



Evolving Your Digital Banking Strategy

6 Tech Trends to Prepare You for What's Next

Q2

The global banking sector is quickly ramping up its use of predictive data. In 2019, the industry's data analytics market jumped up to \$30B from \$12B in 2015. The market is expected to pass \$60B by 2025.²

The global pandemic changed everything. Most financial institutions (FIs) embraced the sudden change and re-evaluated their technology accordingly. But digital transformation isn't a one-and-done deal. Digital has become more than a channel. It's your business, your brand, your institution—and it needs to be treated as such.

While the biggest impacts of the pandemic are behind us, more change is coming for FIs. This isn't a prediction. It's a statement of necessity. A lot of inefficiencies and gaps were exposed in 2020. And banks and credit unions are fully aware of this; the Digital Banking Report found FIs rated their own degree of digital transformation lower in 2020 than they did in 2019—likely because it felt as if other industries responded more quickly and comprehensively to the digital requirements of the pandemic.¹

In the months ahead, we expect to see a lot of recently learned lessons play out in how FIs partner with technology providers and deliver experiences. In this eBook, we're shining a light on six trends to watch as the industry prepares for **what's next** in financial services.



1 > More FIs develop data strategies

Everyone's talking about data: It's the new oil, the new gold, the new currency. But really, it's a way to understand your end users and build relationships with your customers. From security to onboarding, to recommending new services and ways to engage, data is foundational to success—possibly even survival—in our digital world.

The good news is that FIs have plenty of data to work with. But to become actionable, large pools of data need to be distilled into smaller, more meaningful sets that reveal trends and traits. In the days ahead we expect more institutions to develop cohesive data strategies designed to build stronger relationships through personalized and relevant experiences. Executed properly, these strategies can significantly drive engagement and growth in the digital channel.

2 > User experiences get personal

Non-financial brands have been setting standards and raising bars for user interfaces and experiences for some time now. According to Deloitte, more than half of consumers expect FIs to anticipate their needs, but banks' efforts are more focused on selling products than addressing needs.³

It's time for FIs to level up their user interface (UI) and user experience (UX). It's possible to reorganize applications and experiences to match account holder behaviors and needs. Banks and credit unions must differentiate themselves; but, even more importantly, they need to differentiate their account holders from each other with truly personalized offers and experiences.



Better UI and UX help reduce bounce and keep customers engaged. Improving your UI could double your site's conversion rate (the percentage of website visitors that complete a desired goal) and better UX design can improve conversions by as much as 400%.⁴



Fintech is (still) booming. In 2021, the fintech sector collected \$90B+ in funding—more than doubling its 2020 funding.⁵ Smart FIs are working with these companies instead of against them.

Half of U.S. banks and 60% of credit unions believe these partnerships are crucial.⁶

3 > FIs go beyond banking

Capturing market share is getting harder, but we're seeing technology open new potential revenue streams and markets. The key is integration. Linking digital banking with third-party services and technology can elevate everyone involved. Direct access to financial wellness or bookkeeping apps within online banking makes FIs' offerings more compelling, while their partners gain potential users through the FI. These partnerships can take a lot of forms—from integrated, white-labeled services to app-store-like marketplaces and profit-share models.

It's a matter of creating comprehensive, end-to-end services. The best part? Some emerging models of these financial services ecosystems keep account holders within online banking even as they use other tools, increasing their overall engagement with their FI.

4 > Change is fully embraced

There's an innovation backlog in the financial services industry. FIs have to ask themselves where and how they should focus their innovation efforts—on their core or on their digital channel? Most often, the obvious answer is digital. Legacy core tech is at odds with real innovation; it was built pre-internet (much less mobile). But an adaptable, extensible digital platform enables faster and easier development, the delivery of new services, and better user experiences. API-based integrations can further reduce time to value and help FIs respond to change.

The biggest innovation speedbump may be cultural. FIs are well-practiced at avoiding risk—which many of them have come to identify with change. If the last few years have taught us anything, though, it's better to get ahead of change than to have it forced upon us.

89% of banking execs believe their business value is tied to their technology.⁷

We are entering a period where banks will compete not only on product features, risk appetite and pricing, but also on the basis of their technology architecture.

— Accenture



65% of banks don't offer fully mobile account opening.⁸ On average, consumers hold 5.3 accounts⁹ and more than half of Americans have accounts with multiple banks, with more than 20% spread across three or more banks.

5 > FIs go all-in on onboarding

Fast, friction-free digital account opening is one of our many new normals, yet nearly two-thirds of FIs don't allow users to open accounts via their mobile app. And opening an account and actually engaging with a new account holder are two very different things. On average, consumers have more than five different accounts across a variety of FIs, with many of these accounts relatively inactive. Traditional methods of outreach—like sending packets of printed materials to new accounts—just don't do much to create engagement.

2022 will see a greater emphasis on banks fighting for primary FI status—capturing direct deposits, driving recurring card usage, understanding account holders' needs, delivering financial wellness tools, and offering them new services relevant to their lives.

6 > Business banking becomes even more essential

2020 and 2021 showed us how crucial small businesses are to employment and the economy. We've also seen small businesses shift their preferences from in-person to digital. 2022 will be the year banks begin to really leverage technology to lower the costs of serving small businesses, better monetize digital channels, and find ways to develop more integrated means of serving their valuable commercial clients.

In other words, FIs will be focused on previously untapped revenue streams. Relationships that began with Paycheck Protection Program (PPP) loans will get deeper—if FIs are able to deliver the right services and experiences.

In some ways, this is the culmination of our other trends. Data strategies will improve commercial loan pricing and structuring; commercial onboarding will get sleeker and simpler for businesses and FI back-office staff. We'll also see continued interest in data-rich, real-time payments and banking platforms that are better sized, customized, and priced to fit businesses of different sizes in various verticals.

Ready for what's next?

When the iPhone was released in 2007, it didn't just define 2008. In the same way, the above items aren't just about 2022. Technology doesn't stop. Data won't become less important. Bad UX won't trend in 2023. The above priorities will define the foreseeable future.

To be ready for what's next, it's crucial for FIs to adopt technology that's agile, easy-to-integrate, and capable of aggregating and using data to its full potential. It's also critical to embrace change as it happens—and before it's thrust upon you.

To learn how your FI can get and stay ready for what's next, visit Q2.com.

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.

To learn more, please visit **Q2.com**.

¹ <https://www.digitalbankingreport.com/trends/innovation-in-retail-banking-2020/>

² <https://techjury.net/blog/big-data-statistics/#gref>

³ <https://www2.deloitte.com/content/dam/Deloitte/uk/Documents/financial-services/deloitte-uk-hp-the-future-of-retail-banking.pdf>

⁴ <https://www.forrester.com/report/The-Six-Steps-For-Justifying-Better-UX/RES117708>

⁵ <https://www.forbes.com/sites/isabelcontreras/2021/10/18/fintech-investments-have-hit-915-billion-in-2021-nearly-doubling-last-years-total/?sh=10c014bb4a2e>

⁶ <https://tipalti.com/fintech-stats-for-2021/>

⁷ <https://www.accenture.com/us-en/insights/banking/technology-vision-banking-2021>

⁸ <https://www.iproov.com/reports/online-banking-in-the-us-part-one-onboarding>

⁹ <https://www.paymentsjournal.com/how-many-bank-accounts-do-consumers-have/>