



2019 State of Digital Sales in Banking

Annual Report



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| Table of Contents

03 State of Digital Sales in Banking 2019

09 2019 Digital Sales Readiness Matrix

14 Three Years of Progress

15 Mid-Market Index

17 About the 2019 Study

State of Digital Sales in Banking 2019

Expectations among bank customers for convenience and efficiency of their account opening experiences continues to accelerate, with an assumption that opening a retail or business account, credit card, or retirement account should be as simple as buying a book from Amazon. To remain competitive, banks globally have responded, some taking leadership positions, others being dragged into digital sales very slowly. This 2019 version of our annual report tells a story of maturity in one segment and an overall market still open with gaps and opportunities to differentiate from the pack.

For the past four years Avoka, now part of Temenos, has engaged researchers to evaluate the progress of banks in delivering the ultimate in financial shopping convenience – how well do banks enable new-to-bank customers to apply for their products.

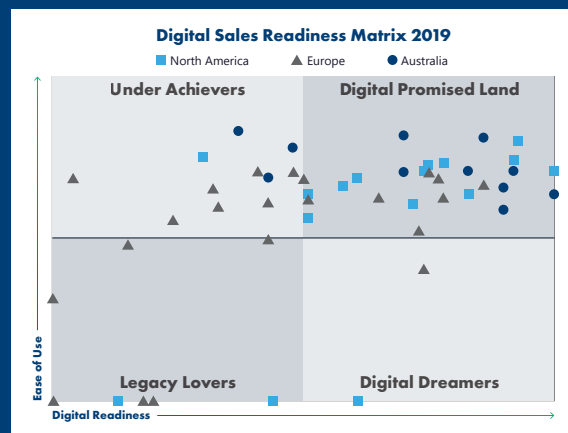
This Temenos study measures the digital account opening capabilities of 60 large and representative mid-size banks in three regions: North America,

Europe, and Australia. It ranks and compares their offerings across geographies, products, and features, both in breadth of account coverage and experience quality of the offering.

New and notable this year is the Mid-Market Index, focusing on the distinct differences between the largest, small, and mid-sized banking segments.

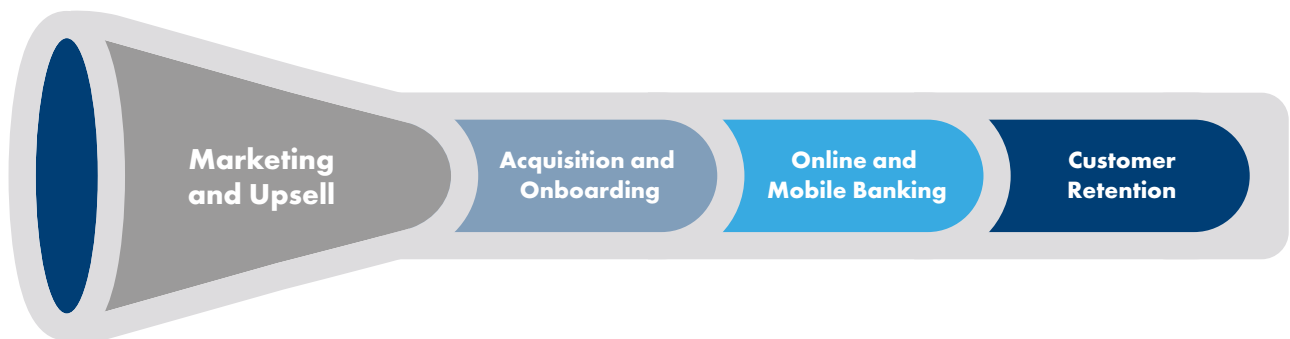
HIGHLIGHTS FROM THE 2019 REPORT

- A mid-market gap exists for banks near **\$75B in assets**, falling behind both smaller and larger competition.
- The largest US banks now **lead the world** in digital sales adoption for Personal Banking.
- Business Banking remains the **untapped opportunity** worldwide.
- 65% of digitally active banks have reached **Digital Promised Land**, the first time a majority have earned this rating.



SALES IN THE CUSTOMER JOURNEY

Banking customer journeys are well documented, spanning awareness through account servicing and retention. However, no matter how effective a bank's marketing programs, the critical transition from "Apply Now" to "Application Approved" determines how many of the prospects become onboarded customers. This is referred to as **Digital Sales**, covering customers acquisition and onboarding. In the past few years, as other portions of the digital journey have matured, Digital Sales has emerged on the forefront of competition for customers and revenue among banks large and small.



2019 KEY STATISTICS

Three quarters of Personal accounts can be opened online

Globally, Personal Banking is leveling off at 76% of deposit accounts available for digital account opening.

Only 10% difference between mobile and desktop digital

Mobile is finally mainstream, with 50% of accounts of all types available for opening on mobile devices. Two years ago, mobile was just half of what was available online. Now it is within 10%.

North America leads Australia for the first time

In the important Personal Banking category, North America leapt ahead of the early adopting Australian region for the first time, up to 75% mobile enabled.

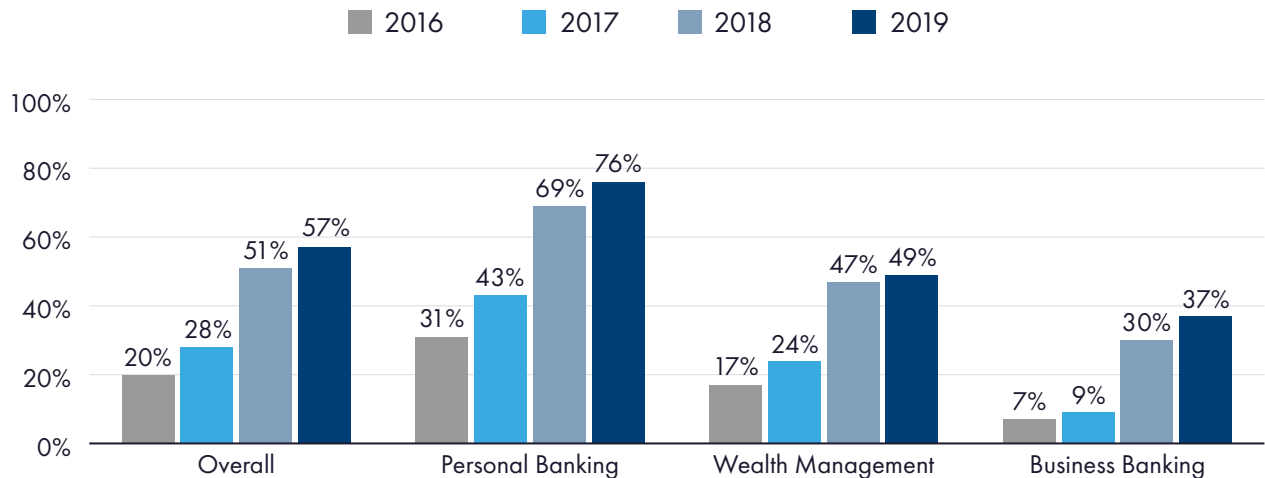
2x jump for Business Banking in Europe

Business account opening took its largest jump in Europe, up from 20% to 38%, but slower changes in rest of world.

