

Accenture's 2014 UK Financial Services Customer Survey

UKI Connected Banking

Winning the race for relevance with banking customers

High performance. Delivered.



Connected Banking

Thought Leadership for the UK Banking Industry

Accenture's UK Banking practice welcomes you to the Connected Banking thought leadership series.

Why Connected Banking?

To fulfil their historical core role, banks have always had to be connected to a wide range of stakeholders. And today more than ever, banks cannot operate in isolation. In a fast-moving and increasingly transparent environment, they are now part of everyday life – and connected to most things people do. To grow and build trust in such an environment, banks must connect in new, more responsive and more seamless ways – not just with customers, employees and other banks, but also with regulators, business providers and society as a whole.

Being a Connected Bank today means change is the norm. This change requires banks to have viable and profitable business models that are constantly enhanced through agile innovation. But as they develop and deliver this innovation, banks must also demonstrate continuously that they are aligned with – and committed to supporting – the interests of the wider economy and society.

Against this background, the Connected Banking series focuses on addressing banks' challenges in three key dimensions:

The Future of Banking:

The move to Connected Banking will bring new rules, new economics and new customers. In response, banks have to design and create new business and operating models that enable them to connect in a frictionless way.

The Digital Revolution:

The need to connect intimately with the evolving customer requires banks to progress from being 'utility' providers of transactional banking services to becoming value-adding partners at the heart of their customers' everyday digital lives.

Risk & Regulation:

A well-connected strategic regulatory response can help banks switch from reactive survival mode to leveraging regulatory change in ways that support profitable growth.

'Winning the Race for Relevance with Banking Customers', the latest point of view in the Connected Banking series, outlines the headline results from our new UK current account customer survey for 2014 (n=3,604).

What's next in the Connected Banking publication series?

Over the course of the coming months, we will be issuing points of view addressing different aspects of each of the three key themes identified above.

The recently released publications in the series are:

- The challenge of Regulatory Implementation – a strategic approach
- Preparing for Growth – Banking Chief Financial Officers Look to the Future with Cautious Optimism
- Replacing the core – game changing
- FATCA
- Tackling the 'Too Big to Fail' problem

The forthcoming publications are:

- Remediation: robust service management
- Evolving the core – bite size chunks
- Loyalty and Retention
- Will mobile banking see the end of call centres?
- Risks of Stagnation vs. Innovation
- Customer Data – The New Currency for Banks?
- The Digital Wallet, who needs them?

Contact Us

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Executive summary: the race for relevance

As banks emerge from the post-crisis period of financial austerity and public distrust, the outlook is brightening. With the economy picking up, our research shows that trust in banks has begun to recover and customer satisfaction is holding firm, accompanied by increasing use of physical branches and mobile banking. Also on the rise is customers' willingness to recommend their bank, and their assessment of its performance on key factors such as transparency and value for money. Yet, for some reason, these positive signs are not yet being reflected in increased loyalty,

satisfaction or buying behaviour by a customer base that is increasingly self-directed, demanding and digital.

The causes of this conundrum lie in the changing dynamics of customers' relationships and interactions with their banks. With 'satisfaction' becoming just another hygiene factor, our study indicates that customers feel a deeper sense of engagement with banks' products and services than with their wider brands. Over time, this prioritisation of transactions over relationships

threatens to relegate banks to utility status, with customers choosing and switching banks on the basis of price and the quality of the latest mobile app. To break out of this cycle, banks need to differentiate themselves through relevant services delivered via a consistent multi-channel experience, all tailored to the customers' individual needs and expectations.

The race for relevance is on. This study examines how today's banks can get in shape to win it.

The Accenture FS Customer Survey 2014: methodology and objectives

The research on which this report is based consisted of online interviews with 3,604 UK current account customers conducted in March 2014. The questionnaire probed their perceptions and behaviours governing a range of key factors including: their banking relationships; switching and complaints activity; levels of satisfaction with service experiences; attitudes to digital services; and the considerations that influence their choice of providers. This research was part of a much larger study of almost 10,000 banking, motor insurance and life insurance customers in the UK, conducted simultaneously. This is the fifth time that Accenture has run its customer survey in Banking – previous studies were published in 2008, 2010, 2011 and 2012.



