

2014 North America Consumer Digital Banking Survey

The Digital Disruption in Banking

Demons, demands, and dividends



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While many North American banks have been able to retain their customers through traditional channels and digital service offerings, recent shifts in the industry are threatening this historically stable customer base. According to a new Accenture survey of nearly 4,000 retail banking customers in the US and Canada, the customer relationship at traditional banks is susceptible to disruption, despite the fact that in the US nearly 40 percent of customers—64 percent in Canada—have been with their current bank for the past decade or more.

Convergent disruption, in the form of new market entrants, is a growing factor in the banking industry. Yet the survey gives clear evidence that changes in consumer behavior are an equally relevant driving force. For established banks, an understanding of these evolving consumer preferences can lead to significant new opportunities.

Results of the survey indicate that customers want a bank that's nimble and proactive, one that can be a part of their daily lives. The idea of "convenience" in banking is undergoing a shift away from branch locations and toward digital products and services that mesh with consumers' "smart" mobile-empowered lives. Also, banks that cling to the status quo risk being viewed over time more like utilities that conduct financial transactions.

Four Key Findings

More than one in four customers would likely consider a branchless digital bank if they were to switch from their current bank. This is particularly true among younger customers, who are less interested in convenient branch locations and more interested in accessing digital services at the time and place of their choosing (Figure 1).

Nearly three-quarters of US customers—two thirds in Canada—consider their banking relationship merely transactional, rather than driven by advice or a broader relationship (Figure 2).

More than half of customers want their bank to proactively recommend products or services that can help meet their financial needs. Among those interested in these services, 55 percent say that it would strongly increase their loyalty to the bank (Figure 5).

Nearly half of customers are interested in spending analysis that is forward looking and available in real time. And more than one in four customers indicate they would be willing to pay a fee for budgetary advice.



27%

would consider a
branchless digital
bank



71%

consider their
banking relationship
to be transactional
rather than
relationship driven



51%

want their bank
to proactively
recommend
products and
services for their
financial needs