5x mobile gap for Mid-Market

While mobile difference between small and large banks was small, both outrank the Mid-Market by a factor of 5x.

Year-over-Year Overall Comparison of Digital Sales Capabilities



DIGITAL SALES SUMMARY

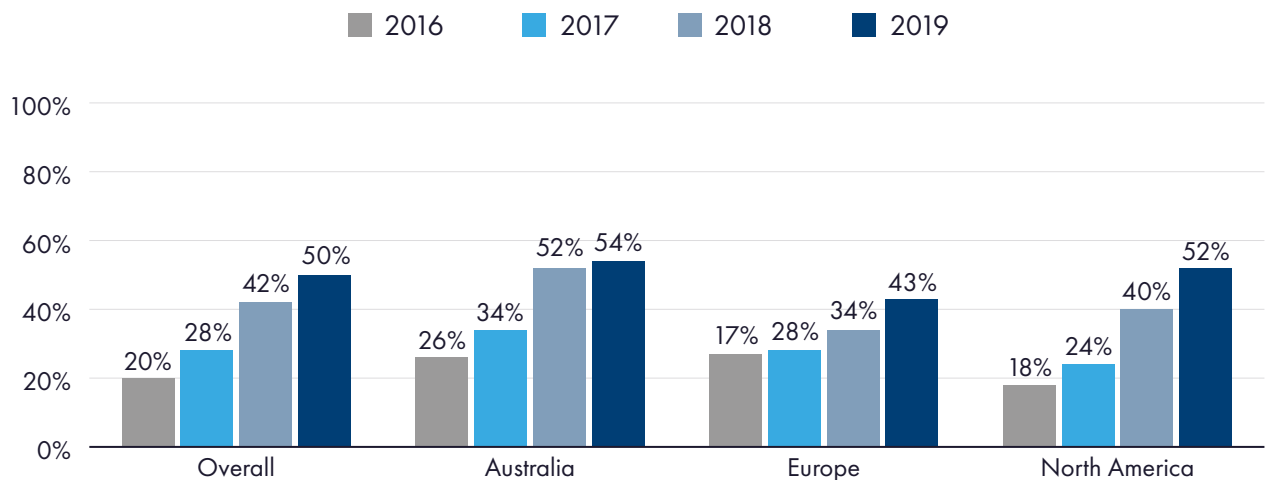
Overall, Digital Sales capability grew worldwide, but the improvement was slower than in 2018 when it took a big jump. As always, Personal Banking is far above the other lines of business, reaching 76% of all personal accounts available for online account opening. Has the growth stopped and reached its limit?

Surprisingly though, both Wealth Management and Business Banking accounts, critical lines of business which have tremendous potential for increased digital account opening coverage, still lag noticeably behind.

MOBILE CONTINUES TO MAKE PROGRESS

As was the story last year, it is not surprising that mobile capabilities continued to accelerate. Notable though is slowing of the progress in the traditionally leading Australia region. This is in contrast to North America, where for the first time over 50% of products across all product types can be opened on mobile, and an even higher percentage for the United States.

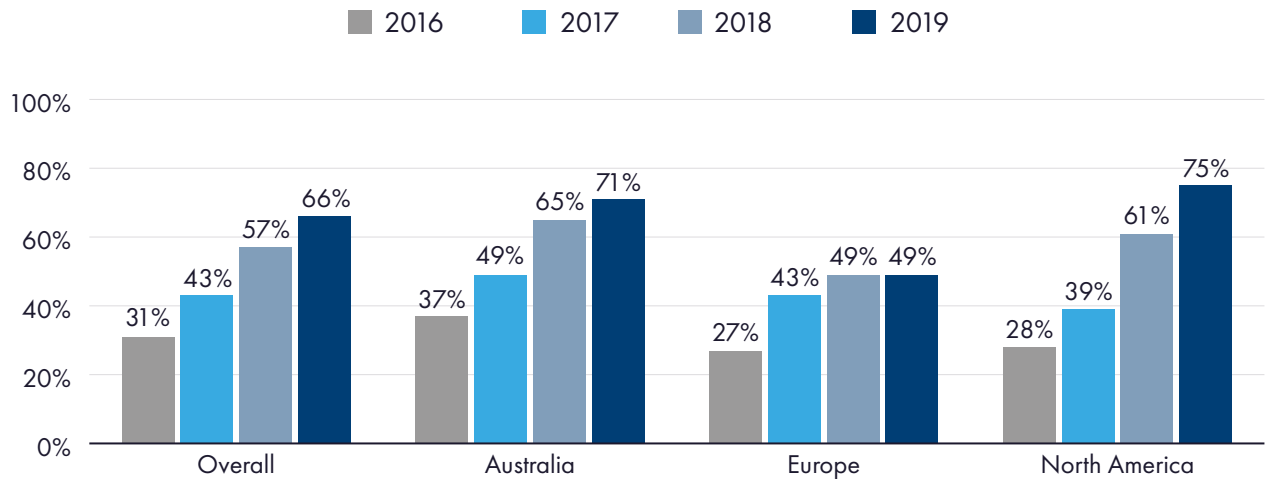
Changes Year-over-Year Apply on Mobile (Overall)



PERSONAL BANKING

Personal, or retail, banking products continue to lead the progress for Digital Sales. Over 2/3 of products worldwide are mobile enabled, more than double what was measured in the first survey three years ago. The fastest action this year was North America, with another big jump, now ahead of Australia for the first time. Europe was static at under 50% mobile enabled.