The opportunity for banks to deepen engagement as customer trust stabilises

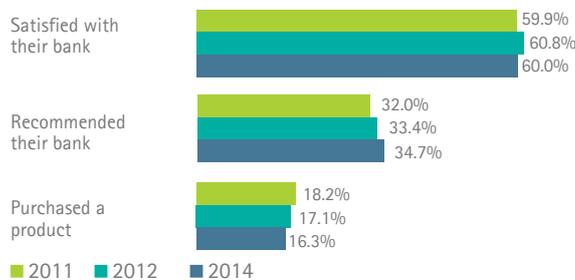
A key focus of our regular research is gauging UK customers' attitudes to their banking service providers, and on this issue our 2014 study offers some encouraging findings. Our last survey found that bank customers were becoming increasingly 'arm's length' and transaction-focused – and that their trust in banks was continuing to decline, with the quality of relationships and customers' likelihood to recommend their bank both trending downwards. Compared with that gloomy scenario, our latest research points to a modest but marked rebound.

As Figure 1 shows, it seems that the accelerating economic recovery in 2014 has helped banks to begin to turn round the key barometric measures of customers' views on attributes such as trust, transparency and ethics. While switching continues to edge upwards, customers' perceptions of their banks have become more benign, and they are showing themselves more willing – and more likely – than in 2012 to recommend their current providers and consider them for future purchases.

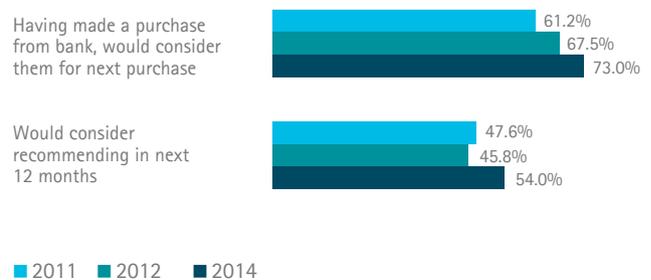
Despite these apparent advances in 2014, Figure 1 also shows that satisfaction and purchase activity remained stubbornly flat. Yet these areas of underperformance are not a reflection of apathy towards banks' products. As Figure 2 illustrates, customers were actually more engaged with the products and services they received from their banks in 2014, rating the importance of every product and service dimension higher than in 2012. Equally positively for the banks, their performance in every dimension was also rated higher.

Figure 1: Key relationship measures indicate an improving situation for UK banks

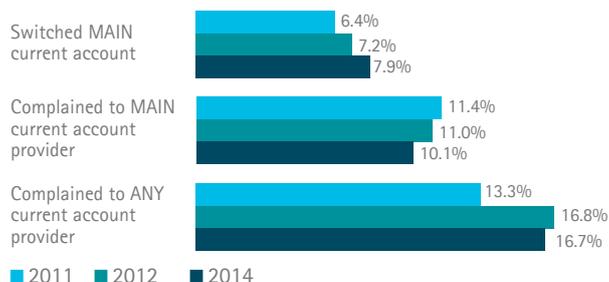
Satisfaction, recommendation and purchase activity broadly flat in 2013/14...



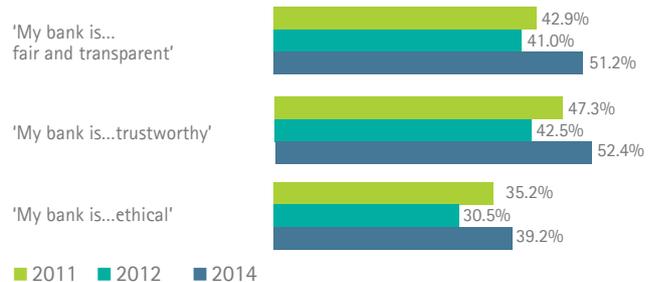
Positive consideration increases...



Switching rises, while complaints fall...



Customer sentiment improves...



