



THE STATE OF BANKING

TOWARDS THE IDEAL CUSTOMER EXPERIENCE



ABOUT US

SLD is a global branding firm specializing in transforming customer experiences for financial institutions and retailers brands. A key tenet of the company's approach is the constant review of trends and market dynamics influencing ideal transformation outcomes.

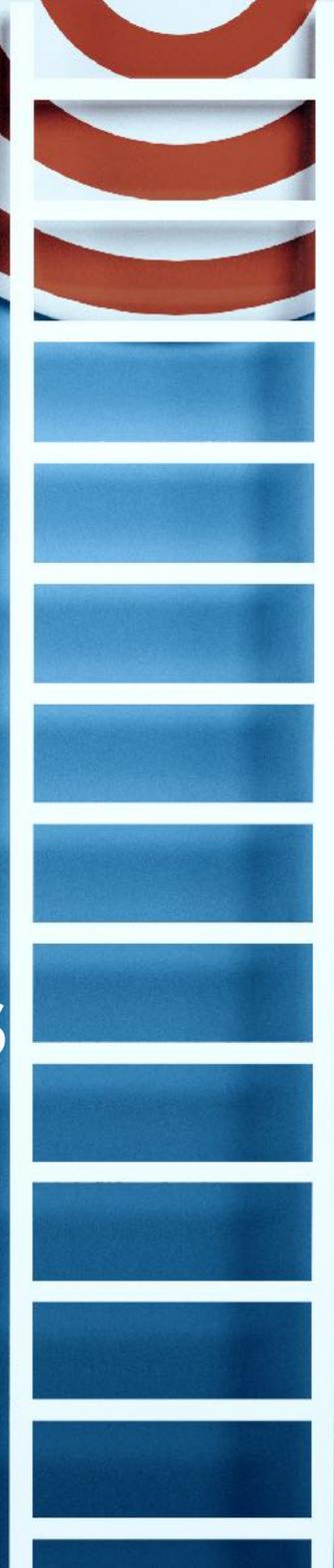
Building on our 2017 North American Retail Banking Stealth Attrition study and the follow-up, Measuring what Matters 2022, in this paper we explore the state of the banking industry across the globe, leveraging insights from hundreds of thousands of respondents across three continents through Statista's global quarterly surveys.

Through enormous quantities of data, we explore the current state of customer satisfaction, which financial institutions are vulnerable, and the key drivers. The insights reinforce that technology alone will not drive loyalty, as it only serves the transactional needs of banking customers.

