

# Digital Banking Trends in 2023 and Beyond

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## Frictionless Fintech Fun: A Look at Digital Banking Trends this Year and in the Future

*Elevated customer experience, total digital adoption, cryptocurrency, and changes in bank behaviour shape the digital banking trends we'll see in 2023 and onward.*



Welcome to the digital banking jungle.... Where [a lot is happening](#).

To start, despite a tough 2022 for fintech—with VC investment [dropping by nearly 50%](#), according to CB insights—the dark clouds of interest rate woes finally give way to a brighter (projected) financial future. So the demand for innovation in financial services is poised to bounce back—in a big way.

Accelerated by progress infintech and payment capabilities, the [Star Trek-esque predictions](#) of the past half-decade are leading into dynamic, frictionless, and seamlessly-integrated digital banking experiences that are no longer fintech science fiction.

The ability to offer more flexible and personalized services has created an [upward trend in digital banking customer expectations](#), too. [Over half of modern customers](#) claim that they will switch to a competitor after just one unsatisfactory interaction. So payment firms and fintech companies have a big opportunity to really ramp up the experience.

These digital banking trends should make 2023 a year to behold for both financial brands *and* customers. Read on!

## Digital Banking Customers want a Hyper-Personalized, Fluid Experience

Bottom line: digital banking customers want to see that their financial institutions know what services will benefit them on a personal level. That awareness, combined with curated offerings creates a closer connection, eventually building trust and finally long-term loyalty.

And offering those unique solutions requires the technical savvy and regulatory know-how of brands that can deliver those hyper-specific products and services.



***A fluid connection across all touchpoints is a trend that has come to be expected nowadays as well. Where an equal level of service and functionality connects contact, online, and mobile channels smoothly.***

And with higher standards of personalized services and features also come higher expectations of support and customer success.

## Personalization is what Customers want most from Digital Banking

Our friends over at Capco Intelligence, in their [‘Insights for Investments to Modernize Digital Banking’](#) whitepaper, found that 72% of customers feel that personalized recommendations are a “highly important” part of their digital banking experience.

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The reason is that those personalized products and services align more closely with their lifestyle, income, and financial goals. When they see solid results, the impact on their level of satisfaction is overwhelmingly positive.

The value of personalization hasn't gone unnoticed by industry leaders, either. According to the [Zendesk Customer Experience Trends Report 2023](#): "...as 77 percent of business leaders recognize, deeper personalization leads to increased customer retention—and 66 percent believe it lowers acquisition cost."

### Lower customer acquisition cost *and* greater customer lifetime value?!

Yes, you read that correctly.

The best way for financial institutions to offer deeper personalization is by [aggregating customer data into a single dashboard](#). The customer is able to access all of their financial information from one place, and the bank can leverage that data to determine which recommendations to make.

***"FinTech data aggregators streamline open banking offerings, allowing FSI customers the freedom to choose from a wide selection of apps, all while creating new revenue and intel streams by opening their business to APIs. So, it's even more than a win-win. It's a win-win-win. FSIs are happy. Their customers are happy. And the FinTech data app community is happy. These key solutions are reimagining the rich and diverse connection possibilities between account holders, FinTech apps, and FSIs."***

The era of pushing the same financial services on every customer is ending. The right recommendations to the right customers increase satisfaction and loyalty alongside revenues, so personalizing the entire experience is a win on all sides, hands down.

### A Seamless Connection Creates a Smooth Customer Journey

The next step in truly modernizing the digital banking customer experience isn't really a "trend." It's a necessity. Fintechs and payment facilitators need to focus on making the features and functionality that customers want most available cross-channel flawlessly.

Today's customers want [these digital banking functions](#) most:

- Digital Account Opening
- Easy Automated payments
- Advance Security Features
- Access to Personal Banking Advice
- Integration with Third-party Apps

Really, what they want is for the features and experience through digital banking channels to mirror the level of service they could receive in person. Understanding the growth and adoption of different banking channels helps illustrate the importance of making the journey across all platforms seamless.

First, online banking usage has ramped up exponentially over the past decade-and-a-half. Of course, primary users are from younger consumer generations—think Millennials, Gen Z, and soon-to-be even younger—but even [60% of baby boomers in North America](#) also conduct personal financial management online by 2019 data. And the [digital banking adoption trend is echoed globally](#), growing each year.

Second, Mobile banking adoption is [consistently on the rise](#). More on this later.

And finally, the branch experience isn't dead. Even among digital banking customers that lean towards online or mobile channels, almost [80% still report visiting a branch](#).

So what's the point of this information?

As Bain & Company stated in their '[As Retail Banks Leak Value, Here's How to Stop It](#)' report: "Developing a seamless digital experience that resolves a customer's need the first time around, without forcing them to resort to a phone call or branch visit, is key for any financial institution looking to stop leakage and retain customers."