Source: Accenture UK Financial Services Customer Surveys 2011, 2012 and 2014

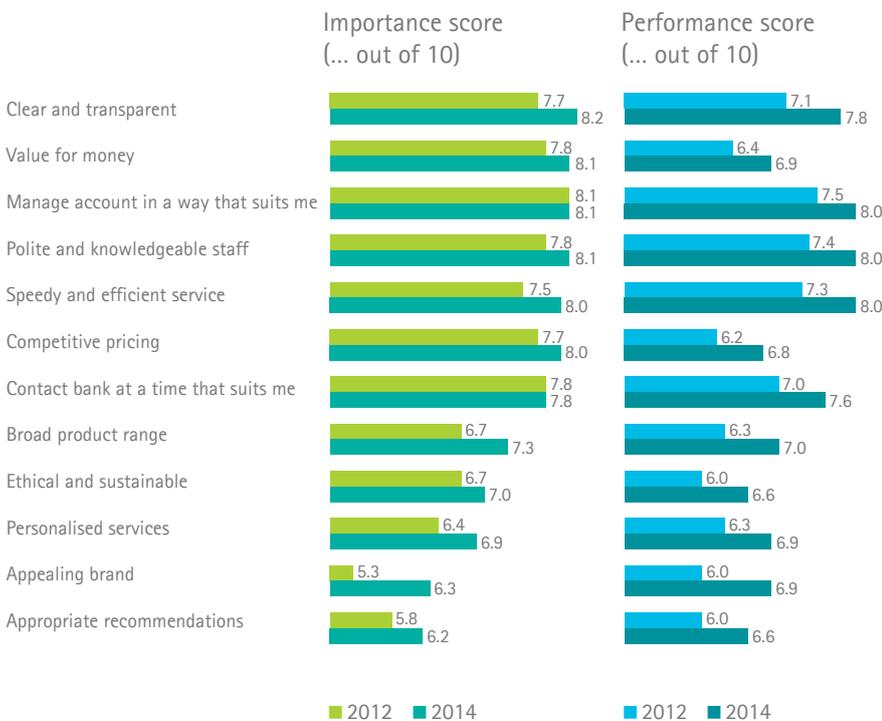
However, once again there are caveats. While the importance ascribed to factors such as 'brand' and 'offering appropriate recommendations' did tick upwards in our latest study, their perceived significance remained way behind attributes like transparency and value for money. Where once customers needed a relationship with their bank to access products and services, they now find themselves in a far stronger position at the nexus of information around products, pricing and providers. Given these shifts, the risk for banks is that the perceptions of their increasingly mobile and self-directed customer base will ultimately redefine them as utility providers to be selected on price and switched at will.

That this threat is arising at a time when customer satisfaction has stabilised serves to underline the lack of differentiation between banks in customers' eyes. Among customers who said they wanted to switch in 2014 but didn't, almost half were held back by the perception that no other bank would be any better than their current one. And of all those who did switch, one in four went to the same provider – Santander – which has a differentiated current account proposition in its 1|2|3 account offering payback, in the form of various cashback benefits, for the customer.

With customers' propensity to buy products from their own bank falling, what's clear is that mere 'satisfaction' has ceased to be the powerful driver of positive activity that it once was. Instead, it has become merely another hygiene factor – one of many that customers demand and expect as a right.

Figure 2: Customers rate importance and performance higher in 2014*

Responses to the question: 'How important are the following factors to you when selecting a current account provider, and how well does your current provider deliver against these factors?'



Source: Accenture UK Financial Services Customer Surveys 2012 and 2014
 *Note: the bars show the 'average' score across the UK survey base

In part, this stems from the experience customers receive from the other businesses they interact with day-to-day. For example, if an online retailer can provide a customer with a seamless transition between website and mobile app, the question arises in the customer's mind about why their bank cannot do the same. While expectations are transferable, the desire to actually bank with non-bank providers remains nascent. However, one in

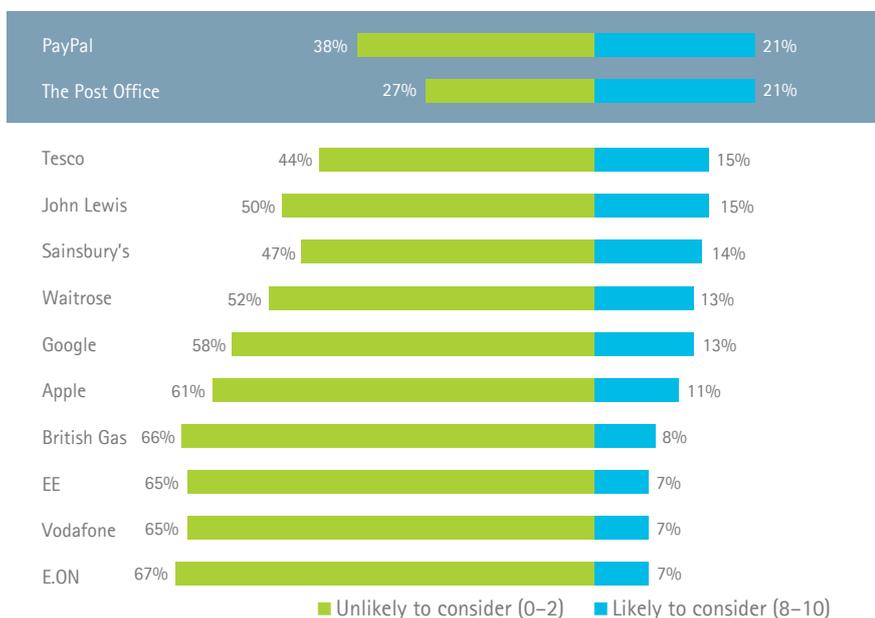
five customers would consider established financial brands such as PayPal and the Post Office for their banking needs, while one in eight would consider retailers like Tesco and John Lewis, underlining the increasing pressure on established banking brands. (see Figure 3).

