

First Latam and Caribbean Study on
Digital Banking

Covid-19 Pandemic's Impact on Financial Industry

Oct 2020

PRESENTS



INFOCORP
helping people LOVE their bank

Introduction

Since the beginning of 2020, the Covid-19 pandemic had a large impact on the world economy. Different industries and sectors have attempted to take measures to minimize the losses while seeking to stay closer to their clients, offering quality services.

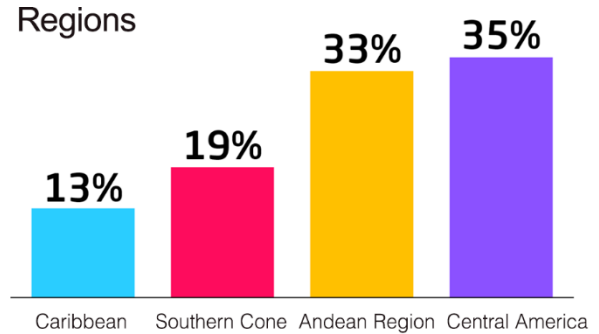
The banking sector was primarily affected and it had to alleviate the financial pressure as well as accelerate its digitization processes.

This first Digital Banking study in Latam and the Caribbean seeks to identify the level of satisfaction of banks with their digital channels, the amount and variety of services banks are able to currently offer via their digital channels, and the strategies that are going to be implemented in the next 12 months.

The study included the participation of 130 people from 83 different banks, segmented in four regions to conduct the analysis: **Southern Cone** (integrated by Argentina, Paraguay, and Uruguay), **Caribbean** (Mexico, Puerto Rico and Dominican Republic), **Andean Region** (Bolivia, Chile, Colombia, Ecuador, Peru and Venezuela), and **Central America** (Costa Rica, El Salvador, Guatemala, Nicaragua, Honduras and Panama).

About the Study

A total of 130 people from 83 banks responded to the online survey between August and September 2020. The sample is distributed in the following manner:



Positions

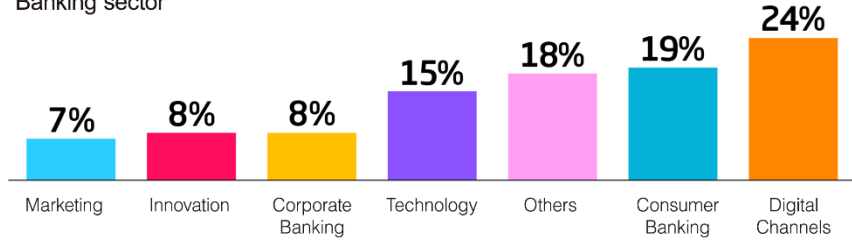


Southern Cone: Argentina, Paraguay, and Uruguay
Caribbean: Mexico, Puerto Rico, and Dominican Republic
Andean Region: Bolivia, Chile, Colombia, Ecuador, Peru, and Venezuela
Central America: Costa Rica, El Salvador, Guatemala, Nicaragua, Honduras, and Panama

About the study

The study included the participation of Banks of different sizes and members from different sectors: **Consumer Banking, Corporate Banking, Digital Channels, Innovation and Marketing.**

Banking sector



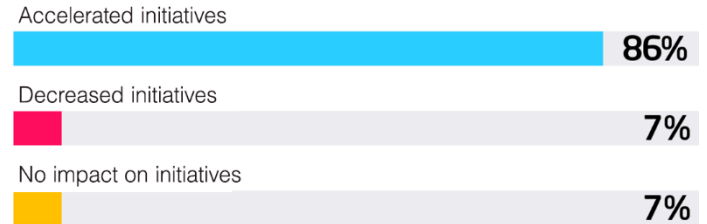
Banks x Assets



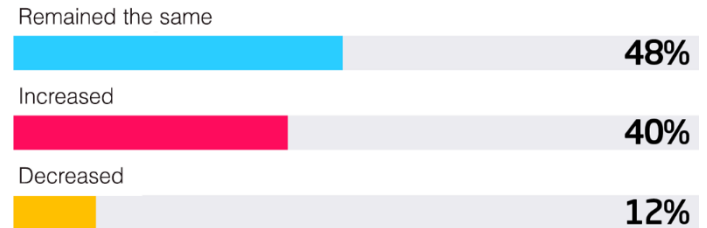
Digitization initiatives

86% of banks **accelerated their digitization initiatives** even if only 40% increased their investment in technology since the pandemic.