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Basically, allowing customers to not only resolve issues from wherever they're at, but also have access to the full scope of their financial data and features across all touchpoints has a resounding impact similar to personalizing their experience. It fosters loyalty and increases retention, something that all financial brands are competing for in 2023.

## [Exceptional Customer Support also Tops 2023's Digital Banking Trends](#)

Completing the trifecta of staying on-trend with the modern digital banking customer experience, the financial industry as a whole needs to put its money where its mouth is when it comes to supporting customers.

According to Zendesk, the [best way for Fintech brands](#) to build trust is through great customer service. They can do this by offering customers more control over their money online, remaining totally consistent, being conversational and getting to know their customers better, and acting on customer feedback to continuously improve.

Zendesk also states that customers want access to support and service quickly, and—alluding to the seamless journey—want every interaction they have with their financial service provider to be fully understood without them needing to repeat themselves:

- ✔ 72% of customers want immediate service
- ✔ 70% expect anyone they interact with to have full context

Knowing that their bank has their back allows digital banking customers to put a tremendous amount of faith in that financial institution. This builds a bond that goes beyond the simple bank-customer relationship—which is *especially* important during times of economic uncertainty.

***Personalization, removing points of friction, and outstanding support are all aspects of the customer experience that serve to build trust and loyalty. That connection translates to higher retention and revenues for banks and greater satisfaction for their customers.***

That's why optimizing the customer experience is—in no uncertain terms—the most important digital banking trend of 2023.

## Digital Transformation Maturity Defines this Year's Digital Banking Trends

The transformation is complete. Well, it's getting there, at least.

Consistent and prolonged investment in bolstering online banking functionality has finally reached a point where a truly comprehensive digital banking experience is available through digital devices. This aligns with customers' digital adoption, as well, and innovative Fintech brands and payment processing companies are riding the wave.

But a new range of shiny new features also brings new threats, so cybersecurity and fraud prevention earn a well-deserved place on our list of digital banking trends this year.

### Online and Mobile Banking Become the Preferred Method

Online banking has seen a steady increase in adoption since the internet began pervading every aspect of our lives. But the real runaway success in recent years has been mobile banking usage, especially with the younger consumer generations.

Age group	Percent who primarily use online banking	Percent who primarily use mobile banking
15-24	6.3%	74.1%
25-34	12.9%	69.4%
35-44	18.4%	60.5%
45-54	22.8%	49.1%
55-64	27.3%	33.2%
65+	28.2%	15.3%

*Mobile banking adoption is enormous among [younger consumer generations](#).*

A [2018 inquiry by Deloitte](#) found that: “84 percent of customers use online banking, and 72 percent use mobile apps to reach their primary bank. What’s more, customers across all generations, and in all countries, use digital channels more often than branches and ATMs.”

The online and mobile banking boom isn’t without its problems, though. A [study by The Financial Brand](#) found that 64% of digital banking customers either found it challenging to receive support, or that they could not resolve their issue or inquiry at all.

*\*Ahem\** It’s almost as though a seamless support system is extremely important. Businesses in the financial tech industry, take note!

## Open Banking Opens the Doors for Secure Cross-Functionality

[Open banking](#) uses application programming interfaces (APIs) to promote fintech product development by providing third-party access to bank data.

In layman’s terms, it lets fintech developers and product incubators access consumer banking data from accredited banks. This equips them with the information needed to create products that are of maximum benefit to digital banking customers.

*“Open banking is the [sharing of bank data](#) through an API to promote application development, financial product development, and competition from smaller banks to benefit the consumer.”*

The advantages are that open APIs allow banks to then offer a wider range of inventive, proprietary products and services to their customers, and pass savings on to consumers as well.