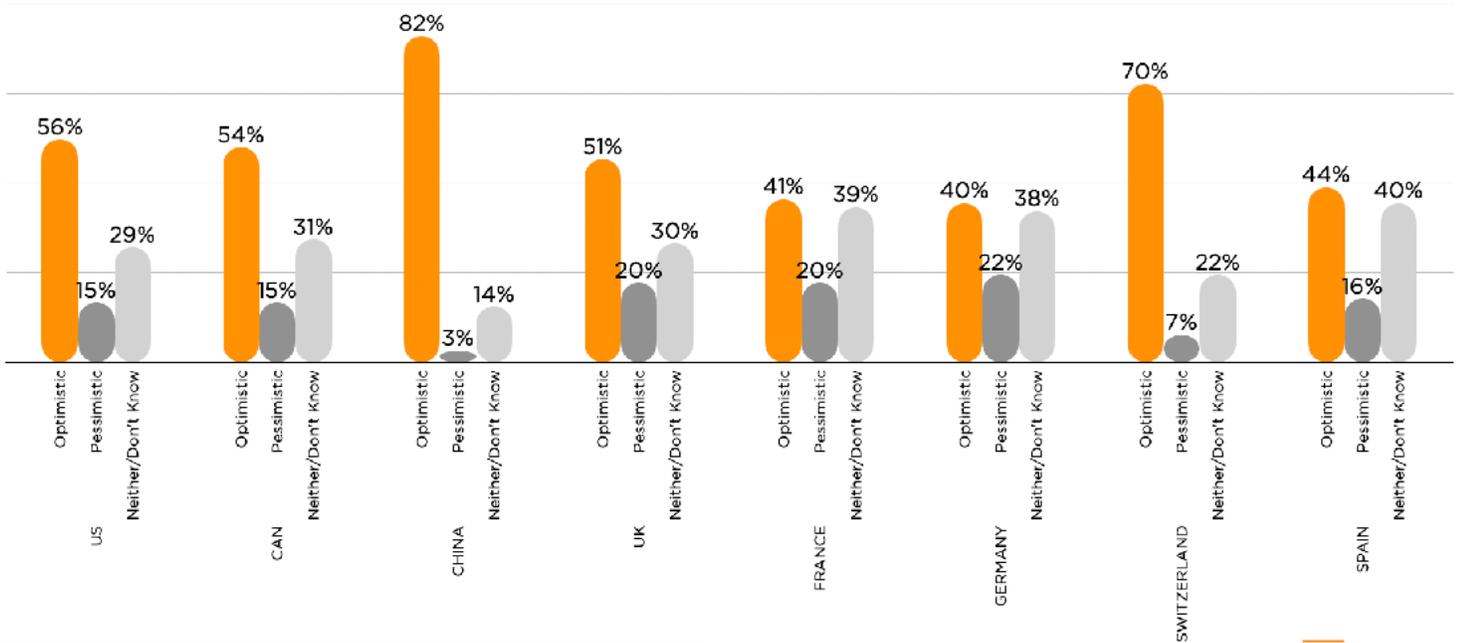
The State Of Retail Banking In 2023

SLD conducted a review of Statista's global quarterly surveys to understand the state of the banking industry, focusing on the level of customer satisfaction with their primary financial institution. The review explores the drivers of customer loyalty and satisfaction with their primary bank.

The data was pulled between January 2022 to 12 December 2022 from over 100,000 respondents across the United States, Canada, China, United Kingdom, France, Germany, Spain and Switzerland. Metrics such as customer satisfaction, banking behaviors and likelihood of defection were reviewed to identify potential patterns and areas of vulnerability for financial institutions.



Key Findings



Feeling OK

Cautious Optimism

The pandemic and inflation have not significantly impacted the level of optimism with more than 50 percent of consumers in the markets studied indicating they were optimistic. However, the level of optimism is not equally distributed amongst the countries we reviewed, with France, Germany, and Spain ranking the level of optimism in the 40 percent range, China and Switzerland having the highest level of optimism, and North America somewhere in between.

Age, income level, and education influence the level of optimism. The Gen Z and Millennials age segments, more highly educated, and higher income consumers are significantly more optimistic. Surprisingly, the correlation between pessimism and financial anxiety does not appear as obvious as would be expected, as both Germany and France had lower levels of pessimism while Canada had some of the highest.