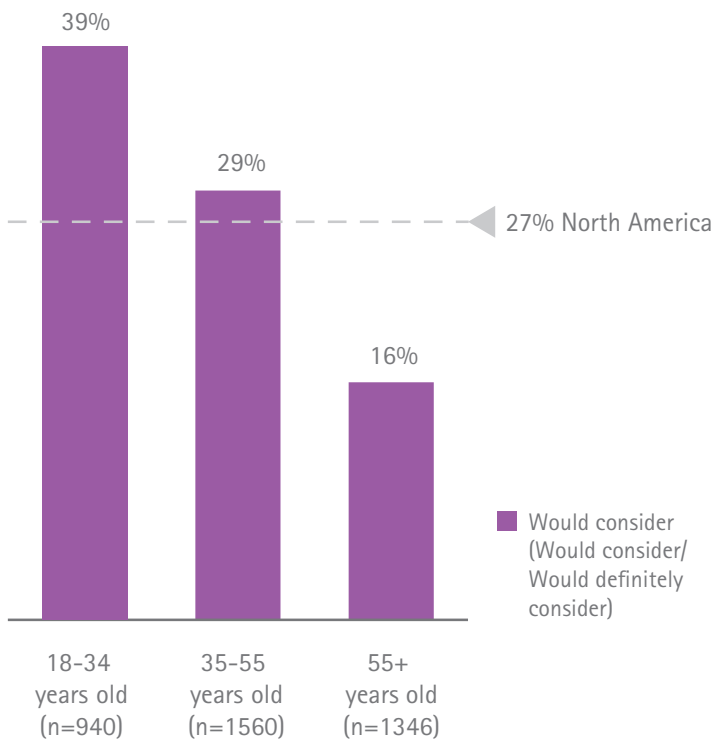


48%

are interested in
real-time and
forward-looking
spending analysis

FIGURE 1. Branchless banking is gaining acceptance

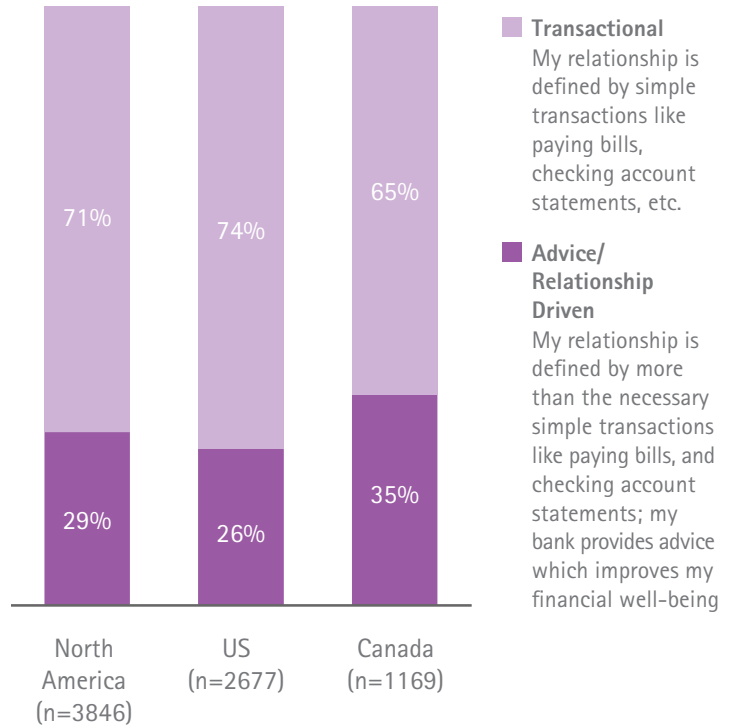
Q: If you were to switch banks, would you consider a bank with no branch locations?



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FIGURE 2. Banking is viewed as transactional

Q: How would you categorize your relationship with your bank?



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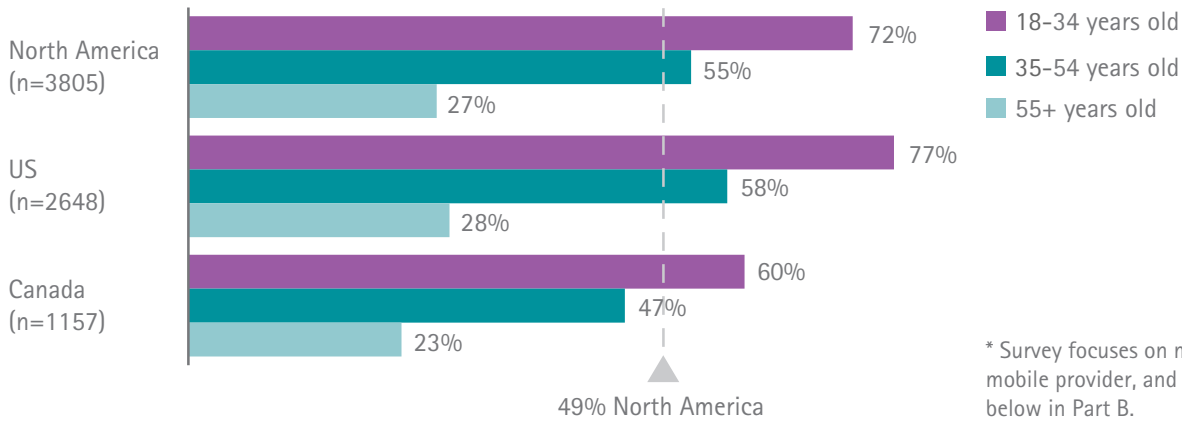
Due to this growing vulnerability of traditional banking practices, an increasing opportunity exists for new market entrants to steal market share over time. A potentially ominous sign for banks is that nearly half of customers would likely bank with a company they currently do business with but that does not currently offer banking services. The number surpasses 70 percent for those ages 18 to 34 (Figure 3a). This includes financial players such as PayPal, Inc., and Square, Inc. Trusted brands outside the financial sector like Apple, Inc.; Google, Inc.; and Amazon.com, Inc., are also a factor. Both groups have rates of potential interest from customers exceeding 25 percent (Figure 3b).

Already, the industry is seeing convergence from established players outside the financial sector. Costco Wholesale®, for example, offers financial services products including mortgages, investments, and business banking in the US through a third-party lender. Similarly, The Home Depot® offers home improvement financing up to \$40,000, also through a third-party lender. In the "Banking 2020" point of view, Accenture estimates that 35 percent of banking revenues will be at risk by 2020 due to disruption in the financial sector.¹

FIGURE 3. New entrants pose a serious threat
PART A

Q: If these companies offered banking services how likely would you be to bank with them?

Percent of respondents which would be likely to bank with at least one non-financial services company.

