2016 North America Consumer Digital Banking Survey

Banking on Value
Rewards, Robo-Advice and Relevance

High performance. Delivered.
Banking consumers in North America want it all—deals and discounts, convenience, relevance and banking customer experiences that combine the latest in digital banking with human interaction. Consumers will share personal data to get what they want and switch banks if they do not.

Accenture surveyed over 4,000 consumers in the United States and Canada as part of a multi-year research initiative tracking consumer banking attitudes and behaviors. Consumers still want to control their banking customer experiences, but the terms have changed since last year. Today, consumers are more focused on value. This is not so surprising considering the economic climate. The income squeeze on the middle class, and the shift from pensions to 401K are among the forces influencing people to think differently about their finances and double down on getting more for less.

Survey results also indicate that digital banking is not an all-or-nothing proposition. Online banking remains the dominant channel, but consumers are not abandoning the branch. They are interested in robo-advice, but they crave human interaction too. These desires are not as contradictory as they seem. In fact, they signal just how pragmatic consumers are today. To get the value they want, consumers do not always choose the same channel. Instead, they make banking channel choices based on their specific needs at the time.
Four key findings reveal that banks must provide value to customers—or risk losing them—and deliver banking customer experiences that blur the lines between physical and digital so banking is easy, seamless and relevant.

**VALUE**
**HUNTING FOR VALUE IS HOT**

45% of consumers say the top reason that they would stay loyal is if their bank offers discounts on purchases of interest.

**RELATIONSHIP**
**SWITCHING IS NOT AN OBSTACLE**

11% of consumers left their bank in the past year—and consumer switching to virtual banks is at double-digit levels.

**ADVICE**
**ROBO-ADVICE IS WELCOME**

46% of consumers are willing to bank using robo-advice in the future.

**BRANCH**
**THE BRANCH IS ALIVE AND WELL**

87% of consumers will use their branches in the future—and want human interaction when they go there.
KEY FINDING 1
Hunting for value is hot

Value is not a monolithic concept to consumers. While they want banks to "show them the money" with deals, discounts and rewards, they also value convenience and relevance.
Consumers overwhelmingly want their banks to act as value discounters on their behalf. Forty-five percent of consumers say the top reason that they would stay loyal to their bank is if it offers discounts on purchases of interest—from banking products to cars, home goods, travel and more. This is up from a sixth place ranking just last year (Figure 1.) Not so surprising then, the main reason people leave their bank is for cheaper products and services. For customers who participate in their bank’s loyalty and rewards programs, 41 percent are most interested in a program offering cash or open loop pre-paid cards.

Saving money matters, so does convenience

Consumers’ top concern when communicating with their bank is to get what they need quickly and easily, including when they make milestone purchases. Assistance with buying a car or home rounds out the top three reasons consumers say they would stay loyal. This value-added role is already in play in the financial services industry. USAA, for example, has an online car buying service to help members find the right car, dealership and price, secure financing and insure the car. The company also connects members to home solutions including moving services, home builder discounts and a utility marketplace for deals on electricity, natural gas and Internet and cable providers.

Delivering value hinges on relevance

No one wants a great deal or convenient access to a product or service that they would never buy. Relevance comes from rich customer data insight. Fortunately for banks, consumers are open to sharing personal data with them. Sixty-three percent are willing to share data to receive relevant product and service options.

In order of preference, consumers want banks to manage their personal data to provide more competitive prices, enable faster and easier services, offer personalized advice, and develop location-based offers. Consumers recognize that the path to banking value starts with data.

Competing demands the right balance

With value so important to consumers, banks are in the unenviable position of competing in a commoditizing industry. Differentiation based on price or products and services is a zero-sum game for many banks. They get trapped in an endless loop of one-upping and matching each other on discounts and product offers where no one wins. Brands ultimately become interchangeable in customers’ eyes.

The way out is to compete on service—to provide superior service consistently across channels. While some customers will always be driven by the deal, others are willing to pay for better service and ease of doing business. For example, the number one reason that consumers who applied for a loan in the past year would pay more is if they receive end-to-end customer service through the loan process. Delivering banking value means mastering the delicate balance between the tangible and intangible, the savings and the service.
KEY FINDING 2

Switching is not an obstacle

Nimble and digitally-savvy, consumers are not tied to one bank for all of their financial needs—and will leave for a better value proposition. Many are increasingly attracted to virtual banks.
Eleven percent of North American consumers left their bank in the past year—up one percentage point from Accenture’s 2015 survey. This slight upward trend indicates a slow and steady evolution in the switching climate in retail banking. This shift is fueled by several factors:

**Difficulty is not the barrier to switching it once was.** Consumer perceptions that switching is hard have eased since the first year of the survey in 2013, with “difficulty of the process” falling down the list of switching hassles from second to fifth place.

