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Banking Customer 2020

Rising Expectations Point to the Everyday Bank

Eight trends around customer attitudes, expectations and behaviors are directing the future of banking.

For a decade now, the Accenture Global Consumer Pulse Research study has annually tracked the intentions and actions of consumers around the world. This year's study included a special and significant cut for retail banking, sampling more than 16,000 bank customers.

Banking survey results echo the industry reality that digital is the pulse of banking customer interactions. It continues to influence customer behavior, expectations and needs, to the point at which all customers are now digital customers—albeit ones who move at different speeds. Yet, findings also show banks' continuing vulnerability to churn as customers still encounter confusing web sites, staggering call center wait times, and difficulty solving their problems regardless of the channel they use.

What can banks do to drive customer engagement and capture a greater share of the digital opportunity? Become an Everyday Bank, placing themselves at the center of a digital, interconnected ecosystem of cross-industry providers and services that serves customers' everyday needs. Winners will be those that manage to show solid customer metrics with strong retention/engagement.



Retail banking view of the Accenture Global Consumer Pulse Research annual study

- Assessed consumer attitudes toward the customer experience (including marketing, sales and customer service practices) and consumers' behaviors in response to companies' practices.
- Surveyed global, cross-industry sample of more than 23,600 end customers with online access in 33 countries via the Internet. Each respondent could evaluate up to four out of ten industries.
- For Retail Banking, this resulted in a sample of 16,528 decision-making respondents.
- Selected bank-specific questions were asked to a sub-sample of 9,000 respondents across 12 key growth markets identified as banking.

Every Bank Customer Is a Digital Customer

While consumers have embraced digital technologies to varying degrees, digital has become more important to consumers across the board. Some consumers have completely “gone digital”—20 percent of bank customers are digital-only users, preferring to prospect and purchase online.

At the opposite end of the spectrum are consumers who still lean heavily on traditional channels, but even they are likely to use available digital channels at different times for certain activities.

Most banks' customer strategies, fueled by customer analytics, will need to change to really take advantage of customers' new channel preferences. For example, our research shows that consumers between 18 and 34 years, those who have grown up immersed in digital technologies, are two to three times more likely than consumers older than 55 to want more digital interactions than companies currently support. Yet our experience shows that the older group is surprisingly open to adding other channels to their portfolio and is experimenting with online interactions, using a wider

variety of contact channels in specific industries to meet select needs. By focusing on millennials, most companies are missing an important opportunity.

Enabled by technology, customers expect to easily control and vary their routes within and across channels to suit their needs at any given moment. While customers move at different speeds and take different paths, every customer is now a digital customer – from the traditional customer to the digital-savvy one (Figure 1).

As a result, customers find it easier to compare a provider's promise with its delivery and how the overall customer experience meets their own expectations—and subsequently make changes if they find their bank isn't as “digitally intense” as they would want it to be.

FIGURE 1. Every Customer Is a Digital Customer

Different Customer, Different Intensity, Different Speed



Traditional

They rely on traditional channels & interactions. Even then, they leave digital traces.



Experimental

They selectively engage in digital for utility value, discovering how the experience improves.



Transitional

They strive to leverage digital more broadly but may not always be able to do so.



Digital Savvy

They make digital technology part of all dimensions in their life. Mobile access is key.

Increased Speed

Higher Digital Customer Intensity

Eight Trends to Influence Banks' Strategies

The good news is that retail banking, along with a few other industries, remained in the top sectors who provide a positive customer experience. Our study found that 36 percent of global bank customers are extremely satisfied, one-third feels loyal to and 28 percent would recommend their providers. Across satisfaction and loyalty, retail banking scored higher than the global cross-industry averages.

However, an important portion of banking consumers continue to actively consider their choices. Our survey found that 18 percent of bank customers switched completely and 27 percent added new providers. Over the last five years, the combined switch rates (customers who switched completely from one bank to another or partially by adding new providers to existing ones) increased globally by eight percent. In the past three years, 58 percent of consumers have done business with more

than two providers. Four out of the 10 financial products owned by customers on average are from outside their main bank.