Covid-19 impact on 2020 initiatives



Covid-19 impact on IT budget

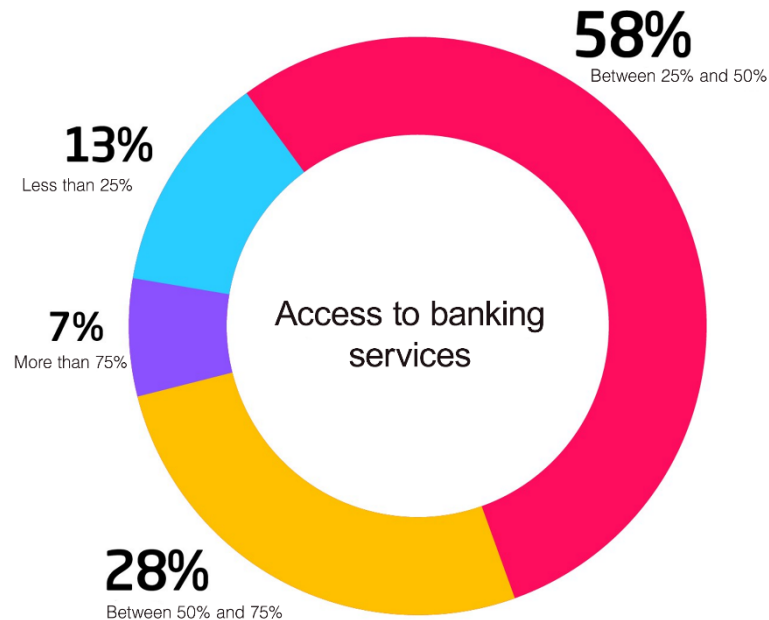


Digitization initiatives

This occurs in a region where the percentage of people with access to banking services is too low.

Only in 7% of the countries more than 75% of people have access to banking services, while in the US, 91% of people have access to banking services and use digital channels.

(Source: Business Insider).

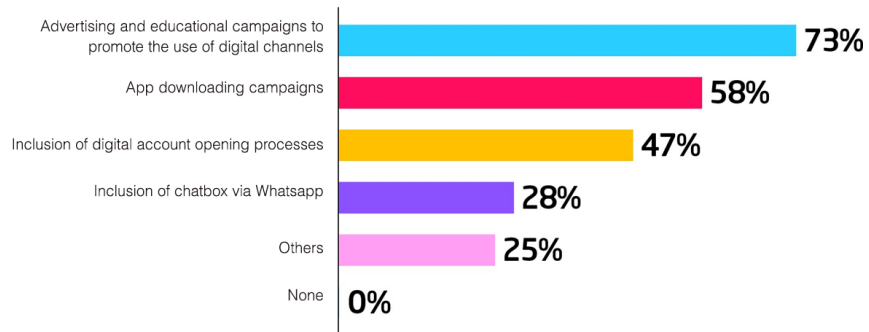


Digitization initiatives

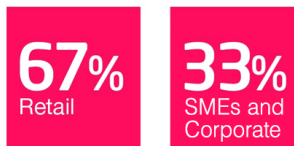
The most common measure to promote digitization was the launching of advertising campaigns to promote the use of digital channels, along with educational or app downloading campaigns in many cases.

In addition, 47% of banks adopted digital account opening processes.

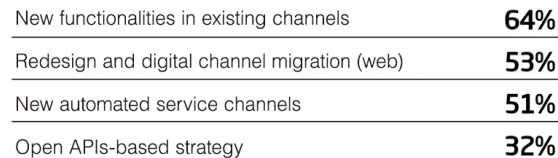
Measures taken to accelerate digitization



What lines of business have been prioritized?



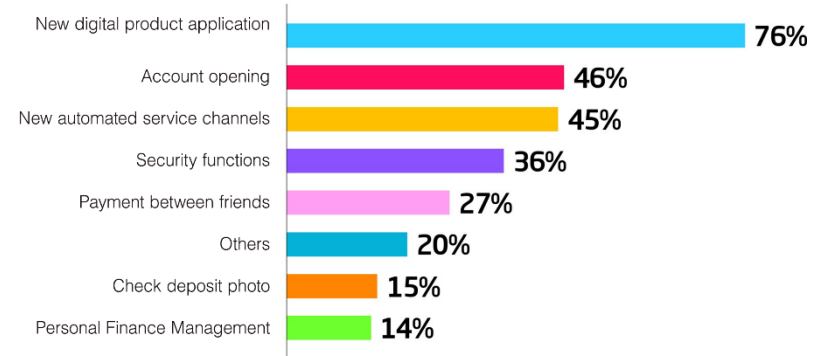
What are companies investing in and how do they project their investments?