Taken together, these findings point to an opportunity for banks, who can capitalise on improving customer perceptions and leverage

their brand equity by becoming a more integral partner at the heart of their customers' daily lives – an 'Everyday' Bank. To identify the best way to do this, we first need to examine how customers are using bank services today, and then proceed to consider what kind of services they will want in the future.

Figure 3: One in five would consider banking with an existing non-bank financial brand such as PayPal – but only half that proportion would bank with Apple

Responses to the survey question 'Not all of the following brands offer current account services...yet, if they did, which of the following would you consider banking with?'



Source: Accenture UK Financial Services Customer Survey 2014



Car hire ✓

Travel insurance ✓

 |  | 



Family holiday ▶▶

 |  | 

CURRENCY / ACCOMMODATION / TRAVEL

 | 

Digital behaviours and interaction models continue to evolve

Looking at how customers are engaging with their banks, the story – not surprisingly – is of an ongoing rise in digital behaviours and usage, resulting in ever more diverse and complex patterns of interaction. As Figure 4 shows, internet channels continue to dominate (albeit at a penetration rate that seems to have plateaued), while mobile banking is still growing, fuelled by ubiquitous mobile devices, low-cost data and widening availability of mobile apps.

Perhaps more surprising is that branch use has also been quietly rising, and that there has been a sharp jump since 2012. While branches remain an enormous cost for banks – and the focus of a lot of cost-cutting efforts – it's clear they are still an important channel for many customers. It may be that the increasing branch usage reflects a

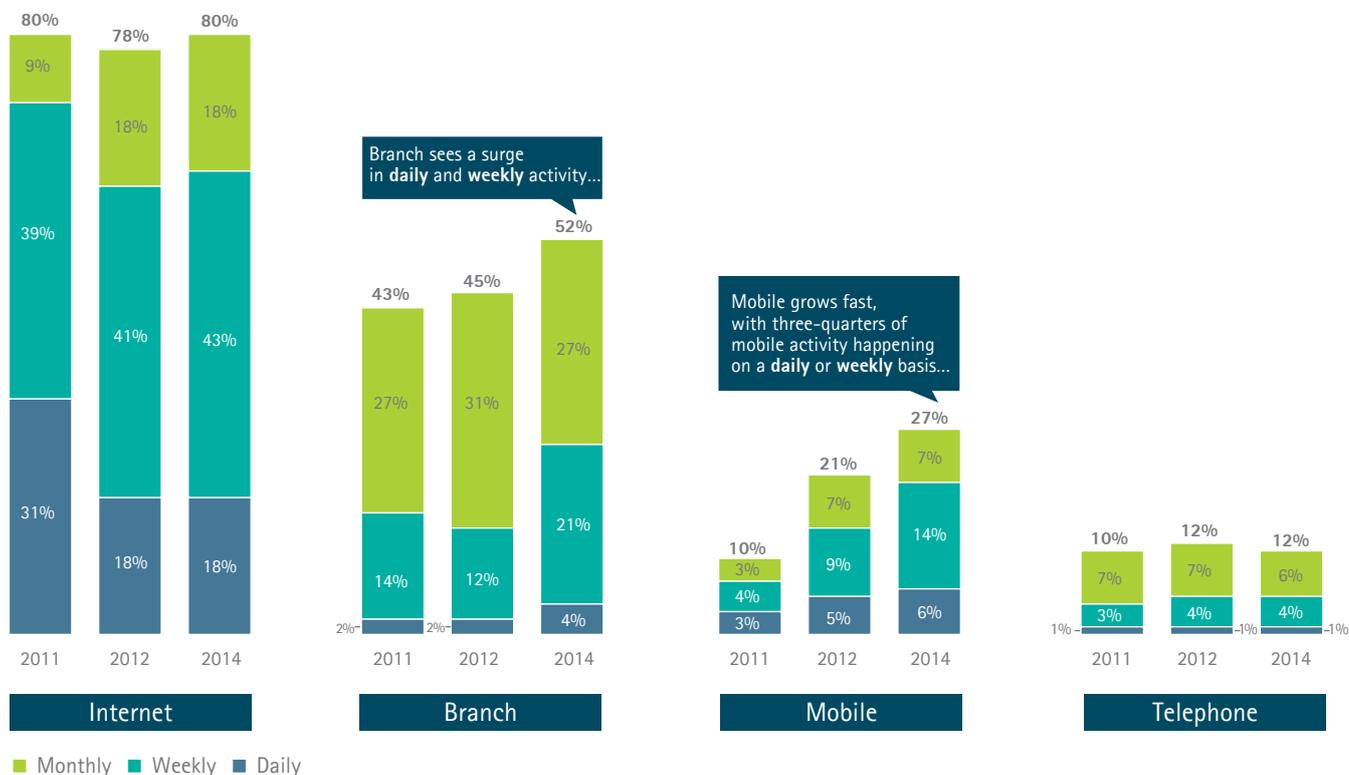
positive desire to use branches, that the current digital alternatives are still regarded as less attractive than dealing face-to-face, or that more customers are using branches to self-serve. In all cases, though, the rising use of branches presents a real opportunity for banks to connect with customers on a more personal level.