**Simple transactions define banking relationships.** The majority of consumers (79 percent as in 2015) continue to view their banking relationships as transactional, not advice-based. It is easier to cut ties when there are no strings attached.

**Alternative banking providers expand consumer choice.** Consumers have more non-traditional banking choices than ever, and they are open to exploring them. Consider that switchers moved to online-virtual banks in double digits over the past year.

**The search for more value is on**

Of the 11 percent of North American consumers who switched banks, Millennials (19 percent) and mass-affluent individuals (18 percent) are the most likely demographic groups to switch. All switchers report that they leave most often for cheaper products and more convenient branch locations.

There are winners and losers when it comes to switching patterns over the past year, according to the survey. For example, more customers (38 percent) left large regional banks than joined them (23 percent) for a net loss of -15 percent. On the other hand, more customers joined online-virtual banks (19 percent) than left (8 percent) for a net gain of +11 percent. At +3 percent, payments providers had the second highest net gain among all types of institutions (Figure 2).

In fact, when asked about banking with non-banks, consumers are most interested in banking with their payments provider over insurance, mobile phone, online lending and consumer technology companies among others.

**Virtual banks are attractive**

The appeal of virtual banks—which represented the largest net migration in the United States and the second largest in Canada—reflects consumers’ value focus. Virtual banks target customers whose top banking intention is simple and seamless transactions with lower fees. These banks’ growth in market share suggests this strategy is working. Ally Bank, subsidiary of Ally Financial Inc., grew retail deposits by 16 percent in the past year. Compare this to the 6 percent industry average for non-government customer domestic deposit growth in the United States for the same period reported by the FDIC.

**Loyalty programs are lagging**

Loyalty programs, the crown jewels of efforts to prevent customer switching, are not working. An eye-opening 67 percent of consumers do not participate in a bank rewards or loyalty program. And 17 percent of consumers are not sure they participate—or do not know if their bank offers one. To reinvigorate loyalty programs, banks need digital marketing techniques and data analytics to understand what customers want and how they behave to create personalized experiences and predict next-best-actions. Banks must also align loyalty programs with the institution’s overall strategic commitment to customer value.

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**FIGURE 2. Online-virtual banks followed by payments providers lead in net switching among consumers who switched.**

Q: In the past 12 months, have you switched to a new financial services provider or other company from your main bank?

<table>
<thead>
<tr>
<th>Provider Type</th>
<th>Net Switching Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Online-Virtual Bank</td>
<td>11%</td>
</tr>
<tr>
<td>Payments Provider</td>
<td>3%</td>
</tr>
<tr>
<td>Local Community Bank</td>
<td>1%</td>
</tr>
<tr>
<td>Credit Union</td>
<td>1%</td>
</tr>
<tr>
<td>Insurance Company</td>
<td>0%</td>
</tr>
<tr>
<td>Brokerage-Wealth Manager-Financial Adviser</td>
<td>0%</td>
</tr>
<tr>
<td>Retailer</td>
<td>-1%</td>
</tr>
<tr>
<td>Online Lender</td>
<td>-2%</td>
</tr>
<tr>
<td>Large Regional or National Bank</td>
<td>-15%</td>
</tr>
</tbody>
</table>

Base: n=424

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KEY FINDING 3
Robo-advice is welcome

The hype around robo-advice is more than empty chatter. Consumers are intrigued by computer-generated advice, which creates an opportunity for banks to deliver additional value—and connect with new customers.
A surprising 46 percent of consumers are willing to bank using robo-advice in the future. Robo-advice is the use of automation and digital banking techniques to assist customers with their financial needs. It uses questionnaires and advanced algorithms to profile customers and make insight-based financial recommendations.

Robo-advice is emerging

Robo-advice is already gaining traction in the wealth management industry, presenting investors with the potential of up to 70 percent in savings for some services. Consider that Cerulli Associates expects that the automated investment advice market will reach $500 billion in assets by 2020. Much of the interest in investment robo-advice is coming from the traditionally underserved mass-affluent segment.