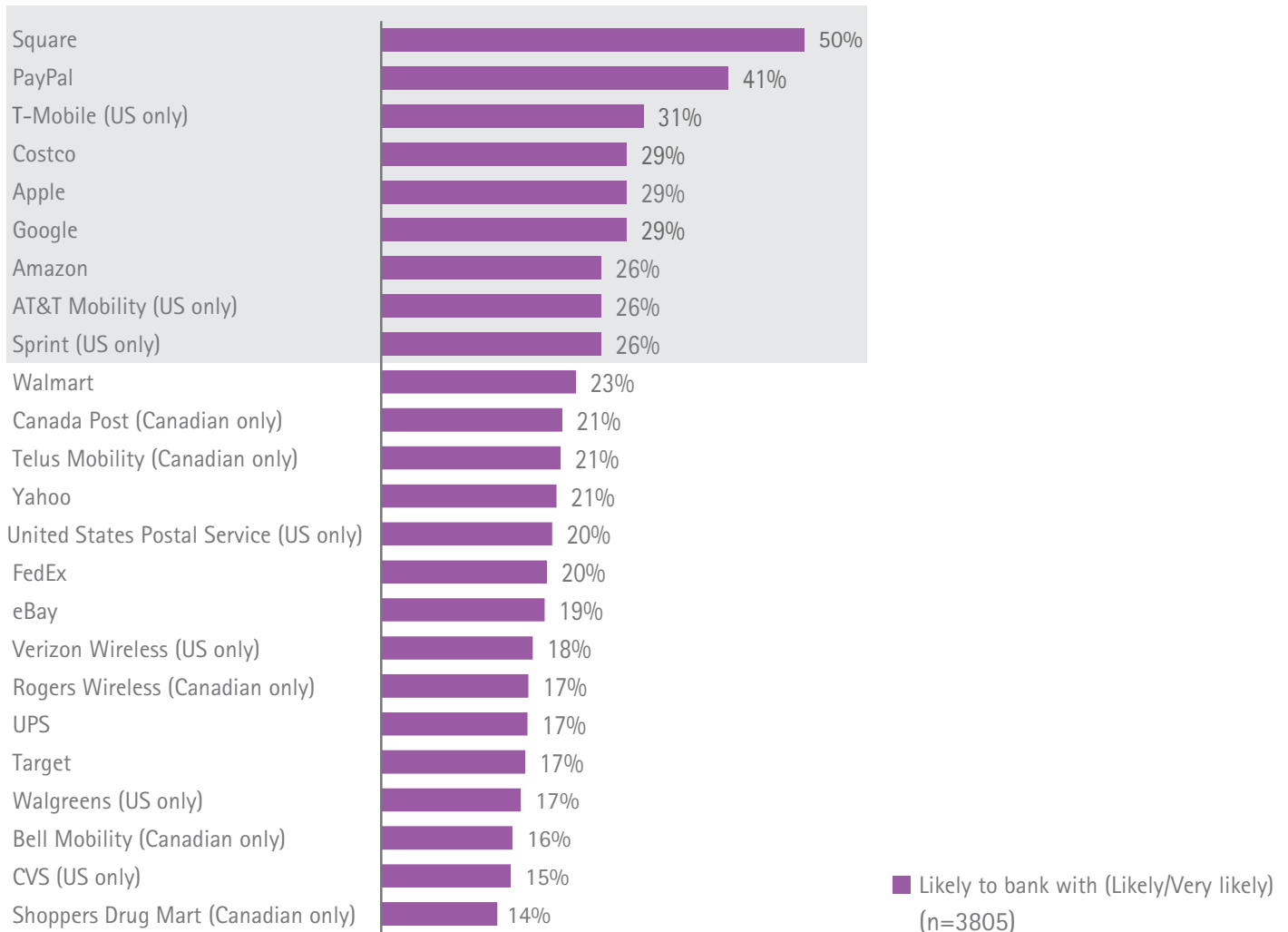


* Survey focuses on major technology, retail, mobile provider, and postal companies listed below in Part B.

PART B

Q: If these companies offered banking services how likely would you be to bank with them?

Percent of customers which would likely bank with each non-bank with which they do business.