So, what do customers do when they're in the branch? The answer is shown in Figure 5. While self-service – particularly cash transactions – accounts for the lion's share of activity, it's notable that more than twice as many customers making deposits prefer to do so through a customer advisor at the counter rather than at an ATM. Equally importantly, in-branch activity includes a consistent mix of 'value-added' transactions that offer greater opportunities to advise or interact with the

customer. At least one customer in five performed one of these on their last visit, representing a significant opportunity for providers to nurture the relationship.

An analysis by age group shows – perhaps surprisingly – that it is the younger customers in our survey, particularly the 18 to 24-year-olds, who make greatest use of branches (see Figure 6). They also exhibit the highest tendency to undertake in-branch value-added activities, with around half of the 18-24 group in our study saying they engaged in at least one of these during their last visit. Other findings showed they also have a noticeably greater bias towards physical interaction, all pointing to their need for face-to-face contact, advice and reassurance as they start their life's financial journey.

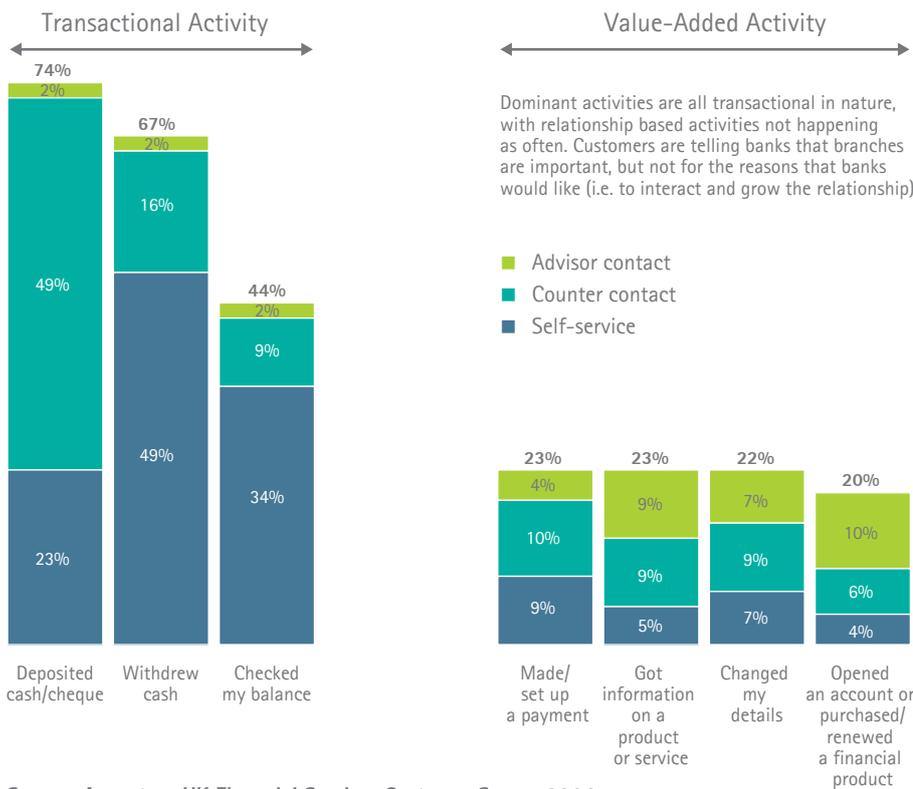
Figure 4: Usage of internet and phone channels has plateaued as branch and mobile interactions continue to grow
Daily, Weekly and Monthly Aggregate Usage of Banking Channels by UK customers, 2011–14



Source: Accenture UK Financial Services Customer Surveys 2011, 2012 and 2014

Figure 5: Customers generally use branches to self-serve and undertake transactions that cannot be performed elsewhere

Responses to the survey question: 'Which of the following activities did you do during your last visit to your bank's branch, and how did you do?'