Real interest behind the buzz

The survey results show that consumers, including mass-affluents, are interested in receiving computer-generated advice and services independent of a human advisor. They cite speed and convenience (50 percent) and lower cost (29 percent) as the primary benefits. In the future, three out of four consumers are willing to receive robo-advice about asset allocation (79 percent) and opening a bank account (74 percent), and more than two-thirds about retirement planning (69 percent) (Figure 3.)

Millennials are intrigued

Millennials are enthusiastic about computer-generated advice and services. This trend reflects the fact that they typically gravitate toward the latest in digital banking technologies as digital natives. This is not just because these tools are cool or cutting-edge, but because they deliver banking customer experiences that are simple, consistent and relevant.

Consumer interest in robo-advice is driving banks’ interest in it. However, introducing robo-advice into retail banking cannot be done in haste. Banks need to determine the right technologies, pricing strategies and how to enable robo-advice without creating channel conflict. The idea is not to replace humans, but to find the right balance between human and machine interaction to create a better banking customer experience.

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**FIGURE 3.** Consumers are open to receiving computer-generated advice and services in the future.

**Q:** In the future, how willing would you be to receive the following types of advice and services in a way that was entirely computer-generated, without any input from a human advisor?

<table>
<thead>
<tr>
<th>Advice about investments (i.e. asset allocation for wealth management)</th>
<th>NORTH AMERICA</th>
<th>MILLENNIALS</th>
<th>MASS AFFLUENTS</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>79%</td>
<td>80%</td>
<td>83%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Advice about which type of bank account to open</th>
<th>NORTH AMERICA</th>
<th>MILLENNIALS</th>
<th>MASS AFFLUENTS</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>74%</td>
<td>84%</td>
<td>82%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Advice about planning finances for retirement</th>
<th>NORTH AMERICA</th>
<th>MILLENNIALS</th>
<th>MASS AFFLUENTS</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>69%</td>
<td>82%</td>
<td>77%</td>
</tr>
</tbody>
</table>

Result of combining highly interested and interested

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KEY FINDING 4
The branch is alive and well

The bank branch of the future will be different, not dead. Consumers see themselves actively using the branch in the coming years. It will be a vital destination where digital banking and human interaction meet.
The future of the bank branch is an ongoing debate in light of digital transformation of the industry. While online banking is the dominant channel in terms of frequency of use and preference—as it was last year—today’s consumers have not left the branch behind. One-quarter use the branch at least weekly. It remains the second most preferred channel, after online.

**Demand for full-service options**

By a wide margin, those who use the branch prefer “full-service branches” over all other formats (61 percent.) The full-service branch offers extended office hours and full sales support, including mortgage specialists. Millennials are less interested in this format (49 percent). However, 19 percent of Millennials prefer “light branches,” more than any other demographic group. These are highly-automated and provide access to remote advisory specialists through videoconferencing.

**The value of human interaction**

The vast majority (87 percent) of consumers, including 86 percent of Millennials, report that they will use the branch in the future. The branch will remain relevant because it is the place where consumers can connect with their banks’ human advisors. In fact, consumers most commonly report that they will use the branch two years from now because “I trust my bank more when speaking to someone in person” and “I receive more value from my bank when speaking to someone in person” (Figure 4.)

As much as consumers are interested in virtual banks and robo-advice, they clearly see value in working with human advisors. After all, people can do the judgment work that machines cannot. This is invaluable when addressing more complex banking transactions and advice-based needs.

**The branch of the future**

Consumers’ attitudes about the most important channel for banks to invest in for the future have shifted. The change reinforces the value they place on branch banking. While 30 percent of consumers still view the online channel as the prime channel for development, this is down four percentage points since last year. At the same time, consumer interest in branch investment grew more than any other channel, up four percentage points since 2015.

Retail banks must use the branch network to their advantage. It represents infrastructure, scale and customer face-time that digital banks do not have. As traditional banks develop their branch network strategies, they must consider how customers value the branch banking experience. One banking giant is doing just that. Wells Fargo & Company, the fourth largest bank by assets in the United States, is devoted to local branches with a dual focus on digital banking and customer engagement. The branch of the future will pivot from rote transaction processing to high-end servicing, seamlessly combining person-to-person and digital banking experiences.