Responding to the Threat

To meet these challenges, banks should advance on three fronts:

1

become truly omnichannel by seamlessly integrating the customer experience across in-branch, assisted, and digital interactions

2

extend the ecosystem by offering a greater range of services for their customers

3

offer digital personalized financial advice and counseling to their customers to help them better manage their financial needs

Becoming Truly Omnichannel

Regarding the creation of experiences that are better integrated across channels, the survey findings show notable room for improvement. A majority of respondents who use both branch and digital say the channels are not well integrated at most banks. This is particularly evident in age groups where customers are conducting more advanced financial transactions, such as those between age 30 and 34 who are likely to be purchasing a first home.

Recent Accenture research shows customers still value the branch, which remains the primary sales channel; nearly 60 percent of traditional retail bank products are sold via the branch.² Yet branches are becoming less relevant for younger customers, who are more comfortable with digital technology and less concerned with traditional signifiers of a bank's worthiness. For example, while more than 80 percent of customers consider it important that their bank has a long track record of financial performance, this factor is less important for younger customers.

Instead, these customers want a bank that is agile and innovative, with the digital tools to connect with them on a daily basis. In the "Banking 2020" point of view, Accenture explains how banks give themselves a sustainable competitive advantage by becoming more agile in executing their operating model, and continuously innovating in their application of digital technologies to meet evolving customer needs.

Extending the Ecosystem

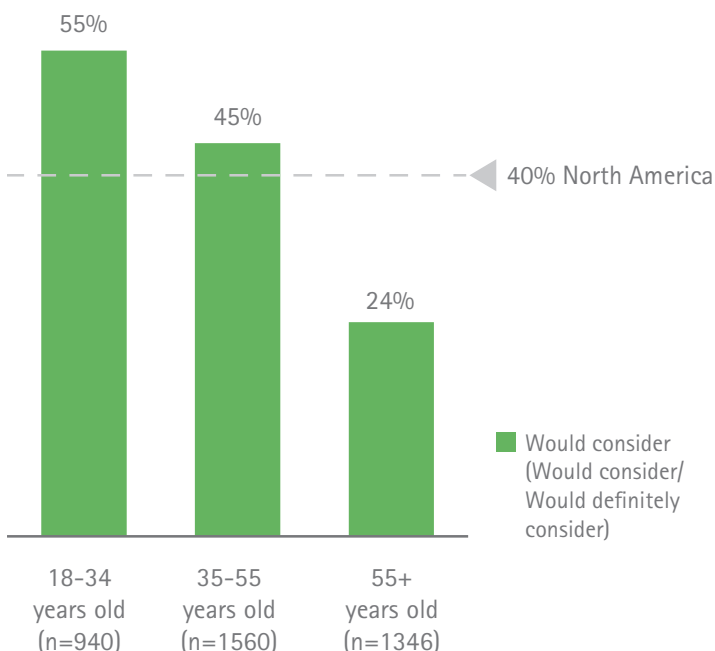
Organizations that become truly omnichannel have the potential to become an “Everyday Bank”, as discussed in the Accenture point of view. Everyday Banks not only fulfill their customers’ standard financial needs but also provide additional services such as help with buying a car, or even more straightforward offerings such as product research.³

In becoming an Everyday Bank, the bank evolves beyond its traditional boundaries to build a digital ecosystem with existing provider partners and other key players in areas such as home goods, health, travel and leisure, communication, and transportation. The bank customizes its offerings in these areas based on its analysis of a customer’s transaction data, and it presents these offerings in a consistent, omnichannel setting, with pre-sale advice, discounts, post-sale support, cross-sale opportunities, and more.