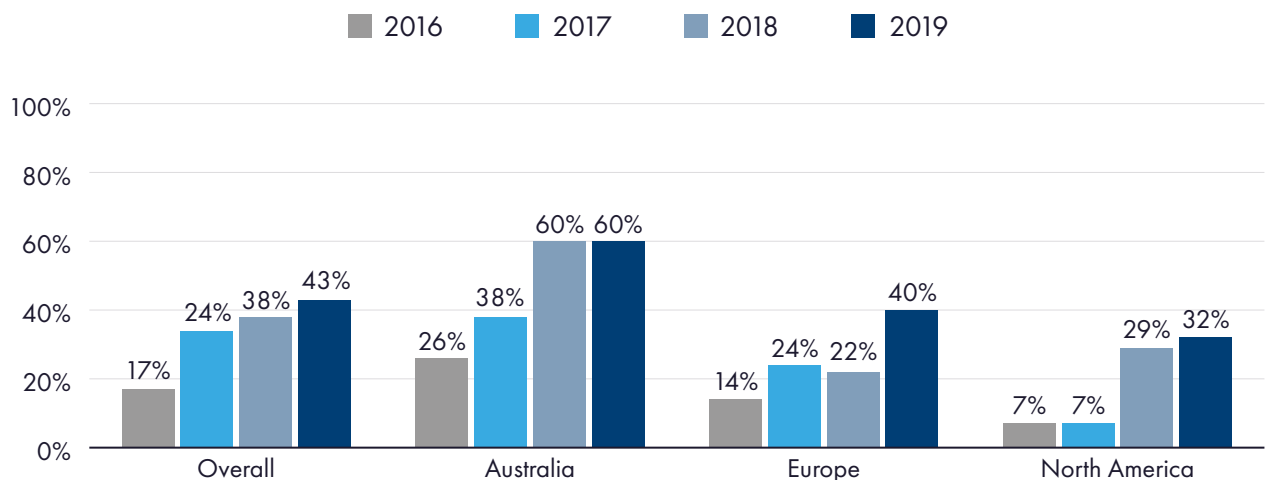
Personal Banking Account Opening on Mobile Devices



WEALTH MANAGEMENT PRODUCTS

Wealth products measured in this study are diverse, ranging from simple deposit certificates to full brokerage accounts. They rank far lower than Personal Banking in digital sales enablement capability. With the exception of a large jump in Europe, the category stayed flat worldwide. This category was not the focus of activity in Australia or North America.

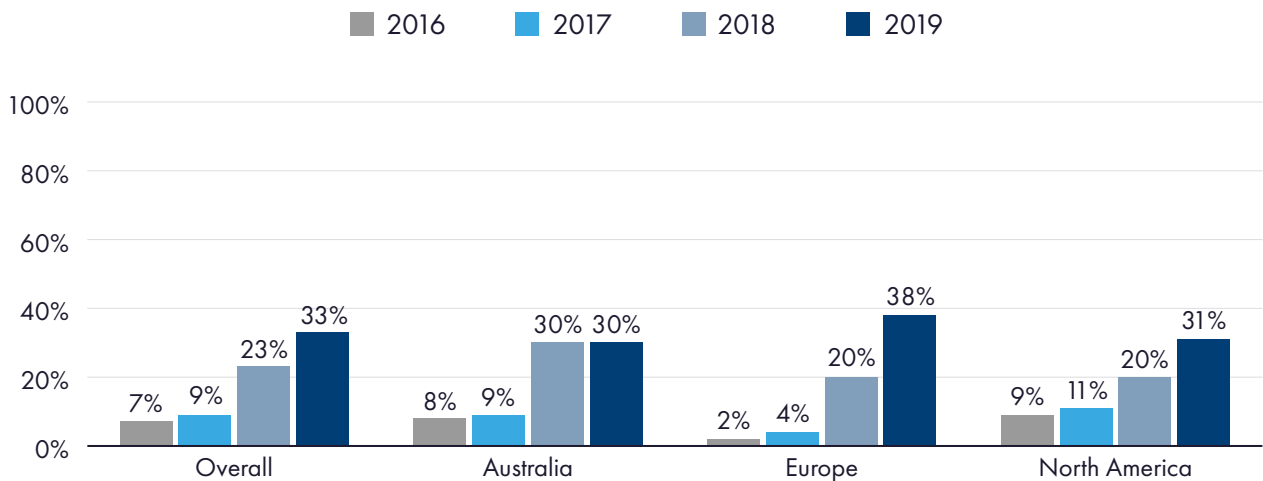
Wealth Management Account Opening on Mobile Devices



SMALL BUSINESS BANKING

Small business (or small enterprise) account opening is both the most profitable and most complex type of account for most banks. Digital enablement numbers reflect the complexity but also show steady growth as banks discover ways to use Digital Sales to differentiate in this important market segment. Despite new challenges on KYC and compliance for business accounts in the past year, both Europe and North America made substantial progress. Australia did not focus on this segment at all, dropping from the top to the lowest region based on mobile enablement.

Small Business Banking Account Opening on Mobile Devices

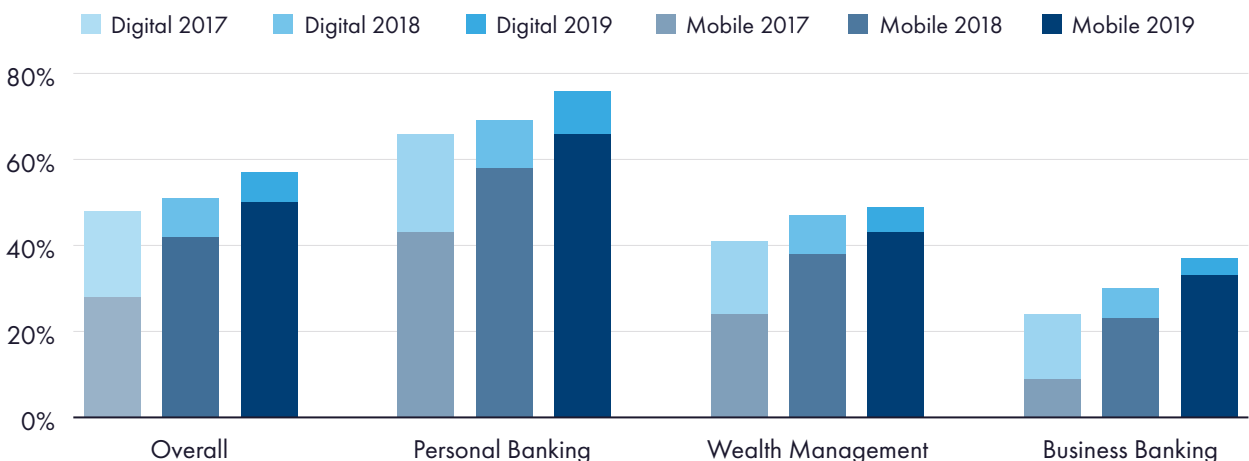


MOBILE VS. ONLINE FOR ALL PRODUCTS

In our definitions, Digital Sales includes both mobile devices and desktop online. To qualify as mobile, an account opening application must be responsive to screen size and convenient to use on a small device, and not require download and install of a dedicated app.

Over the past three years, the gap between digital (including online desktop) and mobile has continued to shrink. Today the two are nearly synonymous – it is unrealistic to offer a digital sales option that does not function on mobile. Where in 2017 the overall digital capabilities were nearly 2x mobile, today the difference is less than 10%. Any bank serious about a digital channel makes sure its applications are mobile friendly.