Leading banks around the world recognize the shift in consumer behavior and what's at stake: market share. They continue to invest in customer retention and ways to attract other consumers in search of better alternatives. The challenge is whether or not banks' actions are hitting the mark when it comes to their customer strategies.

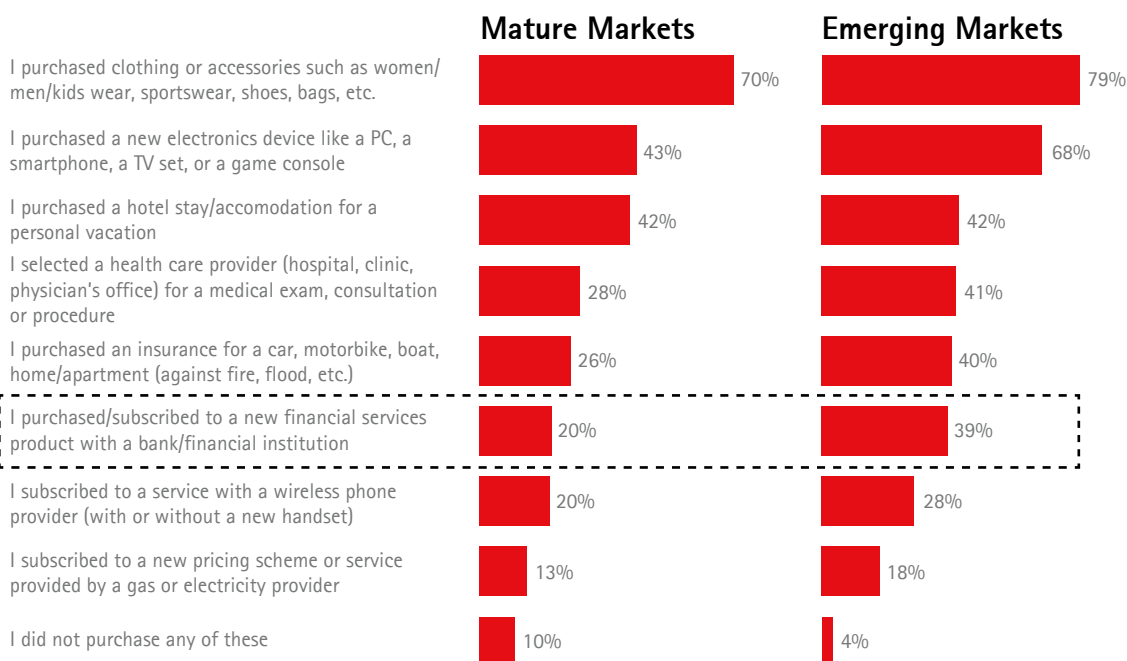
Our research identified eight trends to influence banks' strategies, compelling more of the right tactics to both quell customer churn and keep pace with a quickly-evolving consumer base.

TREND #1: Customers are buying, but less so from current providers

Globally, 27 percent of bank customers purchased/subscribed to a new financial product/service over the last six months, in line with 2013 findings (Figure 2). This proportion is much higher in emerging markets (39 percent) than in mature ones (20 percent). Yet over the past six years, the proportion of consumers in our study who expressed their intention to buy less from their current providers has increased.

FIGURE 2. Purchases situations

Which of the following purchasing situations have you carried out in the past six months?