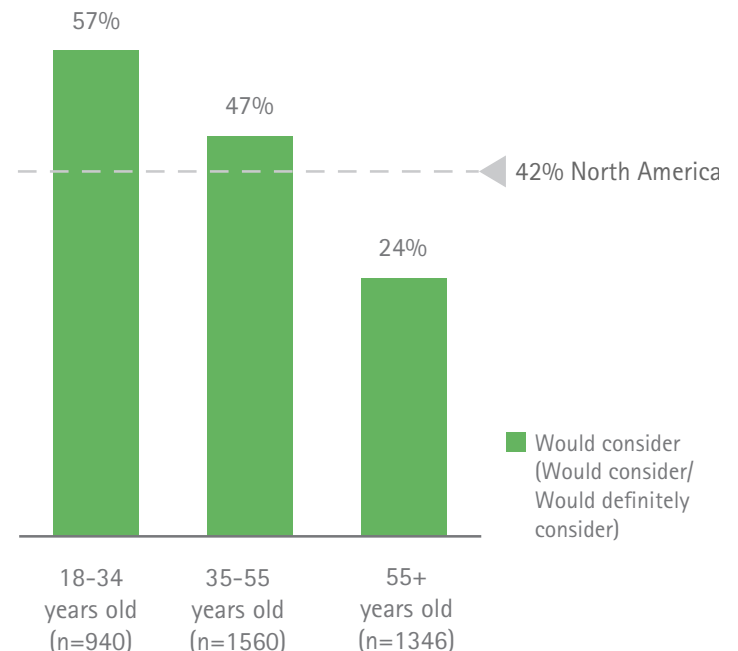
The survey findings show that customers support banks extending their reach. Specifically, a sizable portion of customers (40 percent) indicate that they would be interested in getting help from their bank with a car purchase—such as making recommendations on vehicle models that fit their needs, and offering assistance—or discounts—in the purchasing process. An even higher level of interest (55 percent) exists among younger customers. Similarly, a sizeable portion of customers (42 percent) would be interested in real estate services for the purchase of a home, in addition to getting a mortgage (Figure 4).

FIGURE 4. Extending the ecosystem

Q: I want to be able to inform my bank that I am interested in purchasing a car and have them handle the heavy lifting, providing me recommendations on vehicle models that fit my needs and be able to get me a discount.



Q: I want to be able to inform my bank that I am interested in purchasing a home and have them simplify the process by recommending areas and homes that fit my needs as well as realtors who work in that area.



Digital Personalized Financial Advice Tools Hold Clear Promise

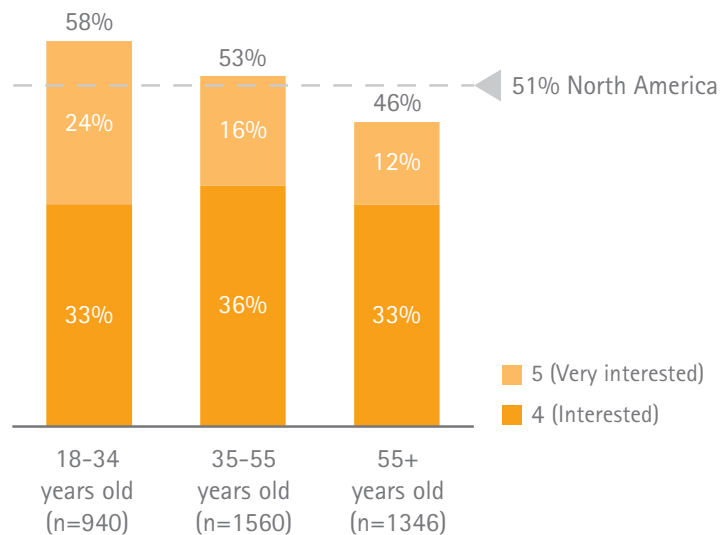
The survey findings also indicate that digital personalized financial advice is a key opportunity for banks. Customers are extremely interested in products and services from their bank that save them money (82 percent) and a strong majority (72 percent) feel that this would increase their loyalty. Furthermore, tools and counseling can help customers gain a holistic, needs-based view of their financial lives—from day-to-day finances to wealth management and longer-term financial security. Providing digital personalized financial advice can better integrate banks into the center of customers' financial lives as banks become more advice-driven. Some 50 percent of customers believe that banks should provide tools and services to help customers create and monitor a budget. Of this group, most (73 percent) feel that these tools would significantly increase their loyalty to the brand.

About half of all customers follow a budget, and among those that do, three out of four still use manual processes, like Excel spreadsheets, to manage it. Others use third-party financial tools like those offered by Intuit, Inc., such as Quicken® or Mint.com®. Only 15 percent use money management tools from their bank—the institution that actually handles the financial transactions and knows the most about their customers' current financial situation.

More broadly, customers strongly indicate that they want banks to help them simplify their financial lives. Some 74 percent feel their bank should provide tools to make their life easier. Automating the generally manual process of budgeting will satisfy a basic desire of customers.

FIGURE 5. Customers desire proactive advice

Q: I want my bank to proactively recommend products or services to me which I may find useful taking into consideration which accounts I already have.