Mobile vs. Digital



OMNI-CHANNEL ACCOUNT OPENING

An important feature measured in the study reflects the ability to offer a truly omni-channel experience, allowing a customer to begin the account opening in one session, then continue on the same or another device or channel later. The use cases are varied and commonplace. They include:

- Starting an application on mobile, then stopping until arriving at home or office where more necessary details are available.
- Starting a joint application, then saving it to allow a spouse to complete their portion.
- Beginning an application digitally, but requiring assistance and completing it in a branch or with call center assistance.
- Beginning a digital application, abandoning for unknown reason, and then completing only after being contacted by a 'sales' person from the bank.

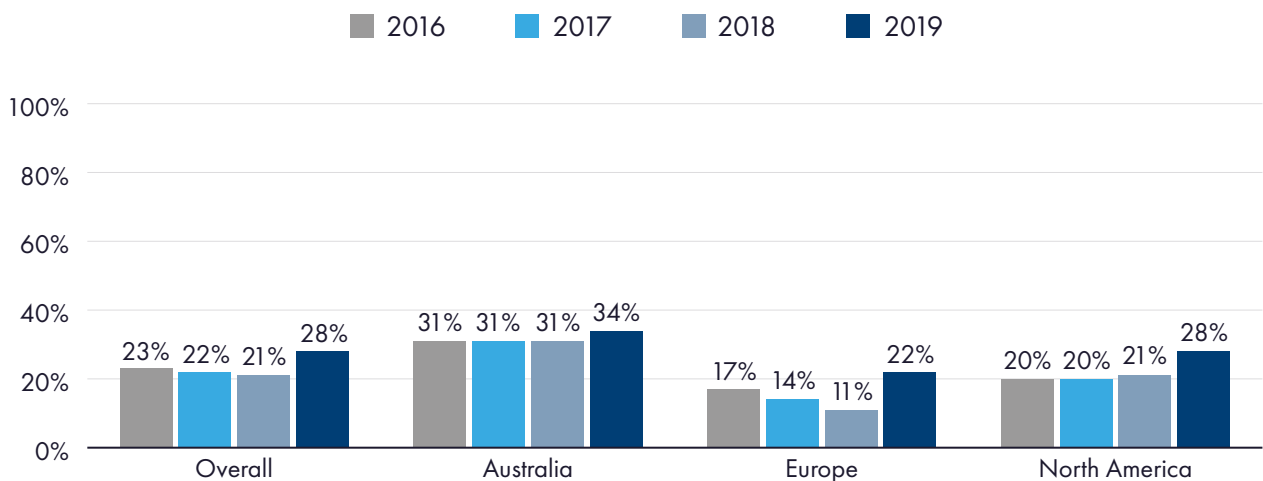
These, and many more, are examples of a full featured omni-channel account opening. Most important is the recognition that a large percentage of applications are not completed in one session. Without the omni-channel features, the Digital Sales program cannot be optimally effective.

SAVE AND RESUME

The key enabling feature for omni-channel account opening is "Save and Resume". This means the ability to stop the application, then pick it up later. It must be done securely, and without requiring the establishment of a full username, password, and download of software. Typically this involves giving the customer a unique token that allows restarting and identifying the applicant.

Surprisingly, progress is slow in implementing this more complex feature. While all three regions recorded a jump in Save and Resume capabilities, at 28% of accounts it lags far behind the broad mobile account opening statistics.

Account Openings that Include Save and Resume



2019 Digital Sales Readiness Matrix

Temenos' ranking of digital enablement and readiness

For the fourth year, Avoka/Temenos has published its Digital Sales Readiness Matrix, a proprietary tool that quantifies each large bank's digital sales capability on two key measures:

1. **Quantity:** The percentage of Personal Banking products that can be opened on a mobile device (horizontal axis).
2. **Quality:** The ease of use, or friction, of the digital experience for customers opening the bank's flagship deposit account (vertical axis).

The intersection of these two scores becomes a plot point in one of four quadrants. The best quadrant, Digital Promised Land, represents the top scores in both quantity of personal products available, and quality of experience deployed by the bank as represented by the ease-of-use for the flagship deposit account.

Quality ratings use the Avoka Transaction Effort Score™ (TES), which measures the effort required by a prospective customer to apply for a basic deposit account over online. Full TES evaluations were developed by Avoka's Customer Experience team to provide detailed quantitative optimization of entire customer journeys. The abbreviated TES evaluation used here allows ranking of the experience open to an anonymous applicant.

DIGITAL PROMISED LAND

Banks in this upper-right quadrant have the key ingredients for digital success: they have learned to scale their digital product sales capabilities, and have the knowledge and technology infrastructure to deliver a high quality customer experience. Digital Promised Land banks have shown success in bringing new digital products to market, and most are maintaining

momentum with steady increases.

UNDER ACHIEVERS

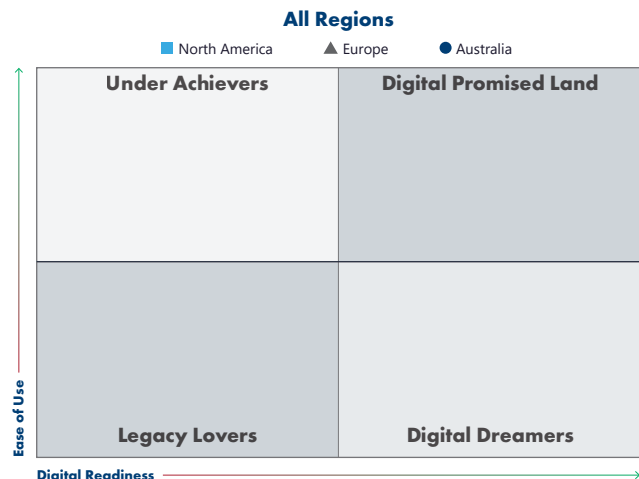
These banks score highly in the qualitative ease-of-use category for their flagship product, but have yet to deploy the technology for the majority of their products. They have demonstrated the skill, but have yet to scale.

DIGITAL DREAMERS

Digital Dreamers have made progress on quantity, if not the overall quality of the experience. They roll out digital sales capabilities, but their user experience falls below peers for their flagship deposit account, indicating they have not yet achieved the digital differentiation and leadership they are seeking.