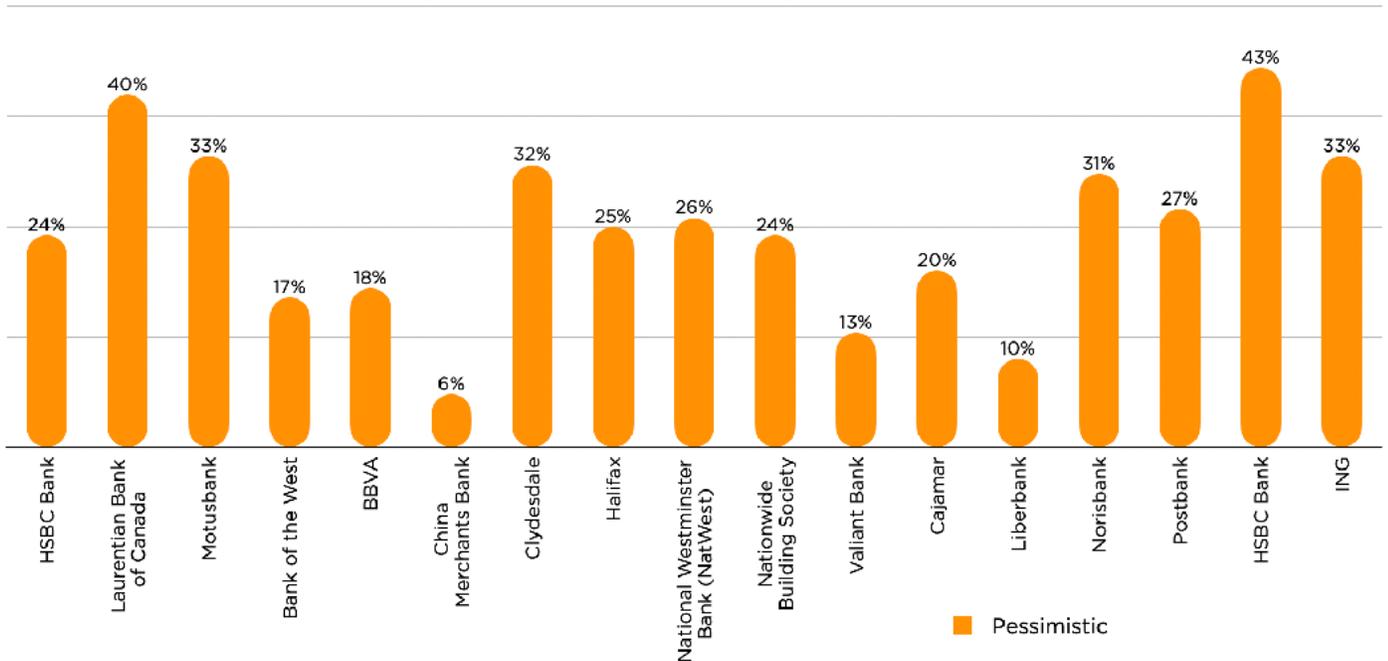
Pessimism Beyond COVID

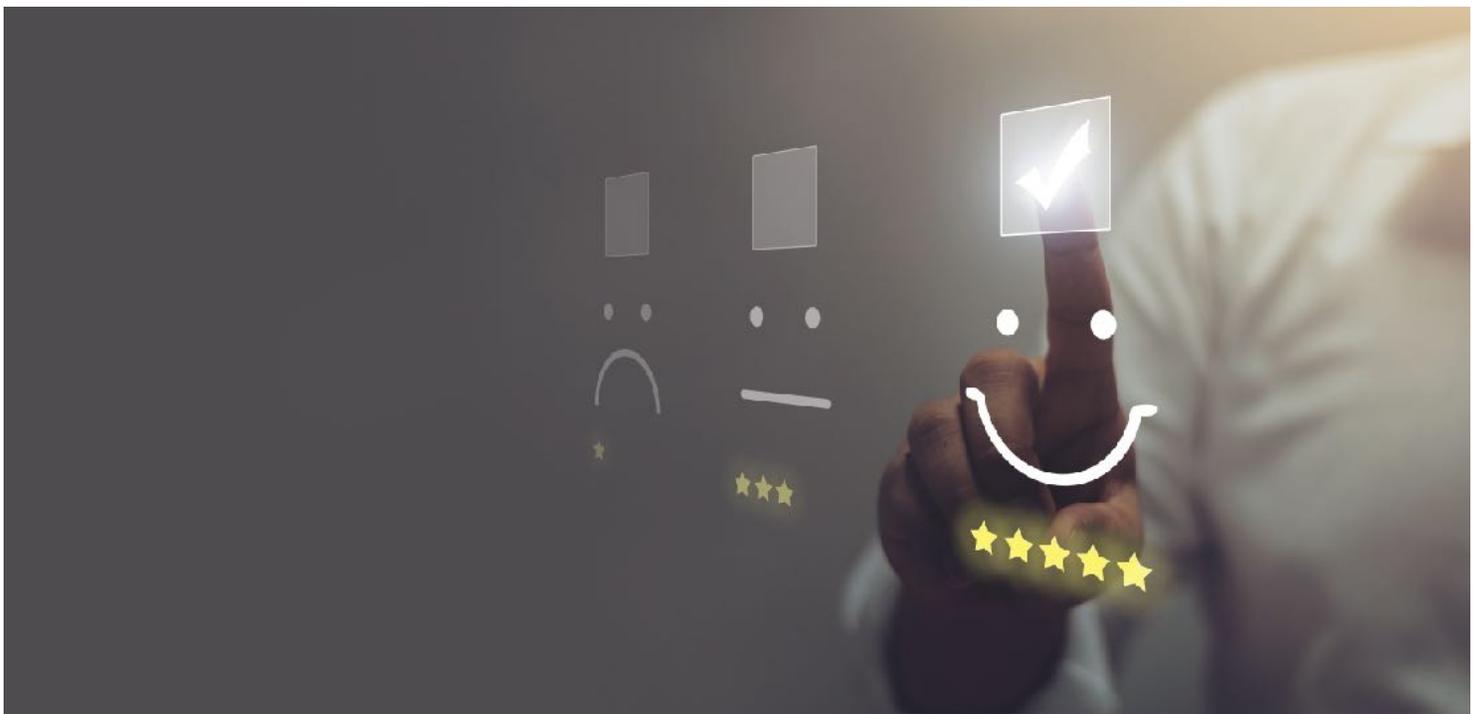
When reviewing countries with low optimism scores, the COVID impact is clear, driven by a reduction in holiday travel, discretionary spending, and less in-person socialization. Countries with lower optimism scores also reporting higher levels of domestic and economic challenges.