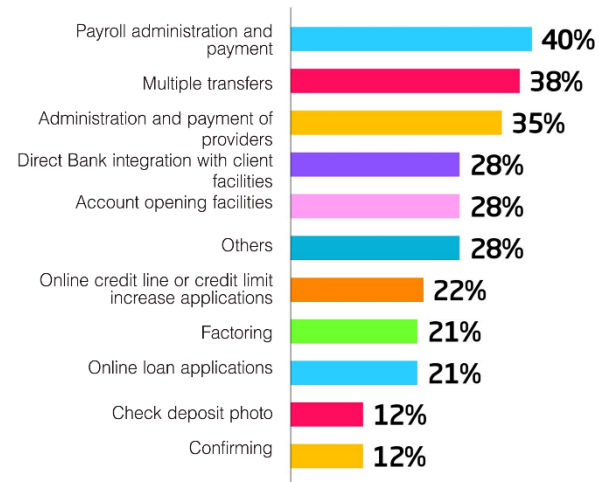
Initiatives per bank type

The priority in Retail Banking is placed in the possibility to offer new digital products while Corporate Banking prioritizes payroll administration and payments, although it closely monitors its goal to add multiple transfers.

B Retail prioritized initiatives in the last six months



B Corporate prioritized initiatives in the last six months

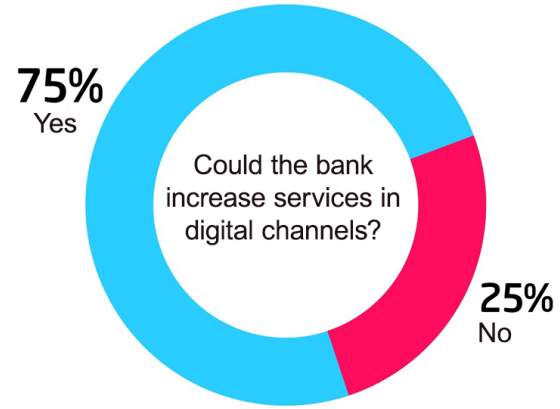


Digital transactions

The formulated initiatives correspond with the current image. There is a large growth opportunity with respect to the type of transactions that can be digitized in all of the banks of the region.

25% of banks still cannot process full online transactions, and only 38% of banks allow the application for credit or debit cards, and 39% of them allow the application of loans.

In any case, 75% indicated they will increase services during the pandemic.



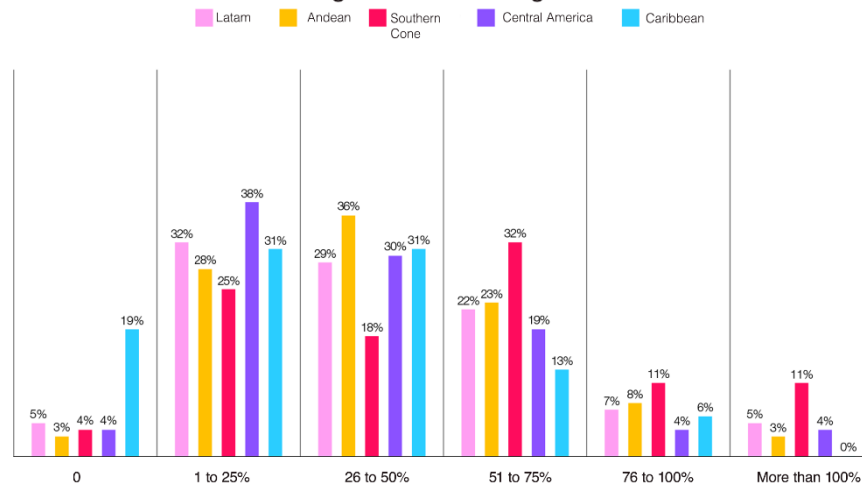
Account opening	49%
Consumer loan applications	39%
Debit/credit card applications	38%
Insurance contracts	25%
None	25%
Others	23%

100% digital transactions authorized by the bank

Transactions per region

The **Caribbean** was the region that registered the lowest growth in digital transactions, while the **Southern Cone** was the one that registered the greatest growth, with 11% of banks that had an increase in the transactions greater than 100%.