LEGACY LOVERS

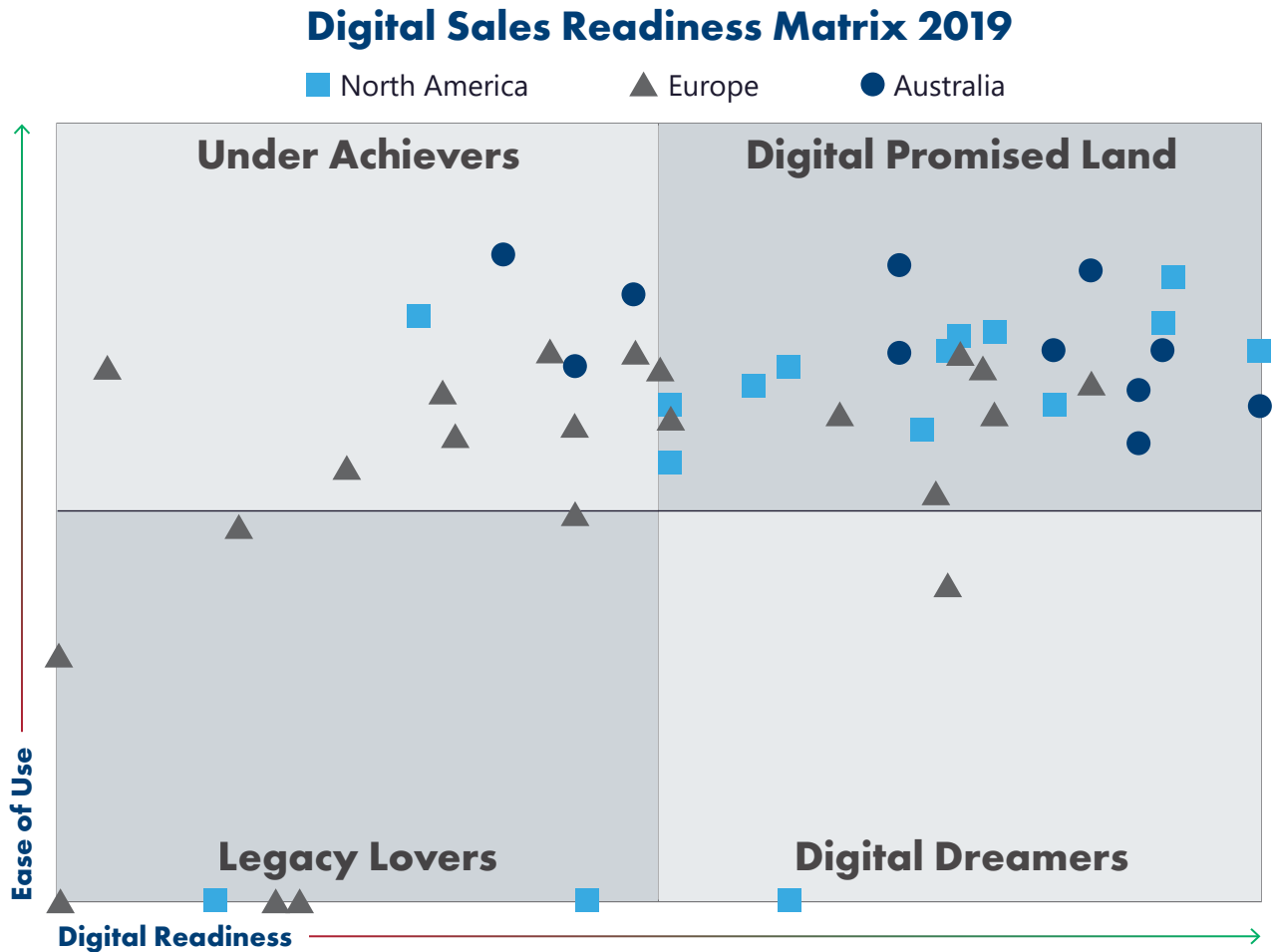
Finally the Legacy Lovers fall into the lowest category. While few banks today remain in this quadrant, they remain firmly dependent on legacy channels, and have yet to demonstrate skill in delivering a Digital Sales experience. Intentional or not, Legacy Lovers are still living in a non-digital world.



SALES READINESS MATRIX RESULTS 2019

The majority of banks have made substantial progress or arrived in the Digital Promised Land, with 56% of the large banks in the study reaching some point in this quadrant. Most of the remaining banks were just outside the border in Under Achiever territory. This is a significant shift from 2017, when the majority of banks were still in Legacy Lover and Under Achiever categories.

It is clear that for personal banking, the biggest institutions have made tremendous progress in digitizing their product line. The investments begun more than three years ago by the largest institutions are paying off.