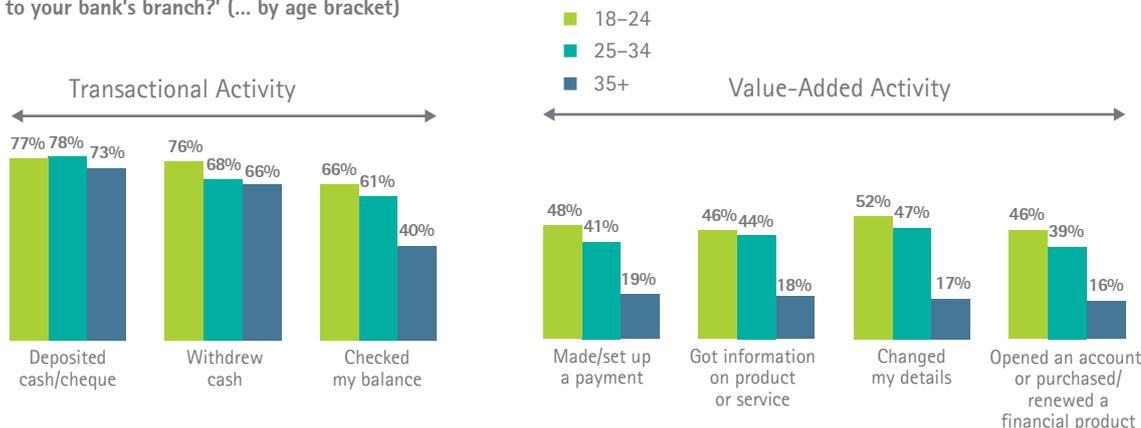
Interestingly, our research also indicates that the desire for physical branch interactions tends to return as people reach retirement, again reflecting customers' changing needs at different life stages. This may point to a tendency for customers to take their interaction habits with them as they progress through different age bands, meaning that today's mobile customers will probably remain users of mobile banking for life – although this will not prevent them from using other channels to varying degrees as they age.

It is amid this complex and shifting landscape of behaviours and channels that banks must strive to achieve greater relevance to customers. However, our study suggests that another year of customer-centric activity – including branch refurbishments, the roll-out of new and smarter ATMs into branches, and further advances in mobile banking flexibility – has succeeded in improving perceptions of the banks' performance, but has left satisfaction and complaints barely changed. So the question of how banks can 'restore customer relationships' needs to start by asking whether customers either want or need a relationship with their bank at all.

In 2014, customers need reasons to stay and do business with their banks. In short, the need to be relevant has never been greater. So let's look at what this 'relevance' means to bank customers going forward.

Figure 6: Younger customers lead the way in undertaking value-added activities in-branch

Responses to the survey question: 'Which of the following activities did you do during your last visit to your bank's branch?' (... by age bracket)



Source: Accenture UK Financial Services Customer Survey 2014



Working capital ✓

Business insurance ✓

Business growth ▶▶

NEW PRODUCTS / NEW PREMISES

What customers want: new, more engaging banking experiences tailored to their lifestyles

As we've already highlighted, our study shows the top three attributes that customers look for in a bank are clarity/transparency, value for money, and having the ability to manage their accounts in a way that suits them. At the same time, a rising proportion of customers value the personal contact and service available in-branch. This all suggests that banks need to develop more efficient and responsive operating and engagement models, while ensuring the branch does not become lost in the changing mix of channels and services.

But what should this mix look like? While customers in 2014 expressed a growing desire to interact with their bank through a branch, the findings also point to a continued – albeit varying – appetite for engaging with banks in new ways. We proposed three alternative models to the traditional bank, and asked the respondents to

rate their willingness to consider using them on a scale of 0-10 (see Figure 7). Of these, the most positively received was the branchless, online 'pure digital bank', which one in four customers said they would consider using. In contrast, the 'socially engaging' bank was the least popular of the three options.