Base = 23,665 (total global respondents)

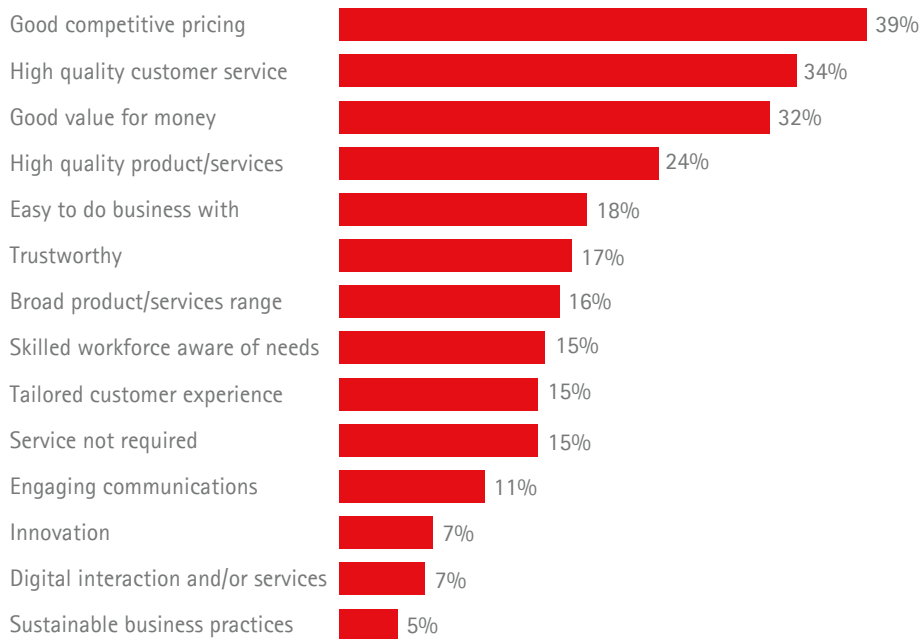
TREND #2: First-contact resolution is key to retention

Good competitive pricing, high quality customer service and good value for money are the top three dominant factors that convince customers to switch to another bank (Figure 3). It's not a coincidence that banking also has been among the most highly disrupted industries by digital technologies in recent years. Of the consumers who switched to another provider due to poor service, more than

80 percent said they could have been retained, mainly if their issue had been resolved on their first contact with the bank. Yet first-contact resolution has consistently remained the top frustration factor for consumers in the past five years (generally cited by around eight in 10), and the percentage of consumers expressing satisfaction with how companies have handled it has increased only marginally since 2009 (from 41 percent to 45 percent).

FIGURE 3. Reasons for complete switch

How much did each of the following reasons contribute to your decision to switch/stop doing business? (Check up to top three reasons)



Base = 2,984 (retail banking customers who switched completely)

TREND #3: Digital channels have significantly increased the number of overall interactions

Consumers continue to rely on multiple channels (an average of three or more) when prospecting, with the corporate website and online expert/comparison sites most relied on followed by word-of-mouth, online reviews and branches. More than last year, 58 percent of bank customers use mobile devices often when prospecting or seeking support. Out of the average 17 interactions per month made by a customer with its main bank, seven are through on-line banking and three are through mobile/tablet. Emerging markets, where the average of total monthly interactions is 21, display an even higher propensity to use digital channels (Figure 4).



