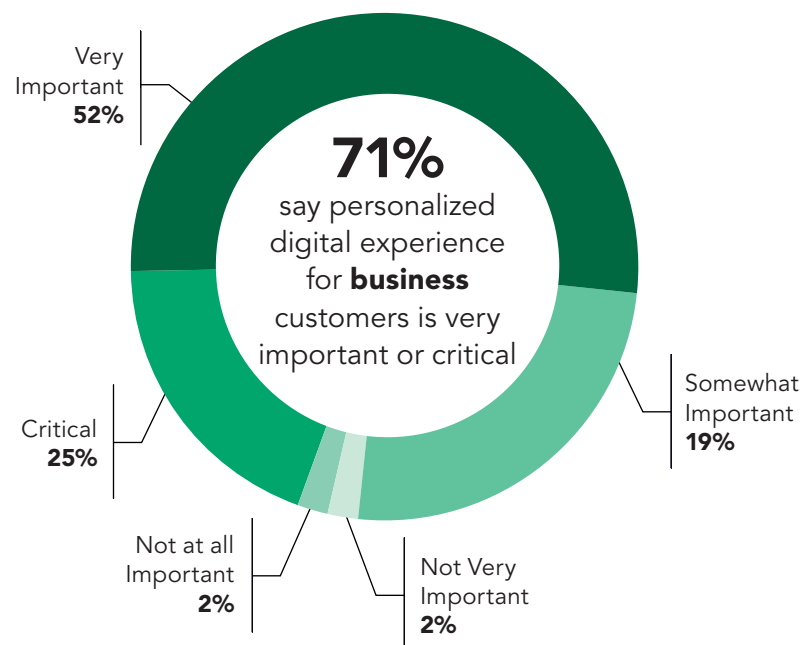


4. Nearly 9-in-10 say a personalized digital experience is important for consumer account holders; 7-in-10 say the same for business customers.

QUESTION: How important is providing personalized digital experiences to consumer customers?



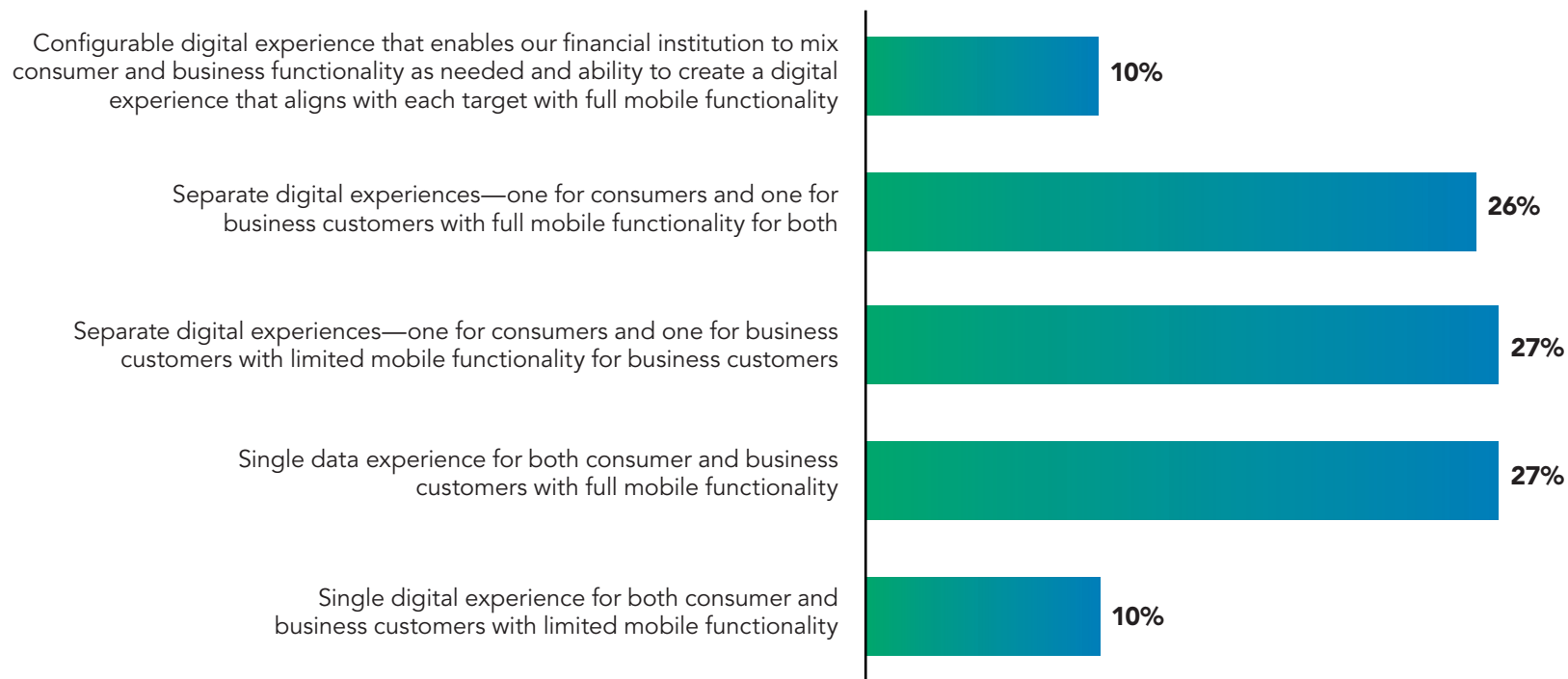
QUESTION: How important is providing personalized digital experiences to business customers?