Digital transactions growth



WHAT INITIATIVES TOOK PLACE?

86%

of banks accelerated their digitization initiatives as of the effects of Covid-19.

76%

prioritized the ability to request 100% online products

40%

increased their technology investment.

35%

accounted for an increase of more than 50% in digital transactions.

12-month objectives

Almost one-fourth of the banks seek to renew their digital channels in the next 12 months to offer a more modern experience, while 22% seek their full digital transformation.

Top 3 priorities

1. Renewing digital channels

2. Transformation into a 100% digital bank

3. Increasing functionalities

Complete list of objectives for next year.

Renewing digital channels to offer a modern experience	23%
Transformation into a 100% digital bank	22%
Increasing current banks' functionalities	20%
Generating higher digital sales	18%
Finding new business models	12%
Reducing operation costs	4%

Objectives per region

Priorities vary in different regions.

The main objective for the **Andean Region** is to generate a higher level of digital sales, and in the third place, becoming a 100% digital bank.

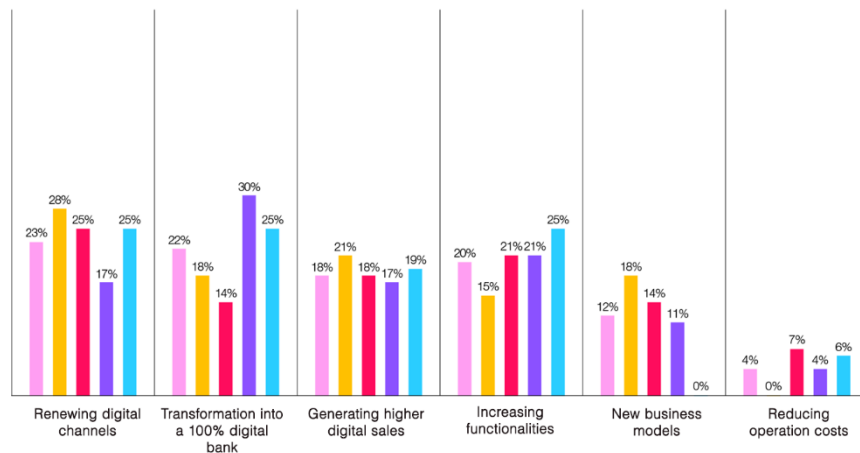
For the **Southern Cone**, the objective of achieving a 100% digital transformation is not in the top three priorities. Generating more digital sales is.

For the **Central American Region**, the most important objective is to achieve a 100% digital transformation followed by increasing functionalities and then renewal of channels.

For the **Caribbean region**, the three main priorities include: channel renewal, 100% digital bank transformation, and expansion of functionalities.

12-month objectives

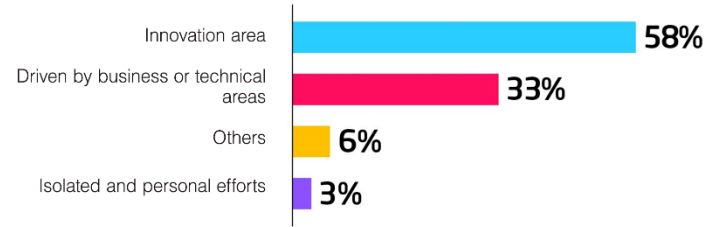
Latam Andean Southern Cone Central America Caribbean



Main challenges

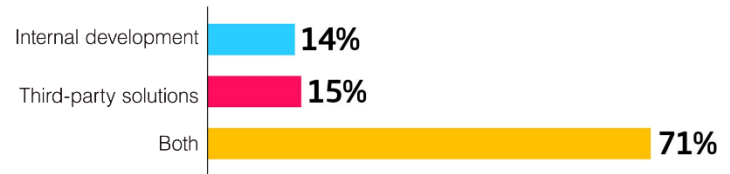
Internal cultural issues are addressed as a great obstacle when changes are implemented. These are mostly promoted by innovation areas although business or technology areas have a strong impact in 33% of the cases.

Method to organize innovation initiatives



Main challenge to achieve innovative results	Internal Culture	32%
	Budget	25%
	IT Infrastructure	22%
	IT Platform	15%
	Access to talent	6%

How to develop an innovative project



Satisfaction with digital channels.