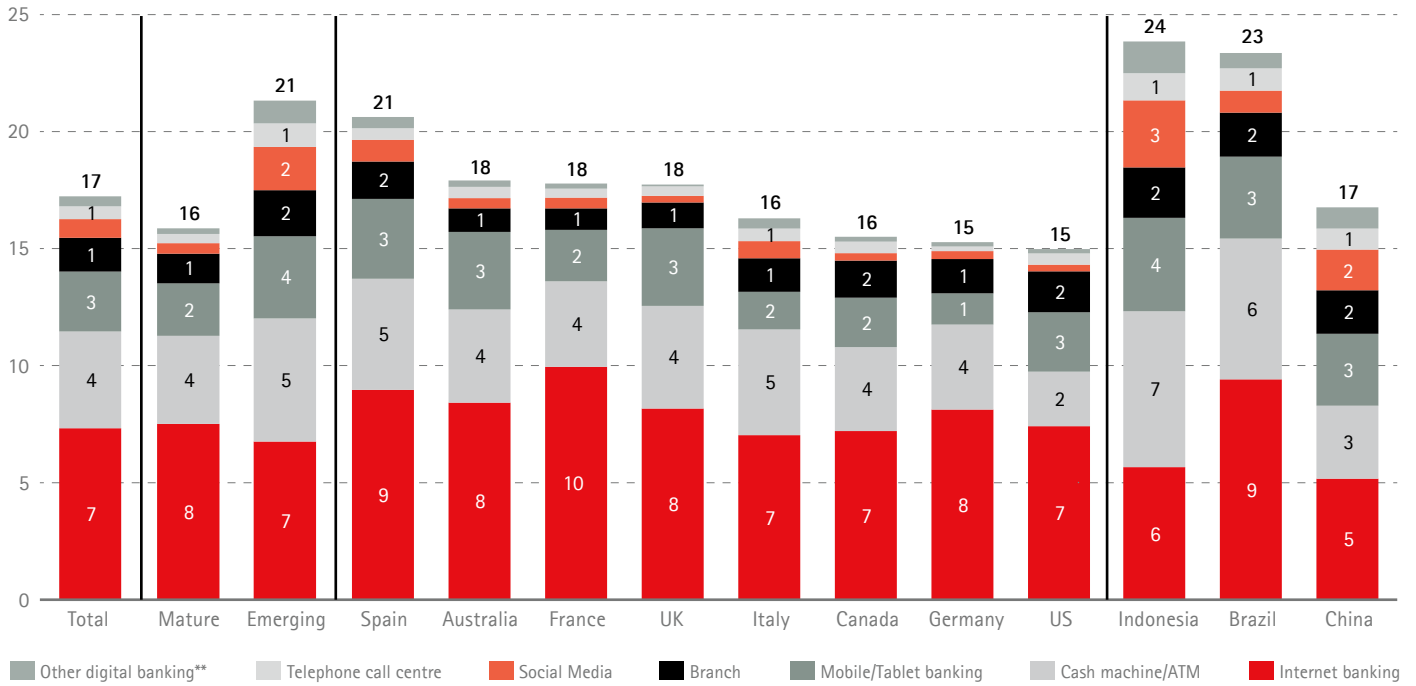
Despite being satisfied with online customer service channels compared with traditional channels, consumers are ripe for more.

TREND #4: After switching to digital, customers are looking for more services

Despite being satisfied with online customer service channels compared with traditional channels, consumers are ripe for more. Globally, online banking is very frequently used for prospectation and access to services, but less to fix issues (Figure 5). Online subscriptions grew six percent to 60 percent; mobile is used more for them while branches are used less. Of consumers who seek advice in the branch, half of them use an online channel to purchase/subscribe. Still, 61 percent of banking customers expect to have access to more online interactions across their lifecycle. Several barriers banks will need to address completely include the lack of the right information provided by the channels, lack of trust in them and lack of knowledge of how to access and use them.

FIGURE 4. Interactions by channels

How many times do you usually interact/get in touch with your main bank, on monthly basis, using the methods listed?
(Provide number of interactions)



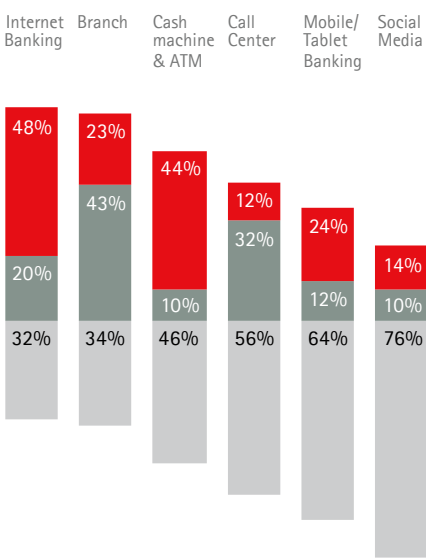
*Base = 9,000 (Total retail banking respondents in 12 key markets: Australia, Brazil, Canada, China, France, Germany, Indonesia, Italy, Spain, UK, US)
**Other Digital Channels = Video chat and Instant messaging

FIGURE 5. Most frequent banking activities by channel

How frequently do you use the methods listed below with your main bank?