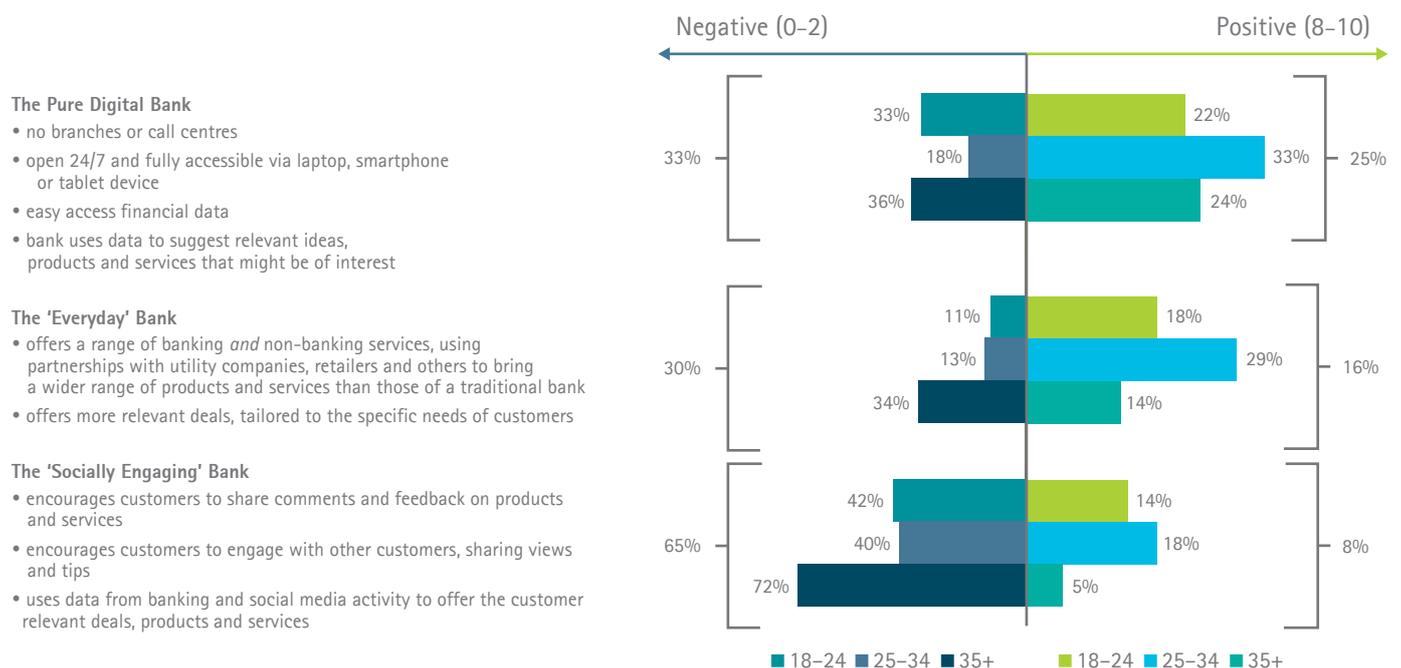
Within these overall findings there were some significant variations by age. Customers aged 25 to 34 proved to be the most open to all three models, with one-third willing to consider the pure digital bank. In contrast all three options were rejected by the over-35s – resoundingly so in the case of the social media bank. It follows that banks need to think about how they use social media for 'part' of their relationship management activities, within a wider strategy focused on using each channel for what it is good at.

A further significant finding in our research is that heavy mobile banking users are both more likely to become loyal advocates for a bank – but also more likely to switch if they're unhappy with the service. In short, they are less apathetic and more engaged, to the extent that they will go elsewhere if their needs are not met. In today's world, a mobile user who doesn't like an app simply downloads a different one – and banks need to be careful they do not get reduced to this status.

Overall, the message is clear: banks need to blend relevant, tailored service offerings with a distribution strategy that meets the preferences of their target customers. But this doesn't mean just going digital. The bricks-and-mortar branch still matters – and models such as the social media bank may require a level of brand engagement that requires more careful thinking.

Figure 7: One in four customers would consider using a pure digital bank – three times the number who would consider social media banking

Responses to the survey question: 'Would you consider using any of the following types of financial services provider?' (... by age bracket)



Source: Accenture UK Financial Services Customer Survey 2014

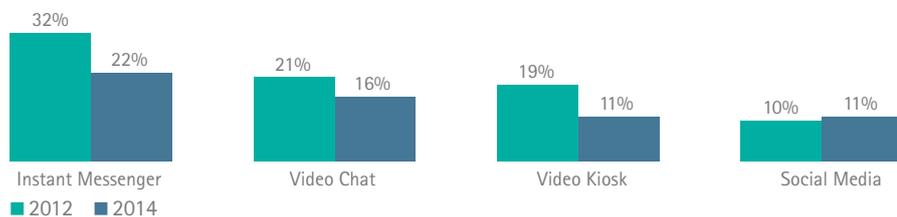
The complexities are further underlined by the fact that customers in our 2014 study were much less willing to interact through some virtual channels than in 2012, with IM, video chat and kiosks all becoming less popular (see Figure 8). However, despite the desire to use these digital channels going into reverse, customers' willingness to share data with their banks continued to advance. Since 2012, the proportion of customers willing to share their personal information in return for a range of rewards has more than doubled.