There's a roughly 20% difference in the perceived need for personalization in consumer vs. business experiences. This is a trend worth watching; business banking users are consumers also and, as they continue to acclimate to better, more personal experiences in their consumer lives, they will likely increasingly expect those experiences in their business banking solutions.

5. More than half of banks are using separate digital experiences for their consumers and business customers.

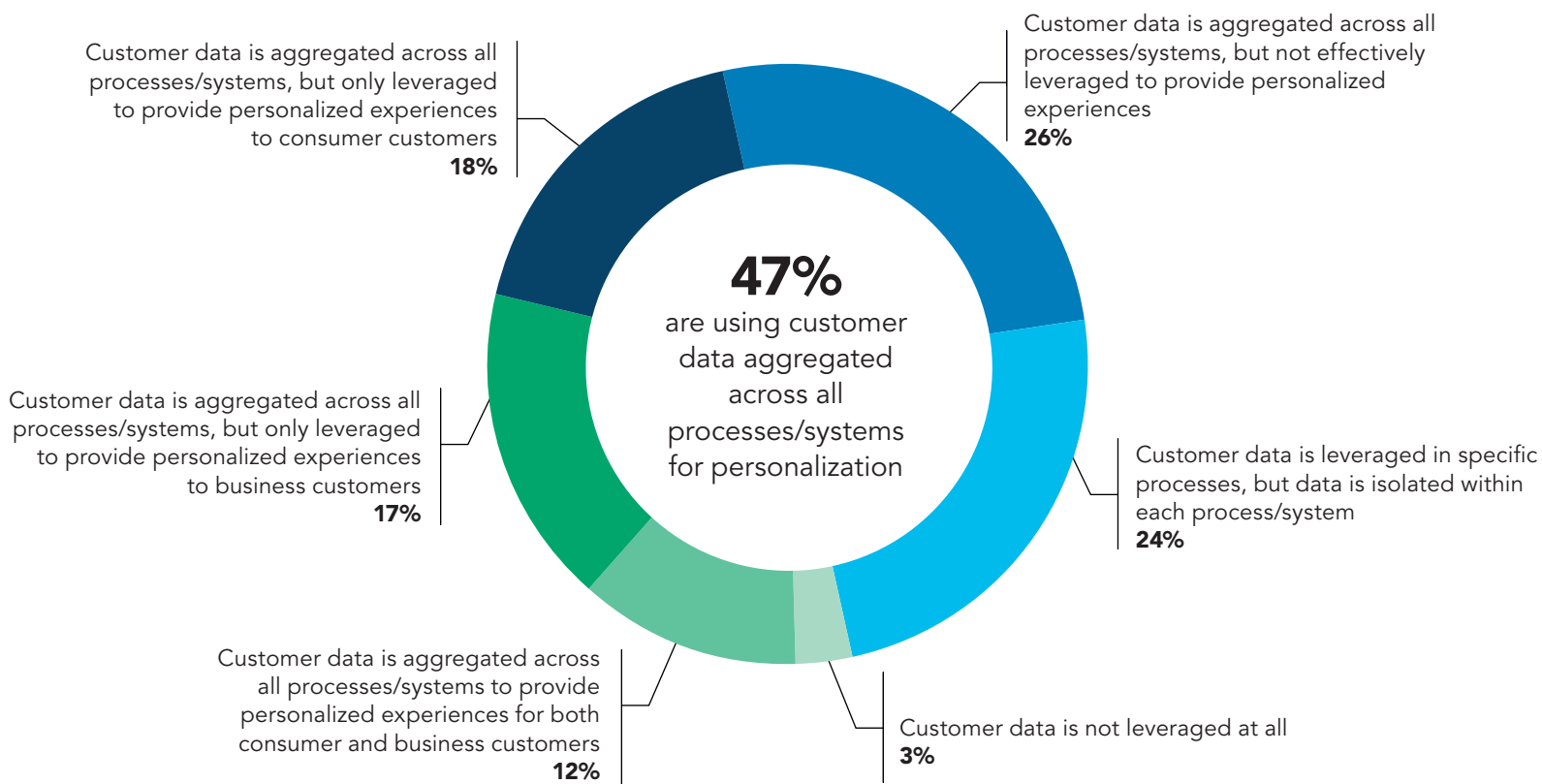
QUESTION: How personalized are your digital experiences today?