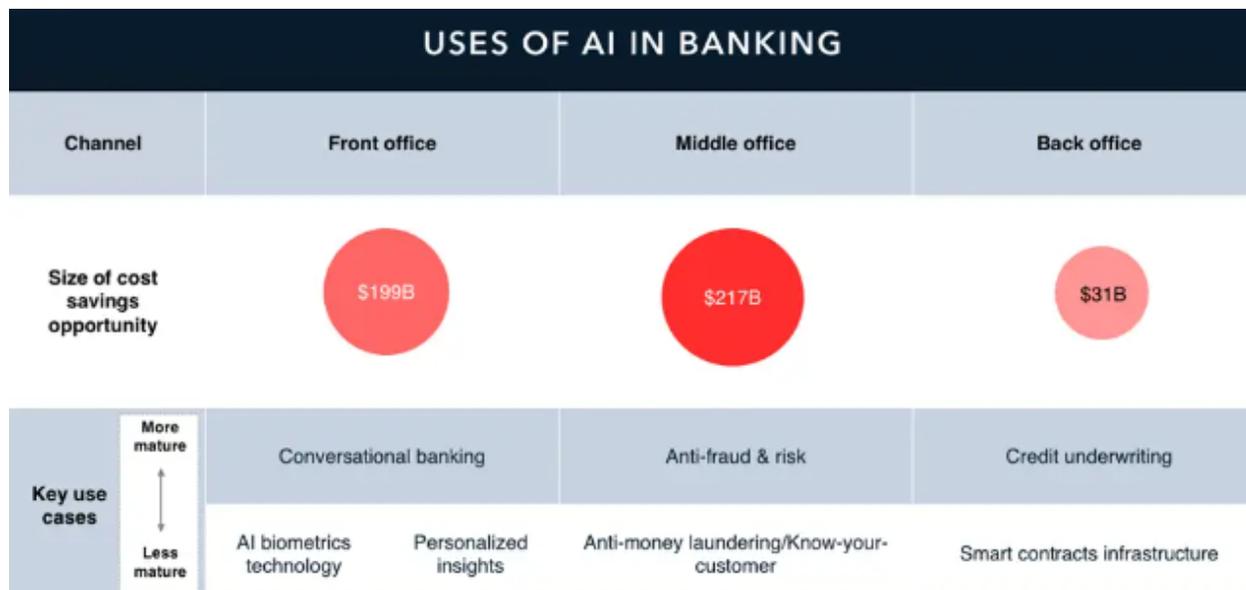
Greater digital cross-functionality and cost savings will be on-trend for the foreseeable future, to be sure. So open API banking is here to stay.

## Artificial Intelligence and Chatbots Trend Across Digital Banking Channels

AI banking isn't brand new, but [consistent innovation](#) makes it a digital banking trend worth mentioning year after year.

Sophisticated AI—typically represented by chatbots in the digital banking world—give banks an edge by allowing them to offer the level of support and service expected by today's customers much faster than through phone or in-person channels. This addresses both the challenges of resolving customer issues through digital channels, as well as maintaining a seamless and supportive connection across the board.

Artificial intelligence's usefulness isn't limited to customer service, though. It presents valuable anti-fraud and risk management, as well as underwriting applications as well. And utilizing AI for these functions provides [enormous cost savings](#):



*Business Insider: Projected [cost savings distribution](#) from AI banking.*

The advantages of AI have become self-evident, so [investment and innovation will continue](#) indefinitely in the financial sector. Don't expect this digital banking trend to fade any time soon.

## Cybersecurity Enhancements are Continuously needed to Give Customers Peace of Mind

Research from PYMNTS 2023 *‘Consumer Authentication Preferences for Online Banking and Transactions’* report indicates that the number of customers that are comfortable with the current mix of digital banking security features is decreasing. This is more pronounced with younger users.

These numbers might become even more concerning if the average customer was aware of the [increasing threats](#) present in digital banking.

Rest assured, financial institutions continue to [ramp up investment in cybersecurity](#) and fraud prevention to better protect themselves and their valued customers.



*“[Fintech] solutions help to prevent fraud and other security issues by using advanced encryption technology and authentication methods, such as biometrics, to protect customer data.”*

With digital channels flourishing, enhanced security is more important than ever. Customers need to feel confident that their money is safe, and it’s up to innovation in financial tech to introduce measures that adequately protect it.

## Cryptocurrency and Blockchain: The Non-Digital Banking Trend that’s still a Digital Banking Trend

[Blockchain technology](#) has historically been rather disruptive to the traditional bank model. But banks are embracing the benefits of cryptocurrency, and discovering creative ways to utilize this technology to make transactions faster, cheaper, and more secure.

Fintech brands are building functionality that allow financial institutions to leverage/pivot to cryptocurrency in the following ways:

- **Crypto Wallets:** Allowing customers to store their cryptocurrency within the bank's security infrastructure.
- **Crypto Exchanges:** Granting customers a platform on which to buy and sell cryptocurrencies using fiat money.
- **Crypto Loans:** Offering loans to customers and letting them use their cryptocurrencies as collateral.

The looming challenge to financial services—both traditional and digital—in fully embracing crypto is [regulatory compliance](#) and cybersecurity. Financial institutions have reputations to uphold, and skirting the law or leaving themselves open to cyber threats doesn’t bode well.

Nonetheless, cryptocurrency and blockchain will remain on trend in digital banking going forward.

## The Banking Experience Continues to Evolve—and so do Digital Banking Trends

Gone is the time of the soulless financial institution void of any personality or empathy towards its customers.

The current trends are ever ushering in an era where customers feel valued and connected, and can harness complete control over their financial activity from anywhere, at any time.

This era also includes the [continued closure of traditional bank branches](#), and the emergence of a more conscientious, [sustainably-driven financial institution](#). In other words, the future looks to be wholly digital (*DCBank, anyone?*). Stay tuned!

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