Again, a closer look reveals some significant variances and similarities between age groups. Perhaps surprisingly, 18 to 24-year-olds were *not* the group most amenable to virtual interaction with their bank, with the 25-34s voicing greater interest in banking via video chat and social media. In contrast, there was much closer cross-generational agreement about data sharing, with customers across all age groups proving more willing to share their data in return for various incentives. Customers'

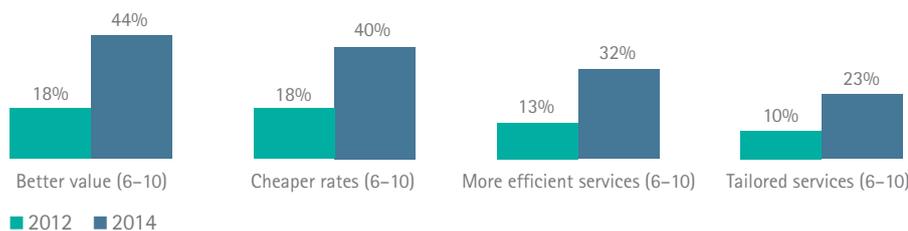
growing readiness to share personal data with their banks opens up opportunities to create more relevant products and services – so long as they are delivered through the channels and banking models that customers want.

Figure 8: Customers in 2014 were less willing to communicate through most virtual channels – but more willing to share data in return for various incentives

I would consider/like the opportunity to interact with my bank via:



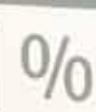
Would you consider sharing more personal information with your bank in exchange for:



Source: Accenture UK Financial Services Customer Survey 2014



Retirement planning ✓



Inheritance planning ▶▶



INHERITANCE TAX PLANNING / ESTATE



How banks can make it happen

Three key questions...

As banks develop their strategies for re-engaging customers and growing their share of wallet, our research suggests there are three questions that they need to ask themselves:

- How will we turn customer engagement with products and services into RE-engagement with our brand, in a way that will drive higher loyalty and revenues?
- How will we deliver the tailored, differentiated products and services that customers want?
- What is the right channel strategy in an environment where both branch and mobile banking are growing in importance?

...and five steps to relevance

In our view, a strategy developed through these questions will stand or fall by its ability to generate one overriding asset: relevance. Our research suggests this can be achieved through five specific actions:

1. Focus on the customer experience: whatever and wherever the interaction, it must involve a simple, clean and friction-free end-to-end experience.
2. Extend the digital experience: go beyond 'just transactions' to make interactions engaging and personal, including finding out where customers are communicating – forums, aggregators, social media – and building a presence and voice in those conversations.
3. Rise to the in-branch challenge: introduce new formats, digitally-enabled features and branch locations to reflect evolving customer behaviours and needs.
4. Constantly review and question your proposition – and treat digital as a proposition not a channel: use continuous feedback and improvement to ensure services always reflect the real needs of real customers.
5. Develop an active retention strategy: use analytics and 'big data' to manage life stages and reward loyalty.

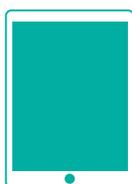
Imagine a world where your bank...



- uses demographic/geographic mapping to identify the areas where customers have the highest propensity to use physical branches, such as student towns and suburbs with large retired populations.



- offers current account customers an attractive interest rate in return for personal information – and then applies analytics to that data to deliver a personalised offer in real time at the end of each digital transaction.



- targets the marketing of its digital solutions through local media into areas dominated by 30-somethings with young families.



- provides an individually-tailored loyalty bonus – such as entry to a free draw with personalised prizes – to every customer downloading the latest upgrade of its mobile app.

For banks, there are many routes to relevance. The winners will be those that succeed in taking customers with them on the journey.

Travel ✓

Wedding cost ✓

Hand icon | Wedding rings icon | Wine bottle icon

Fingerprint icon | Location pin icon

This block features a grey digital overlay with a list of items. The first item is 'Travel' with a checkmark. The second item is 'Wedding cost' with a checkmark. Below 'Wedding cost' are three icons: a hand, two wedding rings, and a wine bottle. At the bottom of the overlay are a fingerprint icon and a location pin icon. The background shows a man and a woman on a balcony overlooking a lake and mountains.



Family ▶▶

House icon | Family icon | Backpack icon

SAVING / CHILD CARE / MORTGAGE / EDUCATION

Fingerprint icon | Location pin icon

This block features a teal digital overlay with the word 'Family' and two right-pointing arrows. Below are three icons: a house, a family of four, and a backpack. At the bottom, the text 'SAVING / CHILD CARE / MORTGAGE / EDUCATION' is displayed above a fingerprint icon and a location pin icon. The background shows the same couple on the balcony.

About Accenture

Accenture is a global management consulting, technology services and outsourcing company, with approximately 289,000 people serving clients in more than 120 countries. Combining unparalleled experience, comprehensive capabilities across all industries and business functions, and extensive research on the world's most successful companies, Accenture collaborates with clients to help them become high-performance businesses and governments. The company generated net revenues of US\$28.6 billion for the fiscal year ended Aug. 31, 2013. Its home page is www.accenture.com

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