There remains a significant disconnect between consumer and business banking experiences—with almost half of business experiences lacking full mobile functionality.

6. Three-quarters report that their data is aggregated across all processes and systems, but only half are using this data to personalize account holder experiences.

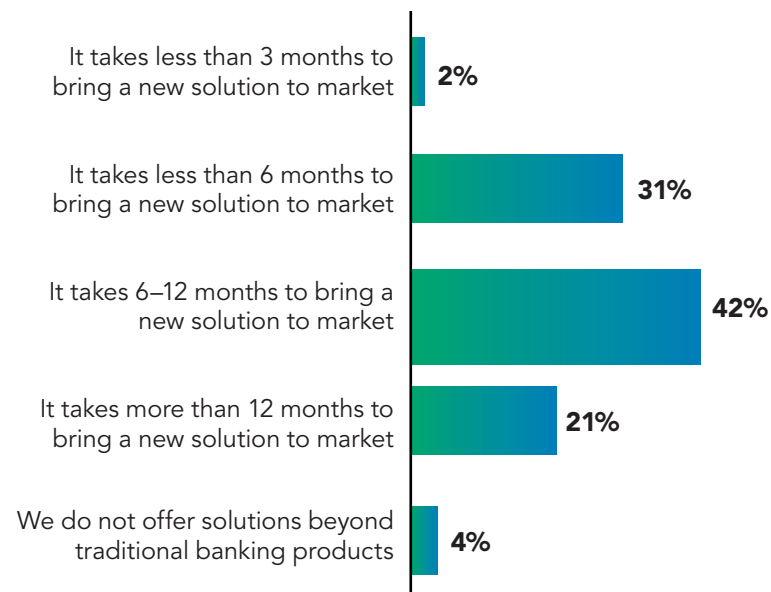
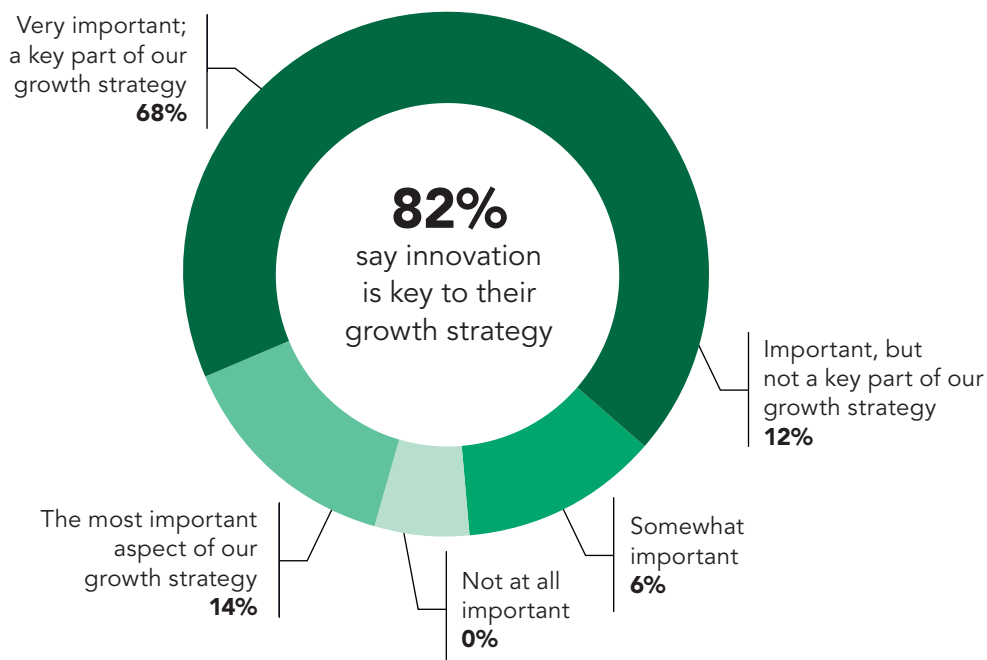
QUESTION: How well does your financial institution leverage customer data?