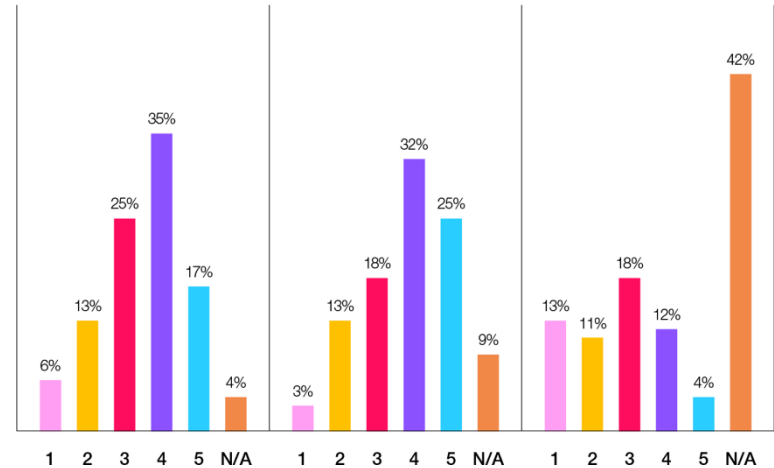
The perception of the banks involved is that the region is falling behind in relation to the services offered via these channels. Only 17% of banks surveyed are extremely satisfied with their web channel performance. As regards mobile channel performance, the percentage is even lower as only 9% of banks are completely satisfied with the solutions they currently offer. 42% of banks still do not have a conversational channel.

Web channel

Mobile channel

1 not satisfied - 5 very satisfied

Chatbot channel

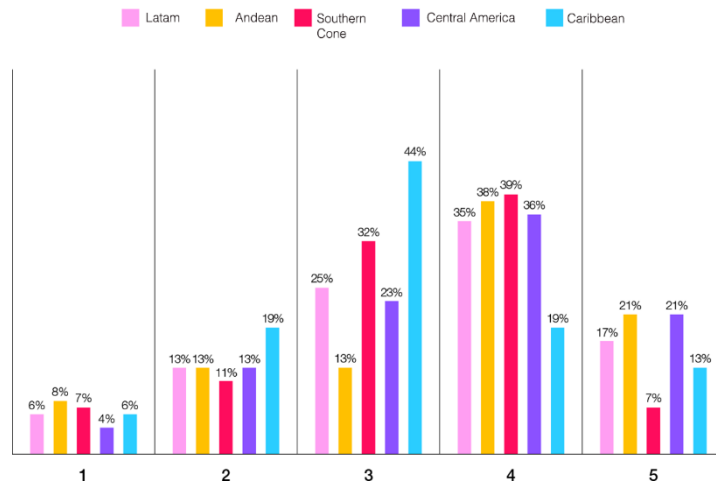


Digital channels per region

The Caribbean is the region with the most banks with satisfaction at the medium level regarding web channel performance, while the remaining regions emphasized their satisfaction at the medium-high level.

In any case, between 20 and 30% of banks are not so satisfied with their web channel.

Satisfaction with web channel performance
1 not satisfied - 5 very satisfied

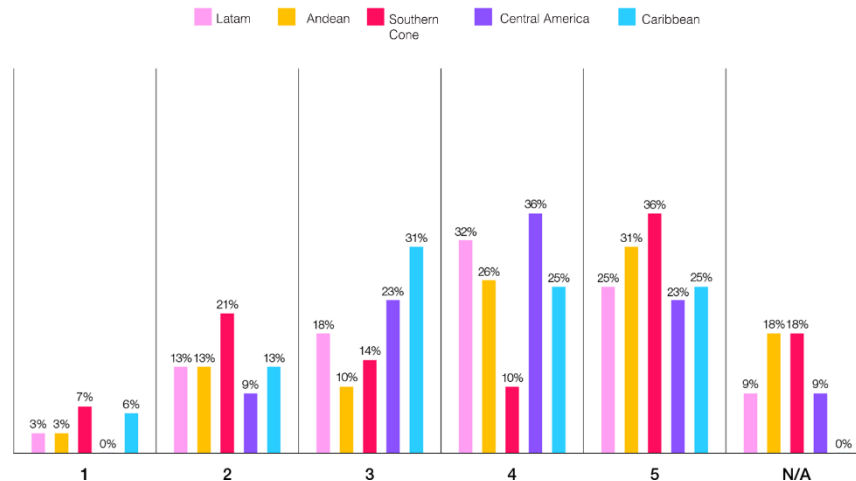


Digital channels per region

The Southern Cone is the region with the highest level of satisfaction with mobile channels. Nevertheless, it also has the highest percentage of banks that are not so satisfied with channel performance, and these opinions are polarized.