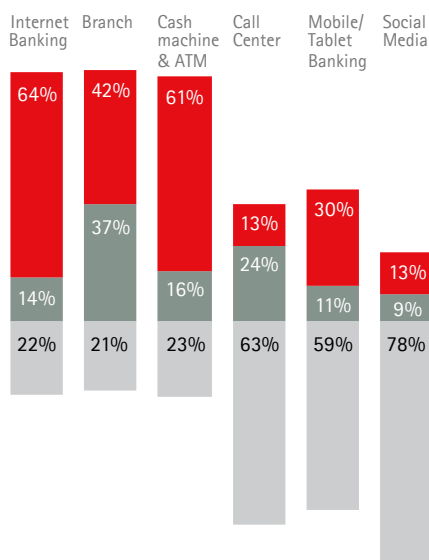
RESEARCH & ADVICE

(e.g. seeking advice, finding offers, rates)



ACCESSING SERVICES

(e.g. making a payments, money transfer)



FIXING ISSUES

(e.g. update details, manage a complaint)



Legend: At least once a month (red), At least once a year (dark grey), Never (light grey)

*Base = 9,000 (Total retail banking respondents in 12 key markets: Australia, Brazil, Canada, China, France, Germany, Indonesia, Italy, Japan, Spain, UK, US)

TREND #5: High, but slower growth in, customer service expectations gives banks a chance to catch up

In line with last year, trustworthiness, employee skills, high quality of services and ease of doing business are the core drivers of customer satisfaction for banking with more than 30 percent of consumers agreeing to it (Figure 6). Yet, while the general pool of consumers' expectations for customer service have increased greatly since 2007, growth is slowing, which gives companies a chance to catch up. Unfortunately, the percentage of consumers switching due to poor service has decreased only slightly during that time, indicating that most companies are still not giving consumers the kind of service they want. Indeed, the percentage of consumers saying their biggest frustrations with providers—failure to deliver on their promises, inefficient and slow customer service, and lack of interaction convenience—have remained consistent in the past few years.

TREND #6: Customer loyalty program adoption is rising, but fails to keep customers committed for the long haul

Across industries, the percentage of consumers saying they participate in at least one customer loyalty program has increased since 2009, as has the percentage indicating such programs persuade them to stay with a provider. One-third of banking consumers participated in at least one loyalty program, about the same as last year (Figure 7). Efficiency of the banking loyalty programs (measuring customers who stayed with their providers because of the program) remains at around 56 percent. However, program adoption is primarily driven by the desire to gain access to the "best deals," indicating a sort of short-term loyalty that fails to keep customers committed for the long haul. While consumers stated increased loyalty due to such programs, their actual behaviors indicate they continue to leave providers at a high rate.

FIGURE 6. Core drivers of satisfaction

What you like about the companies you do business with today?
(Rating scale: 1 = Does not describe at all, 10 = Describes very well)