7. 8-in-10 say innovation is key to their growth strategy; 7-in-10 can bring new solutions to market within 12 months.

QUESTION: How important is innovation to the growth strategy at your financial institution?

QUESTION: How would you describe the ability of your financial institution to bring innovative solutions to your customers?

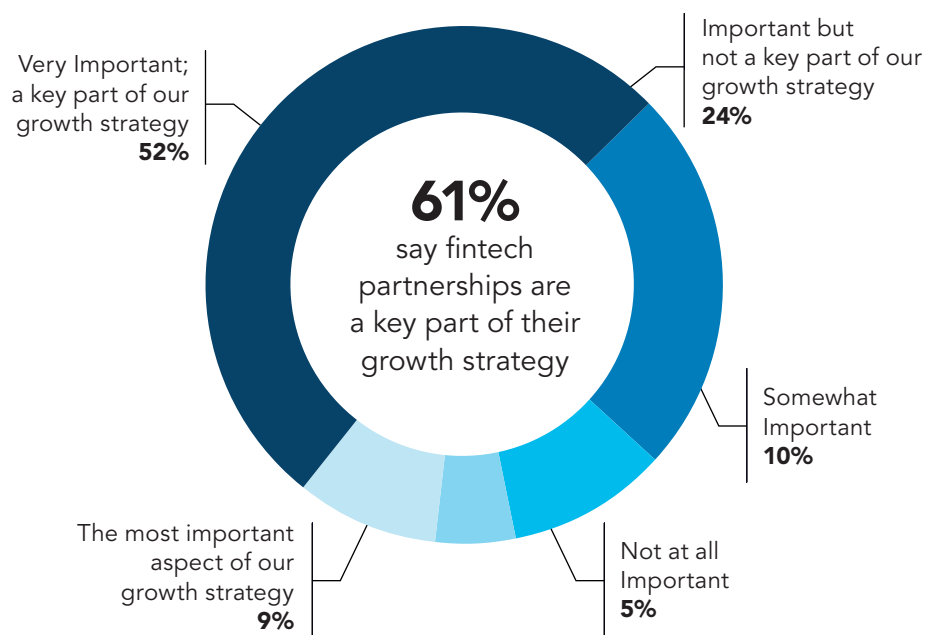


79% of respondents say they can successfully launch multiple new solutions at the same time.