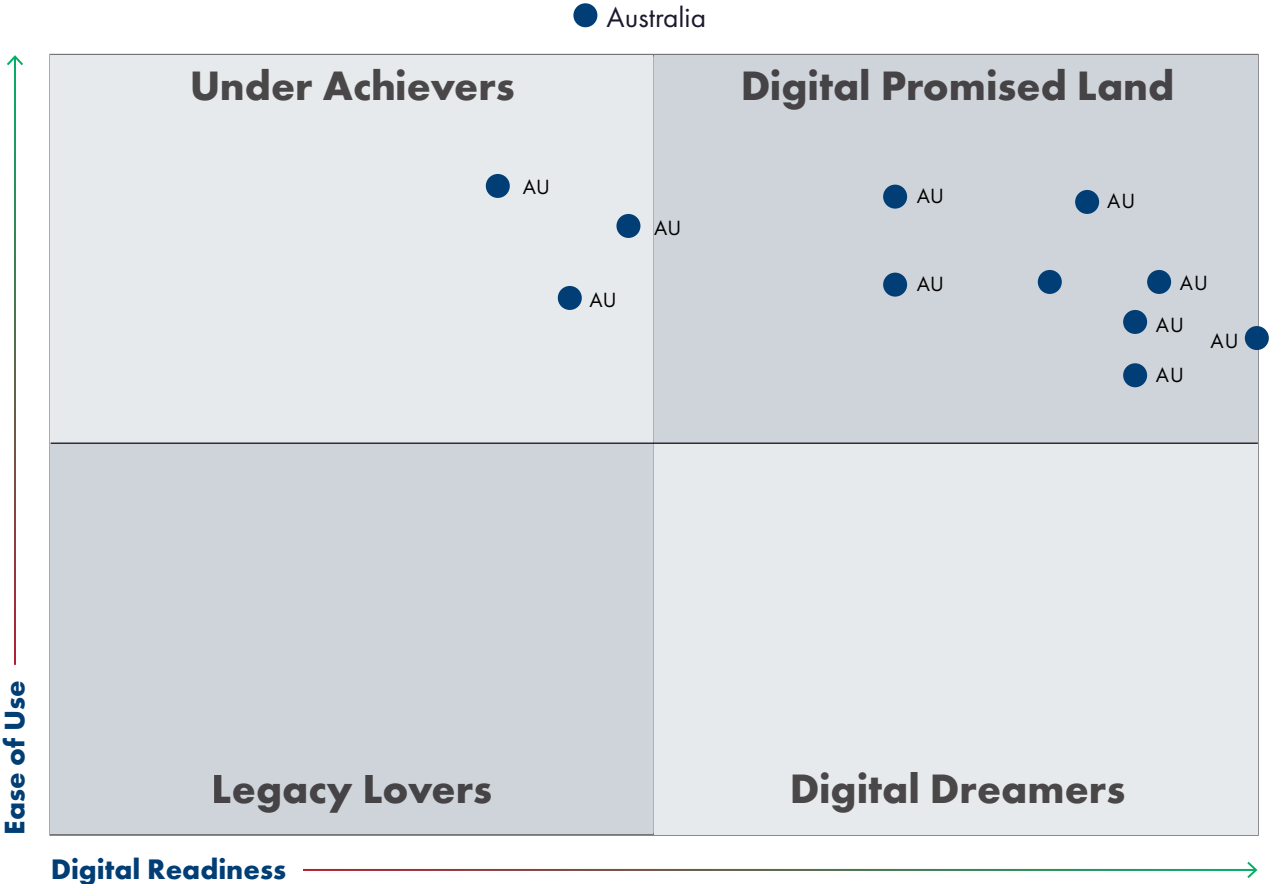


Region-specific findings support the story.

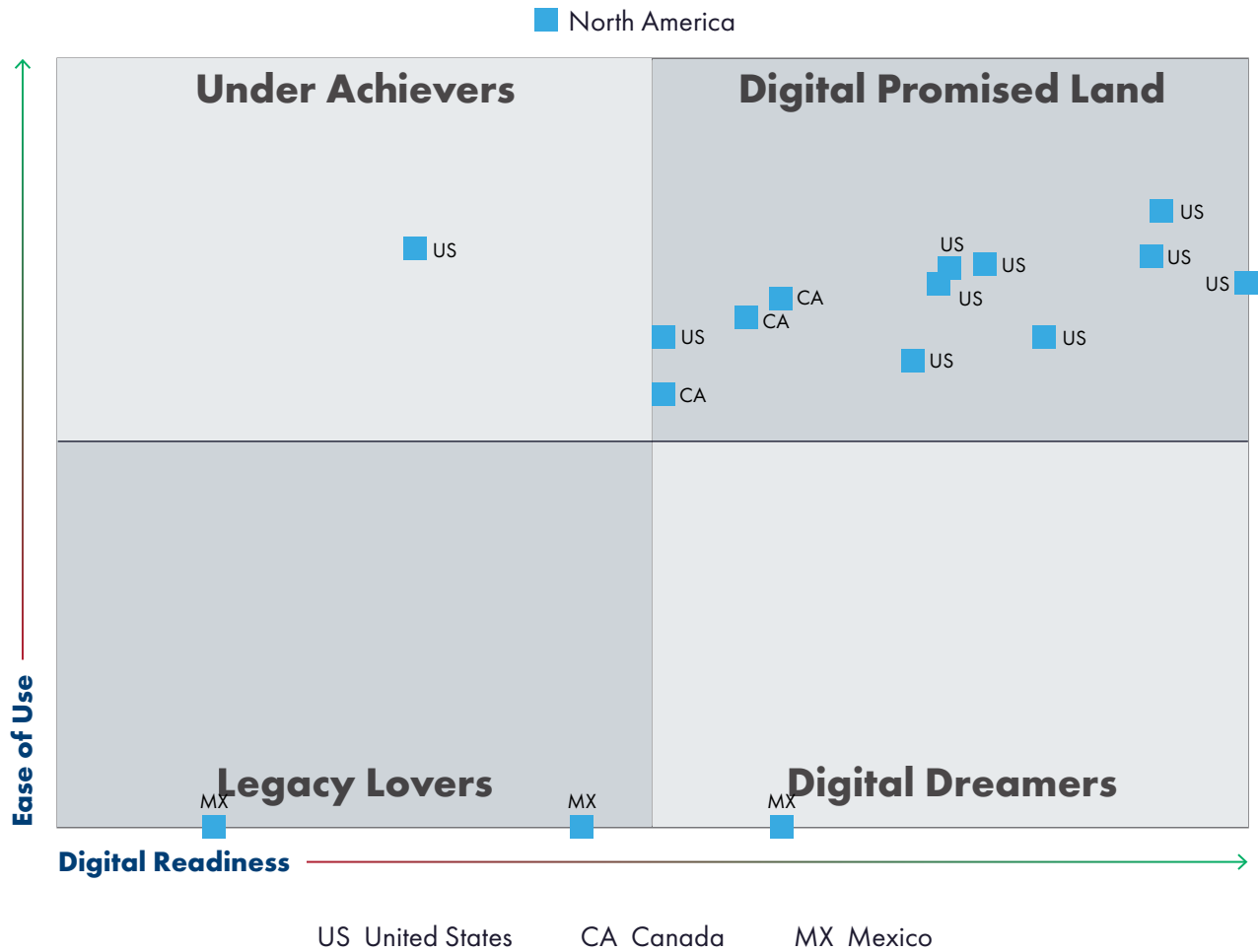
AUSTRALIA

For all four years that this study has been conducted, Australia has led the world in digital readiness. The leadership is no longer pronounced, not because Australian banks have fallen behind, but because they've reached the limits of improvement for personal deposit products. Eight of the 11 Australian institutions are in the Promised Land, with the other three very close. Just having personal Digital Sales is no longer a differentiator – now those banks will need to use other products and more convenience features to stand out from the pack.