Pessimism can also be correlated to certain institutions. In Canada, Laurentian Bank and HSBC customers have significantly higher than average pessimism scores. In the US, Bank of the West, US Bank, and M&T Bank have higher pessimism scores.

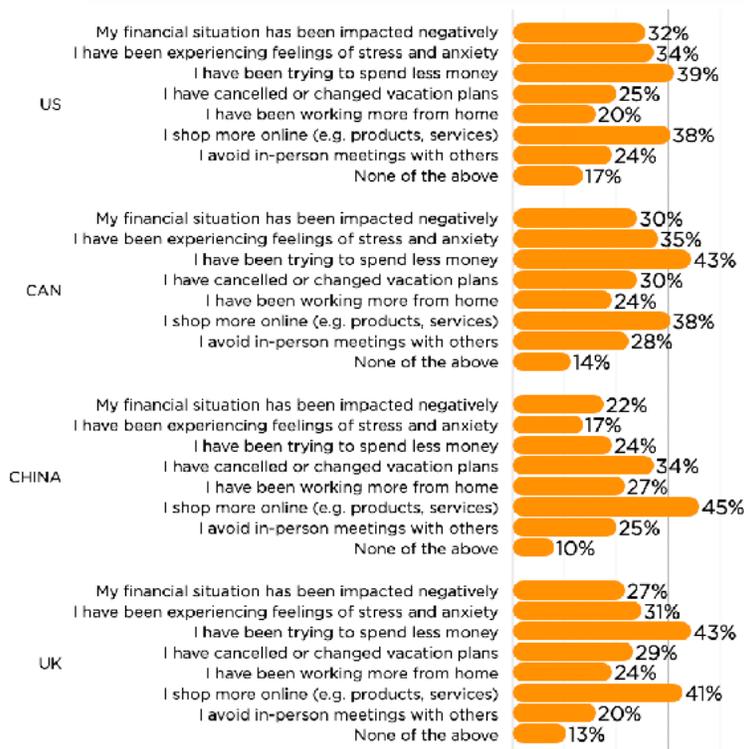
High levels of pessimism could also be found in the UK's Clydesdale and Yorkshire Banks, Spain's Kutxabank and Cajamar Banks, Germany's Norisbank and Postbank and France's HSBC Bank and ING.

In China, banks scored significantly higher optimism across all institutions.





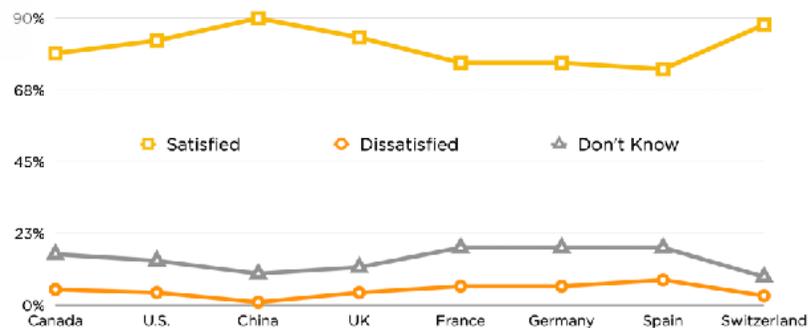
Drivers Of Social And Economic Negative Attitudes For Banking Customers



High banking satisfaction

Overall, customer banking satisfaction was high across all countries, with China and Switzerland reporting the highest level of satisfaction. Spain is at the bottom, heavily influenced by customers feeling uninformed about their personal financial situation and having a high level of anxiety about their financial future.