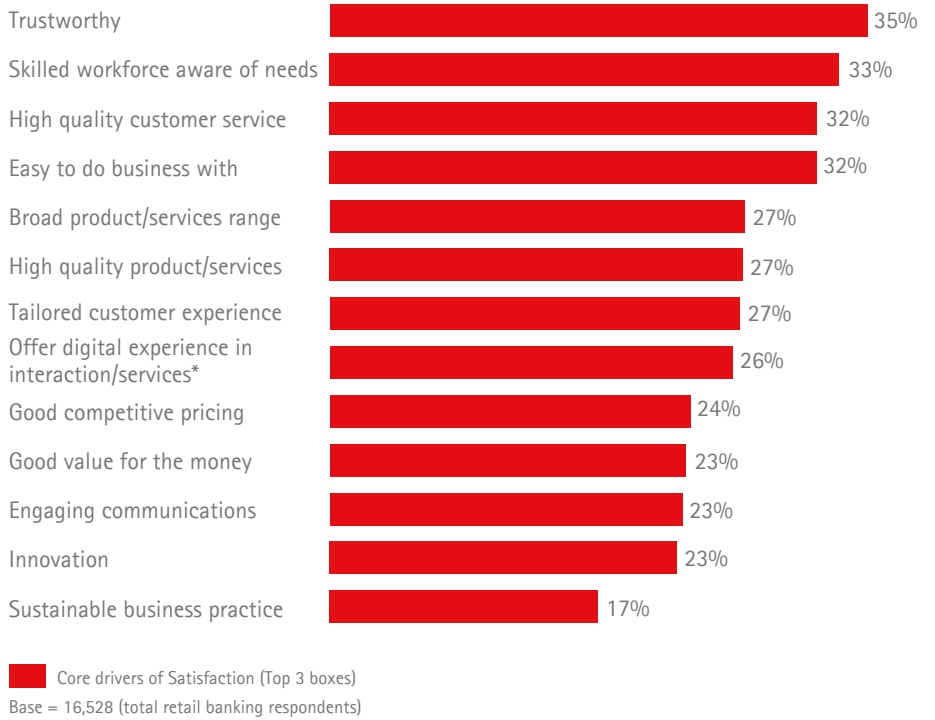
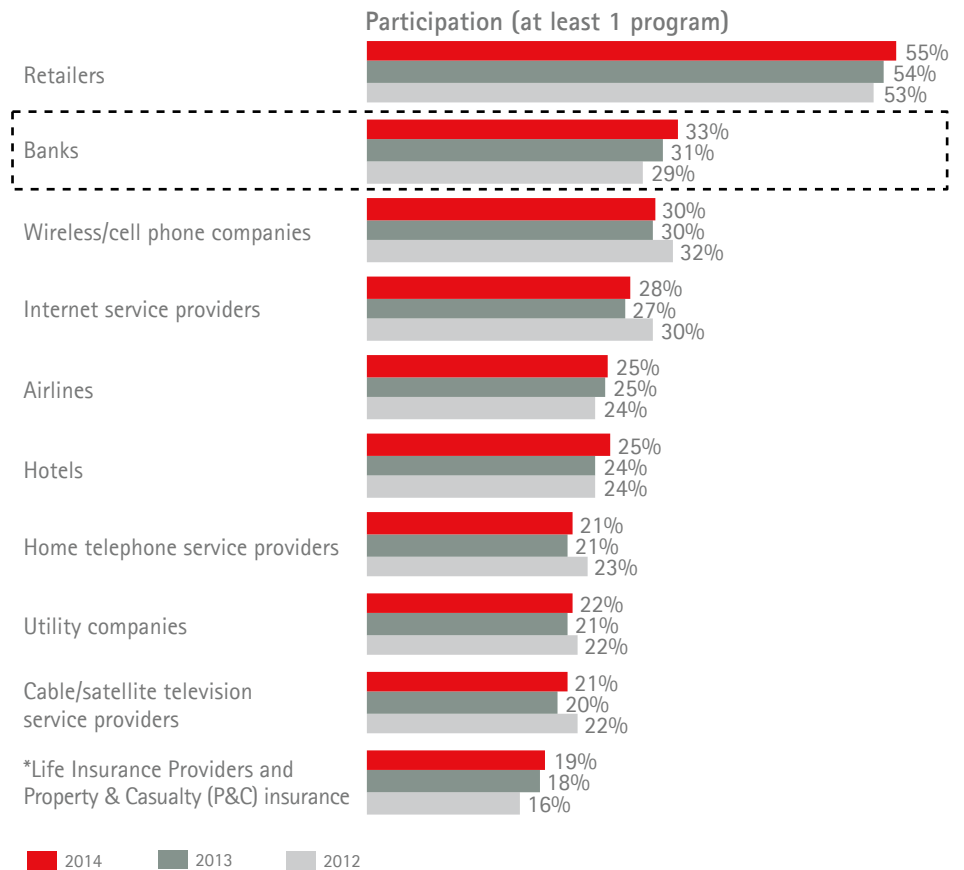


FIGURE 7. Loyalty programs

Have you participated in any companies' customer loyalty programs over the past 12 months?