Australia Digital Sales Readiness Matrix 2019



North America Digital Sales Readiness Matrix 2019

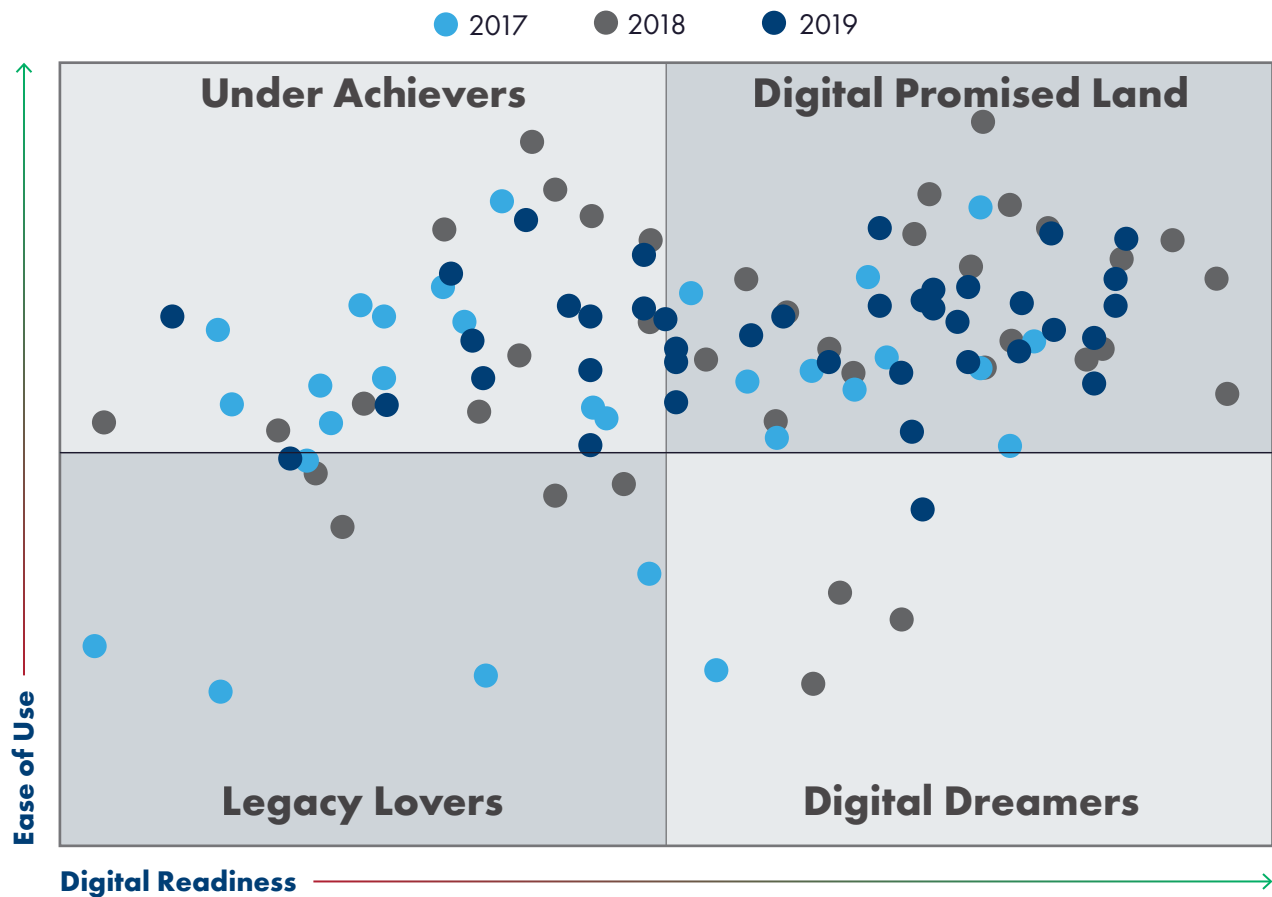


The chart maps a sampling of the largest banks in North America, including 10 of the largest in the US, plus a selection of three from each of Canada and Mexico. With only one exception, all US and Canadian banks are now in the Digital Promised Land, a tremendous improvement from where this chart started in 2017. This is evidence that the largest banks have now at least established the basics of mobile account opening for their Personal Banking customers. Using this foundation, they should be able to add differentiating features and expand to additional product verticals.

THREE YEARS OF PROGRESS

The three versions of the Sales Readiness Matrix 2017-2019 tell a story of progress achieved during that period. While there was no comparable matrix in 2016, quantitative rankings (horizontal axis) from 2016 and 2017 did not look significantly different. But from 2017 to 2018 and now in 2019, the improvement is dramatic. After years of investing in platforms, infrastructure and technology skills, these past two years finally saw customer facing results hit the market.