What Causes Banking Customers Anxiety By Country



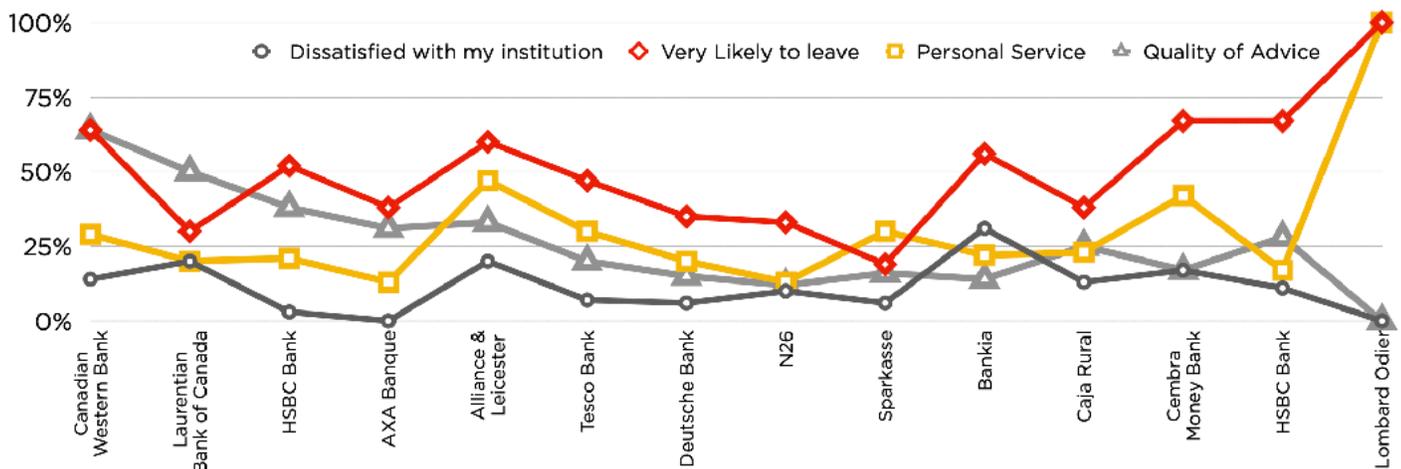
Who Is At Risk Of Losing Customers?

In spite of high reports of satisfaction, many customers report specific issues that may cause them to leave their financial institution. The larger banks or digital-only institutions in the US have a significantly higher likelihood of defection. In addition, within each country, the study identified financial institutions which were highly vulnerable to customer defection. In particular, Canadian Western Bank in Canada, Cembra Bank in Spain, Money Bank, HSBC and Lombard Odier Bank in Switzerland have the highest level of customers indicating a very likelihood of leaving these institutions.

However, as noted in the case of several institutions with high satisfaction scores but also high attrition levels, satisfaction is not the only indicator of future attrition. The level of service and personal advice play critical roles.

The findings mirror our Seamless Banking Experience study in identifying the importance of advice and customer service in reducing the risk of attrition.

Unfortunately, financial institutions rank poorly on being seen as a critical source for financial advice. This is a critical gap digital transformation initiatives will not be able to fill. Financial advisors rank low on influencing where consumers do their banking - however, recommendations and personal advice, customer service, and an emotional connection to the brand are critical motivators. Financial advisors may rank low due to the fact that consumers are skeptical about bank advisors' neutrality. Addressing financial insecurity is critical, however, and the banks that solve this issue will see growth: consider that over 35 percent of banking customers in Spain, Canada and the United States report they are worried about their financial future.



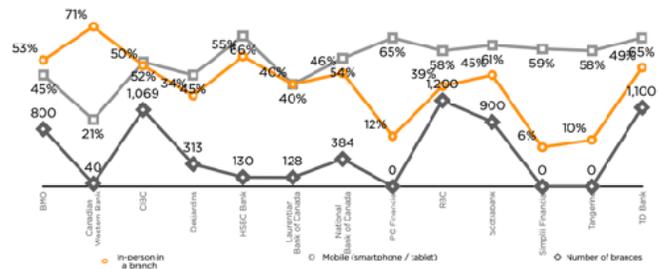
The importance of advisors

The 30 to 39 age group are the most likely to switch financial institutions. This is not surprising as more than 45 percent do not have a personal advisor with the high growth categories. In addition, Millennials are the most prone to defection due to the quality of advice. AI is not going to solve the problem; Robo-Advisor usage remains low, other than in China where AI has gained momentum, especially with this age group.