Half of Latam banks have medium-high to high satisfaction levels regarding their mobile channel.

Satisfaction with mobile channel performance
1 not satisfied - 5 very satisfied

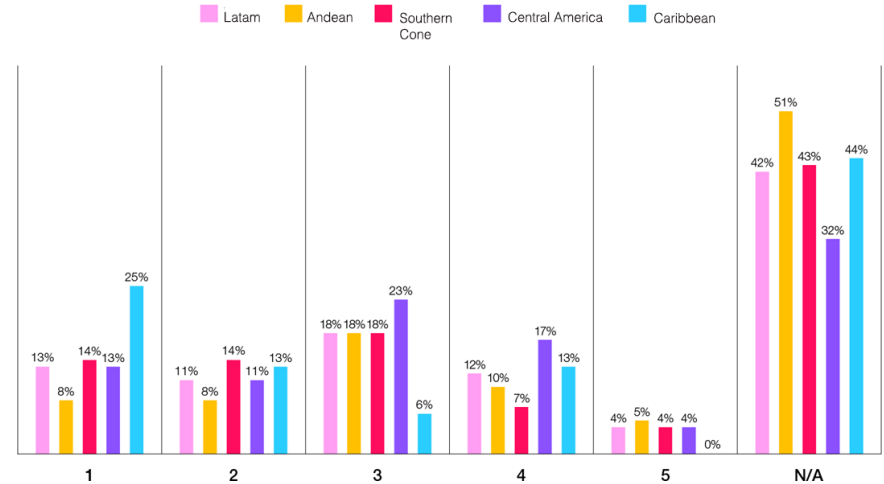


Conversational Banking

More than 40% of banks have not implemented conversational banking (chatbot).

If banks are opened per the region, we can observe that the Andean region is the one that has fallen behind in this sense.

Satisfaction with conversational channel performance
1 not satisfied - 5 very satisfied



Measures to alleviate financial pressure

The main measures taken by banks were **payment refinancing and deferral of debt due dates**. The Southern Cone region was the one which implemented the highest number of measures emphasizing low interest rates in relation to other regions.

82% of banks refinanced payments, Central America was the region with the highest number of banks that implemented this measure amounting to 85%, while it was also the region allowing the highest percentage of account overdrafts with 21% of banks allowing this transaction.

Post-Covid strategies

The Southern Region has foreseen a lower budget increase for digital channels in 2021, and Central America accounts for the highest increase (the previous observations make sense).

92% of global banks want to increase their budget allocated to digital channels, reaching 98% of banks in Central America.

The Andean Region has the highest number of banks with post-covid strategies. There is a percentage **between 20 and 25% of banks that still do not have a strategy.**

WHAT IS GOING TO HAPPEN?

17%

is the percentage of surveyed respondents very satisfied with their digital channels.

25%

set the renewal of their digital channels as objective.

32%

claim internal cultural issues are presented as a challenge to accelerate innovation processes.

92%

want to increase their investment in digital channels in 2021.

Main conclusions

There is still a lot more to do. Banks can and must capitalize on solutions with fast *Time to Market* ideas to optimize their channels and offer functionalities such as 100% digital account openings.

Furthermore, there is a large growing opportunity in the type of transactions that can be digitized. From credit or debit card applications to loan or insurance sale applications, which will undoubtedly result in sales increases for banks and also market share increases if they are pioneers in their respective countries.

Since only 18% of banks have an internal development area enabling the development of innovative solutions, it is essential for them to be able to work and support themselves in companies that are real partners to create a joint strategic vision and a **roadmap** of implementations tailored to their needs.

Main conclusions

In addition to the foregoing, it is essential to deliver educational campaigns segmented for their different audiences to **boost the increase of digital sales even more**, considering that at least half of the institutions achieved an increase above 50% during the first months of 2020. It is possible to use *Prisma Campaign* tools for this purpose.

To **alleviate the pressure on customer service areas**, *out of the box* solutions, such as chatbots, are available and customized for users in two weeks, and they have been tested in various banks with excellent results.

Although the **Open Api** concept still is not a priority in the region, the possibility to adopt solutions including the concept will enable banks that include this possibility to be one step ahead.



***Do you have any doubts or
queries?***

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