* Fixed Service Provider (excluding Cable/Satellite) replaced Landline Phone Service Providers in 2014

** Life Insurance Providers & Healthcare Providers included in 2014



TREND #7: Compelling offers could win back customers

More than 30 percent of consumers switched their bank providers in the past six to 12 months due to good competitive pricing, high customer service quality or good value for money. In line with last year's findings, 27 percent of consumers would shop for better deals and 31 percent find the switching hassle to be low. Offering differentiation is only perceived by about a fourth of consumers and less than one-in-six profess a high industry involvement. About one-third of consumers across industries who switched from a provider said they would consider returning within two years for better pricing or a superior product. That's the good news, and a real mindset shift for companies that miss this opportunity.

TREND #8: "Non-traditional" competitors are gaining ground with consumers.

Across industries globally, 44 percent of consumers would be open to consider products and services from companies that are not generally considered part of traditional industry definitions; 43 percent would be open to products/services from other consumers, not companies. In banking, other Accenture research recently showed that nearly half of customers would likely bank with a company they currently do business with but that does not currently offer banking services.¹ The number surpasses 70 percent for those ages 18 to 34. This includes financial players such as PayPal, Inc., and Square, Inc., and brands outside the financial sector like Apple, Inc.; Google, Inc.; and Amazon.com, Inc. Accenture separately estimates that competition from non-banks could erode one-third of traditional bank revenues in North America by 2020.²

¹Accenture 2014 North America Consumer Digital Banking Survey

²Accenture, The Everyday Bank: A New Vision for the Digital Age, 2014

How Banks Can Keep and Win Customers

Simply "being more digital"—closing down branches and rolling out better mobile and online banking services, for example—will not give banks the differentiation they need to capture the attention of, retain and best serve today's digital customers.

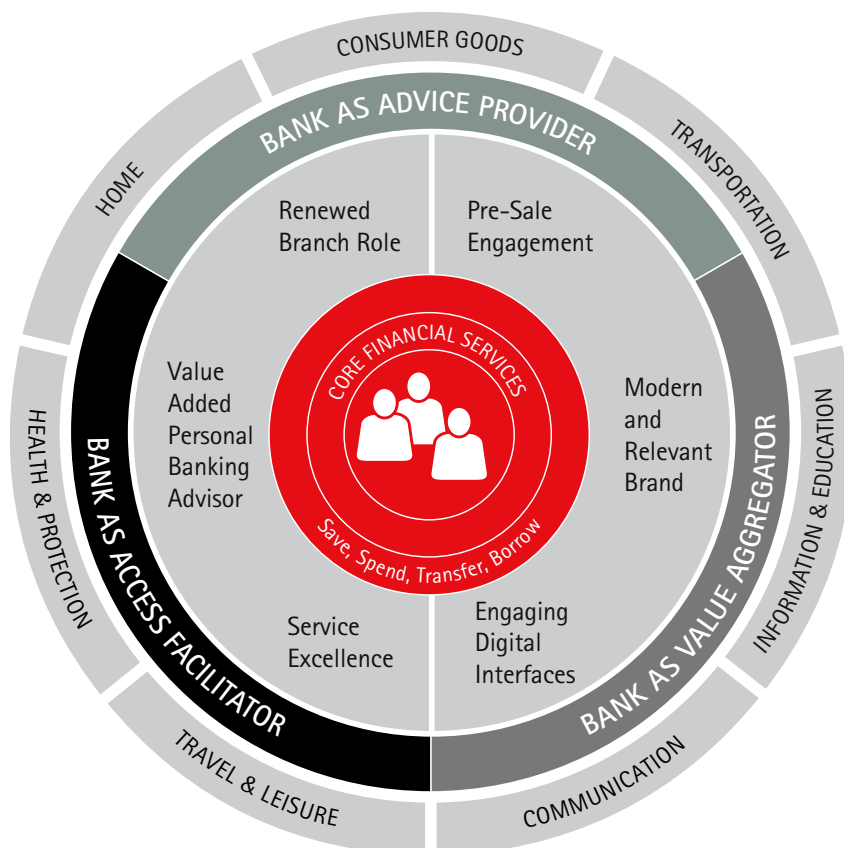
When analyzing consumers' attitudes towards innovative banking models, the survey shows that those models that heavily incorporate digital (for example, a pure digital bank), garner very different levels of acceptance. Mature markets—the US, Canada, Australia and Europe—are much more cautious while emerging or "growth" markets show a largely favorable attitude. The affirmative agreement ratio differs by a factor of 2 to 3 between both