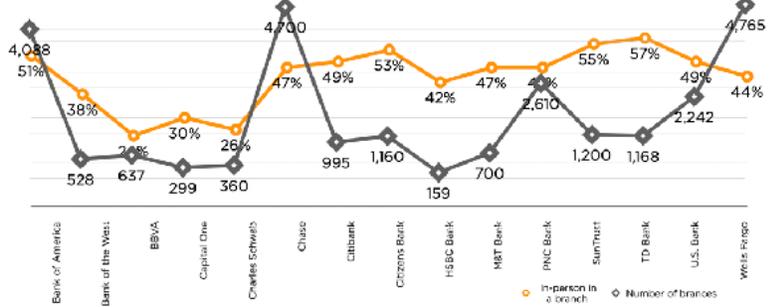
Access to a personal advisor is a key driver in financial investment while advice for loans is less important. Not surprising, as customers view banks as good at security and range of digital services, and less so for terms and conditions. In Canada BMO, Canadian Western Bank, TD, RBC, and Desjardins had high scores for the quality of advice. In comparison to North America, Chinese customers have a higher percentage of accounts supported by an advisor across the majority of products, a key factor in their high level of satisfaction with their institution.

visits, while the biggest factor is dominance of mobile banking.

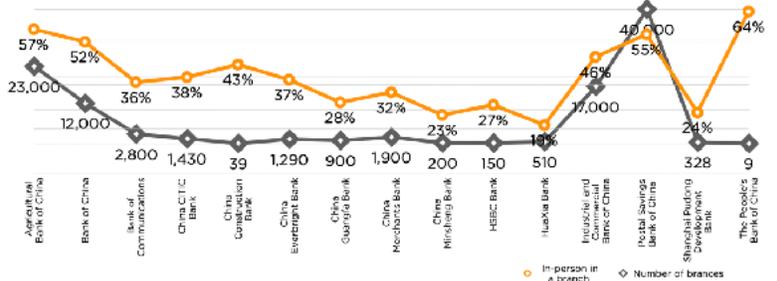
CANADA



UNITED STATES

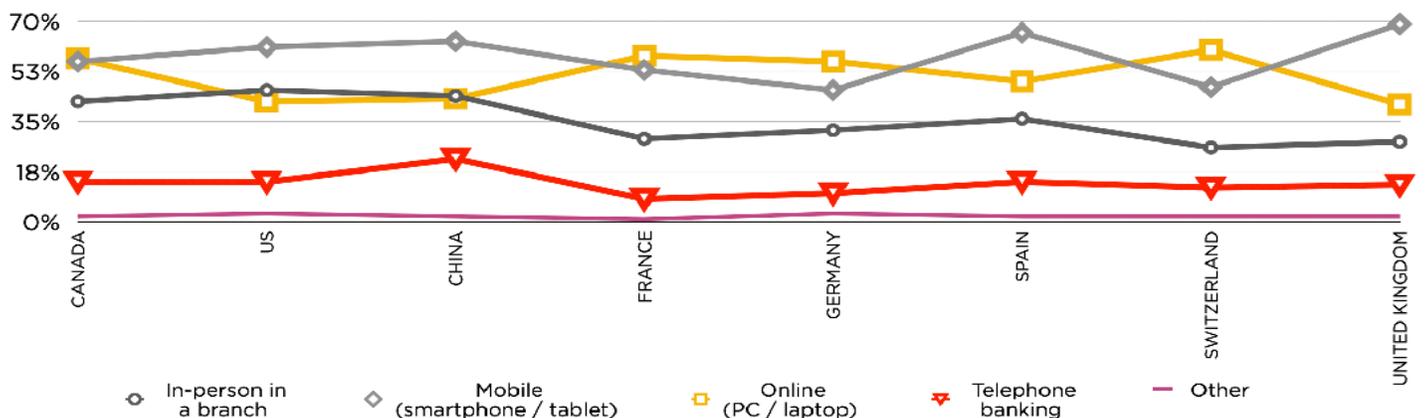


CHINA



Channel Usage & Impact

The preferred channel across all markets is mobile followed by online, while Canadians report equal online and in-person banking with mobile significantly lower. Both Switzerland and the UK had the lowest level of in-person banking. In Canada, the availability of a range of digital services was a key influencer of defection. The number of branch locations does impact in-branch



Product vulnerability

Primary banks are seen as especially good at security, range of payment options, and range of financial products. However, less so for lending conditions, terms and conditions, and quality of service. When respondents were asked which banking products they acquired in the past 12 months where they changed providers, they mentioned checking account, credit card, and savings account. These products are most vulnerable for silent attrition.