**FIGURE 4. Consumers want human interaction at the bank branch of the future.**

Q: **Why do you anticipate you will use branches two years from now?**

- I trust my bank more when speaking to someone in person: 49%
- I receive more value from my bank when speaking to someone in person: 47%
- I like my bank’s overall branch experience: 40%
- The branch is conveniently located to my home/work: 37%
- I equate the comfort of branch experience like I am visiting a store: 20%
- I believe I get better rates when I negotiate face-to-face: 15%

Ranked by level of multiple responses
Base: n=3,478
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OMNI-CHANNEL MANAGEMENT IS LAGGING
Only 27 percent of consumers say the experience they receive from their bank’s branch, online and mobile channels is completely seamless—down 7 percentage points in just one year.

MOBILE BANKING IS A TRANSACTIONAL TOOL
Consumers most commonly use the mobile channel for transactions. The top three reasons for mobile banking are making a payment, depositing a check and viewing a past transaction. Yet 35 percent of consumers still do not use their mobile phone for banking.

THE BRANCH HAS NOT LOST ITS RELEVANCE
24 percent of consumers prefer the branch over other channels, second only to online banking at 28 percent.

SOCIAL MEDIA IS NOT CATCHING ON AS A BANKING CHANNEL
Despite consumers’ use of social media to connect with companies in other industries, only 24 percent of consumers are interested in social media as a direct banking channel, down from 27 percent last year.

THE INTERNET IS THE DOMINANT CHANNEL
Consumers use online banking the most frequently—60 percent use it at least weekly.

VIRTUAL REALITY IS A REALITY
Included in the survey for the first time, virtual reality headsets rated just ahead of social media and wearable technology as a banking channel consumers want banks to invest in for the future.
Delivering new value starts now

To deliver banking customer experiences that provide new value, retail banks must do things differently—and do different things.

WIN THE DATA GAME
Data is the currency of customer insight. Retail banks are clamoring for it. Banks must refine data collection, preserve customers’ data privacy and digital trust, support insight-driven banking innovation, and develop predictive analytics skills.

REINVENT LOYALTY
Real-time, personalized interactions can cultivate loyalty. Digital marketing platforms can capture customers’ implicit and explicit intent through triggers such as key word searches, social interaction and transaction indicators, so banks can connect in ways that matter.

BE RELENTLESS ABOUT SERVICE
Banks cannot afford to take their eye off of superior customer service. It must become part of the bank’s genetic code, from the business strategy to the day-to-day culture. Service must be consistent and continually refined based on customer feedback.

EXPLORE NEW ROLES
Banks can provide more value to customers by becoming a go-to resource for how they live, rather than being a pure financial utility. There are several roles to play—from brokering partner services to providing an open platform for buyers and sellers to interact.

MASTER “PHYGITAL” EXPERIENCES
Developing banking channels in isolation from one another is risky. Customers want seamless “phygital” experiences that blend physical and digital, and few banks are meeting their demands. Minimizing channel conflict will help banks stand out.

It’s easy for banks to feel secure about how well they are delivering on customer expectations. After all, customer satisfaction remains high at 85 percent. But complacency is never good in an environment as dynamic as this one. And satisfaction is not the same thing as loyalty.

Banking consumers are more demanding than ever before. They know what they want, and they do not hesitate to make the necessary moves to get it. Retail banks cannot wait to meet consumers’ demands for discounts, convenience and relevance. It’s about blending digital and branch banking in exciting new ways so that customers stop chasing value—and start capturing it.
NOTES


2 Consumer loan products include home mortgage loans, home equity lines of credit, auto loans, credit cards, personal loans or lines of credit and student loans.

3 In the survey, Millennials were defined between the ages of 18 and 34. Mass-affluent consumers have an annual income of $100,000 or more after taxes.


5 FDIC Statistics on Banking Database.


SURVEY POPULATION AND METHODOLOGY

The survey was conducted for Accenture by Market Knowledge Online among 4,013 adults in the United States and Canada between March 17, 2016 and March 25, 2016. The overall margin of error is +/- [1.55] percentage points at the midpoint of the 95 percent confidence level.

For questions about the survey methodology, please contact:

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FOR FURTHER READING

Beyond the Everyday Bank
www.accenture.com/BeyondEverydayBank

The Agile Bank Series
www.accenture.com/TheAgileBank

2015 North America Consumer Digital Banking Survey
www.accenture.com/consumerbankingsurvey2015
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