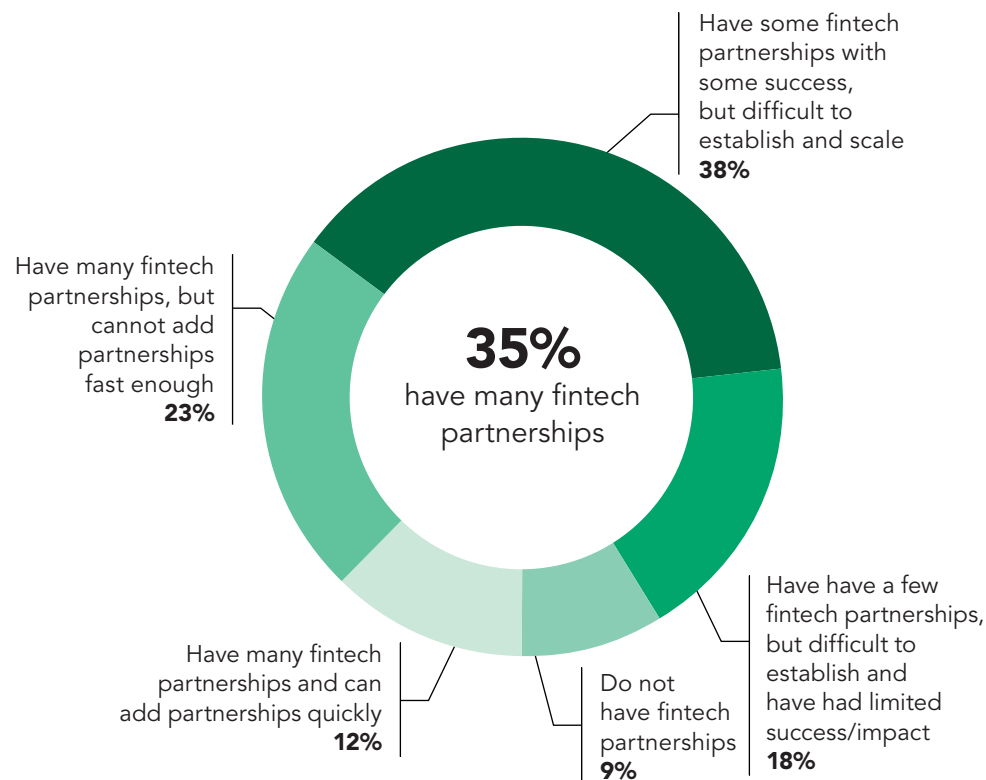
While a majority of FIs are able to bring new solutions to market in less than a year, we’ve seen recently that a lot can change in a year—or even a few months. The speed at which they’re expected to spin up new solutions or customize existing ones will only increase.

8. 6-in-10 say fintech partnerships are key to their growth strategy, but only 1-in-10 have many fintech partnerships and can add new ones quickly.

QUESTION: How important are fintech partnerships to your growth strategy?



QUESTION: How effectively do you partner with fintechs today?



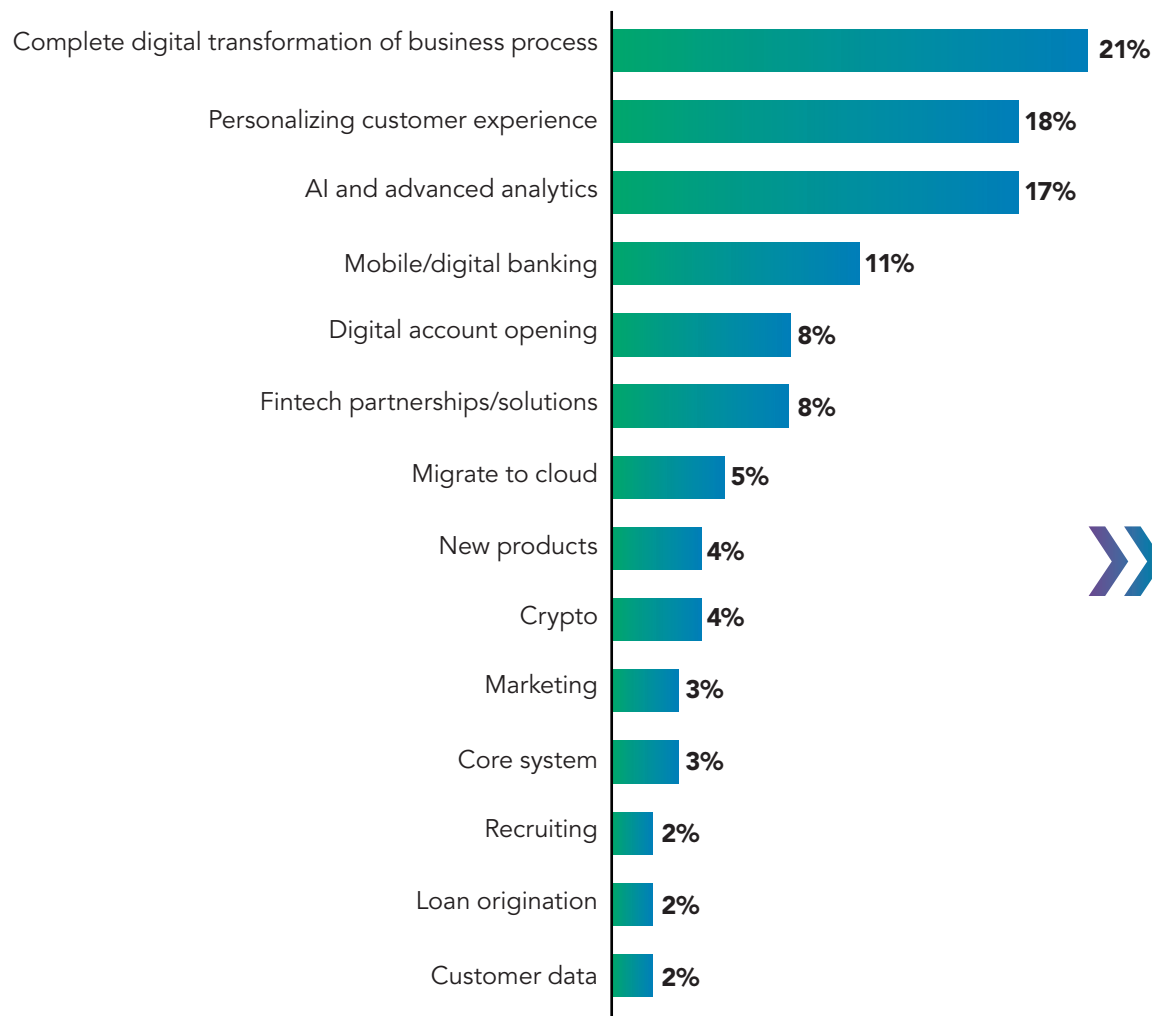
Those in tech roles are more likely (21%) than those in operations roles (3%) to say they have many fintech partnerships and can add partnerships quickly