market types. On the contrary, innovative banking models based on the bank offering a range of both banking and non-banking services generate higher interest and positive reactions across all countries. Specifically, a bank that is able to address real needs and provide strong value for money, using partnerships with non-banking players that bring a wider range of products and services than those of a traditional bank.

One-third of all customers are generally open to such a business model that we call the Everyday Bank. Banks that want to lead the trends rather than follow will become an Everyday Bank, placing themselves further into the commercial lives of their customers and satisfying a broad range of life-cycle needs before, during and after moments of financial transactions. As part of a digital ecosystem, the Everyday Bank assumes three distinct, digitally-powered roles (Figure 8):

- **Advice Provider:** recommending specific, targeted buying suggestions
- **Access Facilitator:** to financial services and non-financial services partners
- **Value Aggregator:** through real-time, dynamically-priced offerings.

FIGURE 8. The Everyday Bank



The Everyday Bank creates an immersive relationship with customers to increase penetration of purely digital customers and cuts digital churn by up to 50 percent. Through it, banks can:

- Increase the quality of the customer experience by combining their vast amounts of customer and transaction data with digital capabilities. This means providing simple, convenient services that improve customer's ability to manage and make better decisions on their financial matters. La Caixa, for example, within its e-banking service (Linea Abierta) has developed a service called Real Time Decision to improve the customers' interaction with La Caixa's Home Banking service. The technology helps consistently make the best possible decisions in real time, automatically and using self-learning techniques, making use of all the information the bank has available on the customer. The bank will offer customers products that match their interests on the basis of real-time analysis.

- Grow sales through continuous daily customer interaction generated across partnerships and connections with provider partners who offer goods and services in every area of consumption, from retail and home services to health, security, travel, leisure, communication and transportation. Based on our experience, a digital customer interacts with providers 12 times more than a non-digital customer. More customer interactions means more opportunities to better understand customer needs to present more relevant offers at the right time and place—enough to increase retention and sell additional products.
- Nurture loyalty to the bank by developing digital capabilities of relationship managers, empowering them to keep pace with customer evolutions. A good example is the BankAmeriDeals service of Bank of America, an innovative and advanced cash back loyalty program. This program is free for all online banking customers and offers discounts on targeted deals. BankAmeriDeals' discounts are focused on customers' card spending habits, based especially on previous purchases made in stores. Customers pay the full price with their card, then they receive monthly the discount as a cash back reward.
- Optimize front- and back-office processes for speed, efficiency and scalability—thanks to high automation and partner integration.

The Everyday Bank model is the future of the banking industry. Although the journey to get there will be different for every bank, leaders of the transition will need to determine answers for four key questions:

- What is our distinct identity as an Everyday Bank?
- What does our extraordinary customer experience look like?
- What is our digital ecosystem, and how do we orchestrate it?
- What is the enabling digital platform?

Retail banks should explore approaches that can lower risk and cost to serve while accelerating their timelines.

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