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Abstract

The pandemic ignited the fires within financial services, creating an innovative spirit that many organizations only dreamed of before COVID-19. Even in a remote work environment, banks and credit unions moved faster and took greater risks out of necessity, as consumers needed ways to conduct financial activities without branches.

As opposed to creating solutions that were completely new, many innovations simply accelerated the digital transformation activities that were already underway ... but moving at a snail's pace. For instance, many organizations created the digital new account opening and digital loan application processes that consumers desired leveraging outside tools that were readily available before the pandemic.

Despite this focus on innovation during the crisis, our research found that organizations rated themselves lower in innovation and digital transformation maturity than in 2019. This was most likely because other industries moved even faster to meet the expectations of the digital consumer.

The question remains as to whether legacy financial institutions can avoid reverting to the outdated policies and risk-averse culture that inhibited innovation and digital transformation in the past. The challenge is made greater because the majority of bankers believe the industry will experience an economic downturn as a result of COVID.

Whether there is a significant economic impact to the banking industry is yet to be seen, but to succeed in the digital transformation journey, innovation needs to be part of the overarching culture within an organization. Not relegated to a 'innovation lab' or one or two product groups, innovation must be encouraged across product lines, with the desires of the consumer taking center stage. More importantly, existing back office processes must be rethought to avoid simply 'faking digital'.

This year's Innovation in Retail Banking report is again sponsored by **Infosys/Finacle** in cooperation with **Efma**. This is the 12th year of this report, and it is arguably the most important edition, because of the significant changes brought on by COVID.

As opposed to being a threat to the industry, the pandemic should be viewed as a once-in-a-lifetime opportunity that innovation leaders are best positioned to take advantage of. By exploiting the innovative spirit, focus and teamwork unearthed at the beginning of the crisis, banks and credit unions should continue to give their best people the power to innovate at will, positioning organizations to be more competitive with the fintech and big tech firms that continue to encroach on traditional lines of business.

Those organizations that can maintain the innovative momentum will be in the best position to meet the needs of the digital consumer and thrive in a world forever changed by COVID.



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