Digital Sales Readiness Matrix 2017-2019



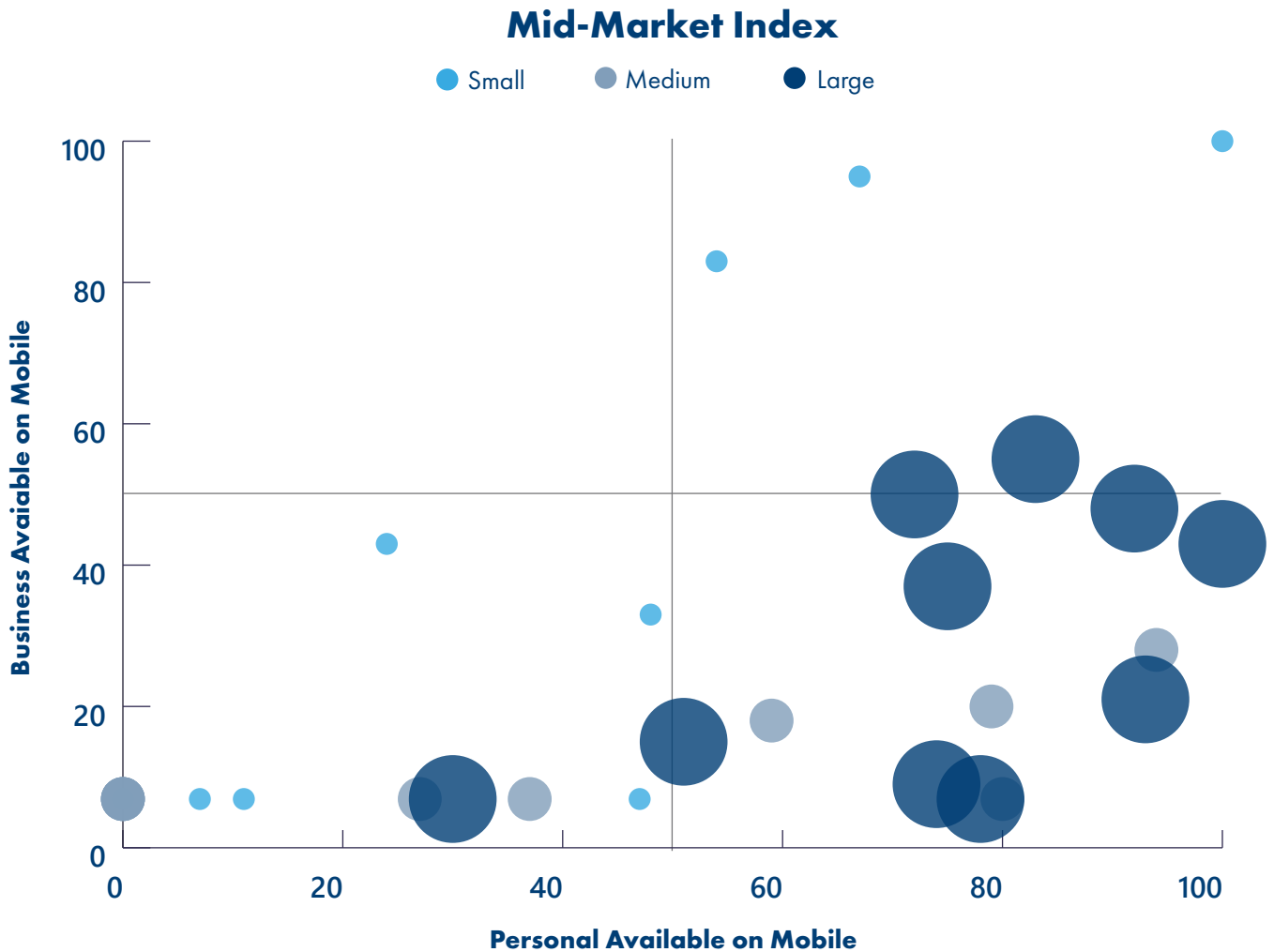
PERCENTAGE OF DIGITALLY ACTIVE BANKS IN DIGITAL PROMISED LAND

2017	40%
2018	54%
2019	65%

(Sampling includes only banks in countries where there has been measurable progress.)

Mid-Market Index

One of the conclusions from 2018 was that large banks were using their size and technology assets to rapidly move ahead of smaller institutions. The report concluded that size did have an advantage for scaling, and predicted a growing digital gap between the biggest banks and their trailing competitors.

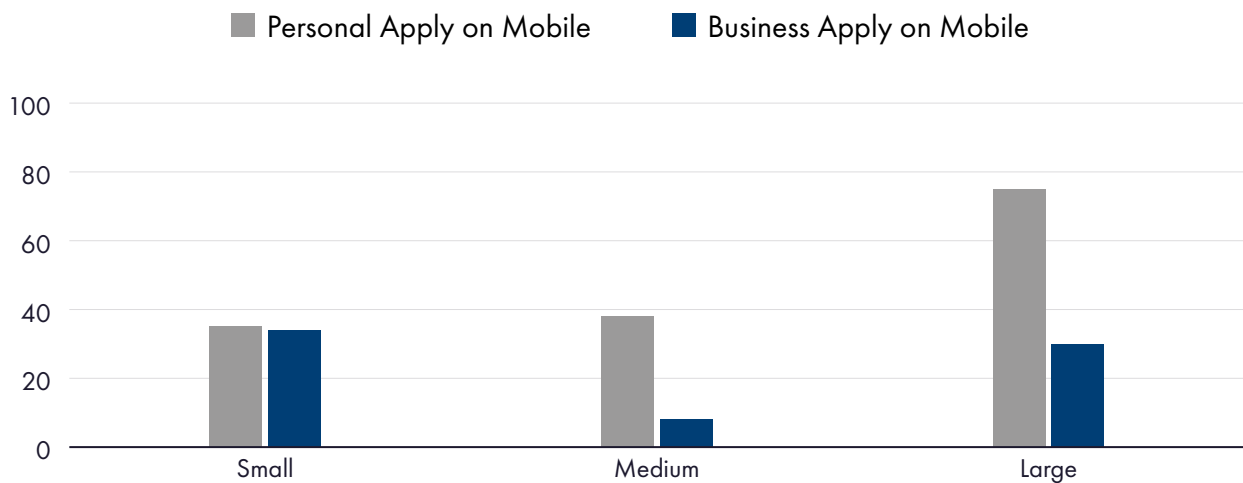


This year, the research was expanded to include both mid-size and small bank segments in the US market. The purpose was to illustrate supporting data on size differences and how it translated into different digital sales capability.

Ten banks were chosen in each category, as below.

CATEGORY	AVERAGE ASSETS	ASSET RANGE
Small	\$8B	\$2-19B
Mid	\$75B	\$23-205B
Large	\$844B	\$136-2,500B

Mid-Market Index 2019



The results tell a story of three different market segments:

Large banks, after spending heavily over the past 3-5 years, have deployed Digital Sales widely for their Personal Banking products. Their large IT spend and technical sophistication is magnifying their size advantage. Business Banking is far behind, but still has made substantial progress. It appears that the complexity of Business Banking onboarding is what keeps the digital percentage lower than Personal Banking products.

Small banks, with their simpler product lines and technology stacks, show a remarkably even digital deployment of personal and business customer acquisition. They appear to be less hindered by product silos and diverse technology components. Small banks have done surprisingly well in deploying Digital Sales for Business Banking.

Mid-sized banks fall into a dangerous situation we refer to as the **Mid-Market Digital Sales Gap**. These institutions, averaging \$75B in assets, lag behind their large competitors in personal bank Digital Sales. And their business banking Digital Sales capability is extremely low. Likely the mid-sized banks have complex and diverse product lines with multiple product silos. They don't enjoy the simplicity of the small institutions yet they do not have the financial and IT resources of the giant banks, with years of internal development behind them. As a result they are vulnerable from both sides, lacking the personalization of the small and the technology scale of the large banks.

About the 2019 Study

This year's study assessed the digital sales readiness of 70 banks in North America, Europe and Australia. These consisted of representative large institutions in the three regions, plus a sampling of small and mid-sized banks in the US, evaluated primarily for the Mid-Market Index comparison.

Unlike some studies that survey bank staff to determine digital readiness, this research examined the bank website directly. For each product mentioned on the site, a researcher attempted to open an account. While the full account opening process could not be completed by the researcher, a standard set of milestones was evaluated in each case. The results are objective and represent the actual capabilities exposed to the public during the research conducted from December 2018 through February 2019.

The study looked at two factors for every product:

- Could the product be applied for from desktop and mobile devices, without prior registration at the bank?
- Did the application have the basic features necessary to ensure success?

Results and progress were compared to data from the same banks in prior years, building on four years of growing digital sales insights.

IS YOUR BANK DIGITAL SALES READY?

Benchmark your Digital Sales readiness with a thorough assessment and tailored Transaction Effort Score analysis. Avoka, now Temenos, will evaluate your sales journey, quantify the customer experience, and recommend a path to the Digital Promised Land.

ABOUT AVOKA AND TEMENOS

Avoka is a software platform for creating outstanding customer acquisition and onboarding journeys for banks, credit unions, and other financial institutions. In December 2018, Avoka became part of Temenos, the banking software company, and Avoka is now part of Temenos Infinity, a cloud-native omni-channel suite of products for the banking digital front office.

Temenos Infinity is a Digital Banking Platform focused on customer experience. It solves the problems of acquiring, servicing, retaining and cross-selling customers for banks looking to thrive in an era of open banking.

Temenos Infinity unifies customer experience with an omni-channel solution, driving higher conversion and customer success through data and analytics, improving agility and time-to-market.

See [Temenos.com](https://www.temenos.com) and [Avoka.com](https://www.avoka.com)