There's much agreement over the importance of fintech partnerships but FIs continue to have difficulty establishing them quickly enough or scaling them. Nearly one in ten still have no fintech partnerships.

9. Banks are prioritizing the transformation of business processes, personalizing the customer experience, and AI & advanced analytics.

QUESTION: What's next in your digital transformation journey?*



Only a fifth of FIs are considering sweeping changes to their business processes. While moves towards personalization and investment in account opening, AI, fintech, etc., may help, fighting point solutions with point solutions—with no overall strategic transformation—may not yield the results FIs need to innovate and grow.

*Responses are coded from an open-ended question.

CONCLUSION

Community FIs may face an existential crisis. Changes in customers' needs and expectations, combined with the pressures exerted by new competitors and shrinking margins, mean that traditional FIs are playing a less central role in their customers' financial lives. Long-term profitability and growth feel out of reach for many of them.

The above research shows that FIs are not only aware of the problem, but that they understand that the changes responsible for their plight may also provide a huge opportunity to innovate, reduce costs, and drive growth.

A possible means of making this happen and seizing the opportunities listed above lies in trading point solutions with a comprehensive approach that includes:

- A single data-rich platform to provide a single source of truth
- Personalized banking and lending

- The ability to serve a wide variety of customers—from consumers and small businesses up to corporate clients
- A data strategy that spans security, banking, marketing, and growth
- A customizable, extensible architecture that enables quick integrations
- Scalability, enabled by pre-built integrations and automated processes
- A strategic approach that doesn't just support transactions but builds relationships

The good news is that most FIs agree that innovation is key to their growth, possibly to their long-term survival. That recognition, and the cultural will to make it happen, is in many ways the hardest step in the journey to digital transformation. For everything else, there's a solution.

About Q2

Q2 is a financial experience company dedicated to providing digital banking and lending solutions to banks, credit unions, alternative finance and fintech companies in the U.S. and internationally. With comprehensive end-to-end solution sets, Q2 enables its partners to provide cohesive, secure, data-driven experiences to every account holder – from consumer to small business and corporate. Headquartered in Austin, Texas, Q2 has offices worldwide and is publicly traded on the NYSE under the stock symbol QTWO.

About Arizent Research

Arizent delivers actionable insights through full-service research solutions that tap into their first-party data, industry SMEs, and highly engaged communities across banking, payments, mortgage, insurance, municipal finance, accounting, HR/employee benefits and wealth management. They have leading brands in financial services including American Banker, The Bond Buyer, Financial Planning, National Mortgage News, and in professional services, such as Accounting Today, Employee Benefits News, and Digital Insurance. For more information, please visit [arizent.com](https://www.arizent.com)