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Regardless, if a customer follows a budget, there are more advanced financial management tools that bridge the gap between customer-driven budgeting and banks providing digital advice. For example, among survey respondents:

- 46 percent say their bank should proactively analyze their spending and provide feedback
- 48 percent are interested in real-time spending analysis with forward-looking, safe-to-spend analysis
- 51 percent want their bank to recommend products or services that they might need, while considering which accounts they already have

In all three cases, more than three-fourths of the customers interested in a specific product say it would strongly increase their loyalty.

There is also a notable age correlation—while a majority of customers below age 55 express an interest in proactive financial advice and services from their bank, the demand is strongest from customers below age 35 (Figure 5).

Clearly, by bringing digital personalized financial advice to the heart of the relationship, banks can boost engagement and customer loyalty, especially among the younger generation who will drive bank revenue tomorrow. In some cases, such tools also provide a direct opportunity to boost revenue. More than one in four customers indicate that they would be willing to pay a fee for a service in which a bank representative works directly with them to create and monitor a budget, not to mention the increased insight customer analytics can yield for enhanced cross-sell and revenue optimization.

Digital technology is introducing a new demand for how banking services are delivered. In particular, Millennials—under 30 years of age—have distinct preferences regarding financial services and digital technology.

Millennials and Money

Are highly connected, with an always-on mentality.

94% are active users of online banking

72% are active users of mobile banking

92% are active users of social media

Have higher expectations of omnichannel distribution.

67% feel the traditional and digital experience they receive from their bank is somewhat or not at all seamless (compared to 45% for those over 55)

Are not as tied to the branch experience.

39% would consider using a branchless digital bank (compared to just 16% for those over 55)

Want to bank on their time.

56% are interested in having a video chat with a bank representative by accessing a link on their bank's website, mobile or tablet application (compared to 23% for those over 55)

Embrace new entrants.

72% would be likely to bank with non-financial services companies with which they do business (compared to 27% for those over 55)

Want help with managing their finances.

67% are interested in their bank providing tools and services which help them create and monitor a budget (compared to 31% for those over 55)

Are in touch with their spending.

66% follow a budget (compared to 36% for those over 55)

Expect their bank to be proactive.

58% are interested in their bank proactively recommending products or services (compared to 46% for those over 55)

Are seeking advice through emerging channels.

22% look for financial advice via social media (compared to 3% for those over 55)

Tomorrow

Starts

Today

In conclusion, this research signals an opportunity to more effectively deliver banking products and services in the future. The disruption happening in banking is being driven by evolving customer behavior. Consumers are clearly calling for a new service proposition—they want banks to help make their financial lives easier and to enable them to manage their money more proactively. Banks that cannot craft a meaningful response to this growing need risk losing customers—and revenue—to other more digitally focused financial services providers. Over time, they will be viewed more as a facilitator of transactions.

By truly focusing on customer needs and integrating data, analytics and insight with product development and delivery, banks are poised to transform not only the service proposition they offer to their customers but also the perceptions of their brand. That, in turn, will help drive overall loyalty. The adoption of digitally enabled services presents a unique opportunity for banks to deepen the relationship with their customers—going beyond daily banking to helping them better manage their financial lives on a daily basis.

At the same time, banks that meet this need—by using digital to learn more about what their customers want, and delivering proactive advice and services through a consistent, omnichannel approach—have a clear opportunity to build stronger customer relationships and improve their overall performance. In short, the future of banking is driving relevant, higher-valued propositions to customers in an omnichannel way through digital. Banks that get head of this trend will give themselves a winning edge.

How Accenture Can Help

If you're seeking to make the digital transformation journey, you need an ally who can set the right strategy for your organization and help implement that vision to realize financial value. Based on our research and experience in working with banking clients, Accenture has the right combination of capabilities, knowledge, operational footprint, and people to bring your digital business to scale.

Our specific offerings include:

- Omnichannel Distribution and Marketing Strategy Design and Architecture
- Customer Experience Management Design and Implementation
- Customer Analytics and Big Data Strategy and Enablement
- Multichannel CRM Strategy and Implementation
- Financial Services Proposition Development and Ecosystem Optimization

Survey Population and Methodology

Accenture conducted an online survey of nearly 4,000 North American retail banking customers of the leading banks in the US and Canada. The survey was conducted between March 10 and March 18, 2014. It has a statistical margin of error of +/- 1.58 percentage points at the midpoint of the 95% confidence interval.

For questions about the survey methodology, please contact:

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