

# South Africa's digital banking is world class – here's why it leads

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Digital innovation in banking is no longer a choice. It is now a requirement that is essential to business continuity.



Source: 123RF

The encouraging news is that South Africa can teach the world a thing or two about digital banking, evidenced by the fact that the country's financial-services landscape ranks second on Oliver Wyman's digital-banking index, which was recently updated and is now in its second iteration (the first was in 2020). This ranking means South Africa outperforms countries such as the UK, Spain, and Germany.

The index evaluates the digital capabilities of more than 100 banks across 11 countries and around 300 metrics. The research analysed approximately 80% of South Africa's banking sector. And the result? Of the countries surveyed, South Africa's standing is surpassed only by Singapore.

The country's strong performance indicates that South African banks, on average, are doing well in terms of digital capabilities – as it is these pillars of digital strategy that the index focuses on.

Why do we hone in on these?

Well, for one, they can be analysed far more objectively than elements that require direct customer feedback, and also because they're essential. I would equate the importance of robust capabilities to the fact that you can't have a high-functioning kitchen without well-designed house foundations. It's encouraging to note that all South African banks saw improvement between 2020 and the most recent index results; this was driven primarily by an enhancement of customer-support channels, payment options, and platforms.

Focusing in, further on the specifics detailed in the recent index, South Africa sets a global benchmark in end-to-end sales, achieving the highest score among the 11 indexed countries. End-to-end sales refers to the ability to seamlessly purchase products online or on a mobile app. Excellence here enhances the customer experience throughout the entire journey, from initial contact to post-interaction, and FNB, Standard Bank, and Absa are the market leaders on this front.



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Meanwhile, customer service is an area in which South African banks have improved greatly, when comparing 2020 with the most recent results. Seven of the nine South African banks indexed showed encouraging improvement in this field, with Nedbank the overall industry leader from a digital capabilities perspective. The rate of improvement is indicative of the amount of investment that has gone into becoming more responsive to changing customer needs, which is clearly a key focus across the industry.

## Strategic opportunities

Another area in which South African banks in particular have improved is day-to-day banking. This represents the absolute bulk of most customers' interactions with a bank, and so is key to consumer experience and sentiment. The current market leader here is Standard Bank, again, from a digital-capabilities perspective.

Meanwhile, the areas in which South African banks currently lag compared to those in other countries can actually offer-up differentiation opportunities for individual entities because there's clear white space to become the market leader. One area that under-indexes in South Africa is platform, aka the ability of customers to access or purchase non-traditional-banking services such as insurance, for instance. Capitec is the best performing local bank in this area.

Another underperforming area is in the robo-advisory category, this is likely a deliberate strategic choice because the majority of banks in South Africa prioritise human advisory to establish and nurture stronger customer relationships. It's clear from this research that banks in South Africa could differentiate themselves by exploring how new technologies and digital capabilities could add more value for their clients in this space.

An additional clear and important area in which South African banks could improve is in the simplicity of their digital-banking apps and the innovative payment space. While Discovery Bank and FNB lead in this latter category, performance across the industry is surprisingly still very heterogeneous and is without a doubt a space to watch as banks continue to invest in payments.

So yes, South Africa sits right near the top of the league table of the digital-banking index, which is truly encouraging – and the industry shows no sign of slowing down when it comes to innovation.

I, for one, am excited about what the future holds for the country's banking sector because any steps that boost both ease of banking and the country's overall financial-services brand will open up ample opportunities for people across South Africa.

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