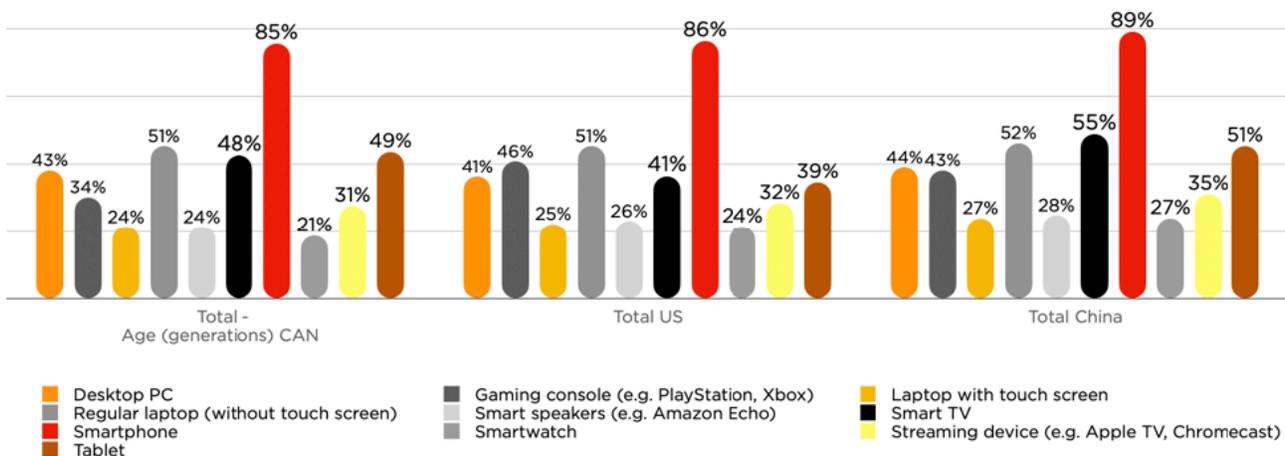
In Canada and the US, Gen Z and Millennials have a high intent to purchase financial products while Gen X and Baby Boomers are less inclined. This is likely due to older customer segments already owning many products while younger consumers are still growing their financial portfolio. In China, intent to purchase financial products are the highest with less than 20 percent indicating a lack of intent.

Cryptocurrency has not taken hold with the highest level of ownership amongst Millennials at 22 percent. Equity investments remain low among the younger generations identifying an opportunity.

Digital engagement is evolving

Banks may want to expand their engagement channels beyond mobile, as Smart TV, laptop and tablet are the preferred devices for internet connections. In addition, the rise of gaming amongst Gen Z provides an additional channel to engage the future generation of clients.

The majority of markets rely heavily on recommendation by friends, followed by the online channel and television when searching for financial information.



KEY INSIGHTS



SECURITY REMAINS A KEY DEFECTION FACTOR

Customers expect their financial institution maintains a high level of security and it is the key factor for account defection. It's important for institutions to reinforce not only cybersecurity but to communicate clearly with consumers about the measures they take and also how they can help keep their accounts secure.

ALTHOUGH SATISFACTION IS HIGH, NOT IMMUNE TO DEFECTION

Irrespective of the level of satisfaction with the given financial institution, customers are highly prone to defection, especially if the organization offers online-only services. Exploring the entire customer Omni-channel journey can ensure banks remove friction between channels that could drive defection.



LENDING CONDITIONS, TERMS AND CONDITIONS AND QUALITY OF SERVICE FLASH POINTS

If customers are going to defect, these factors will be trigger points across the majority of markets. With customers placing high importance on service experiences and facing high levels of financial anxiety, institutions will need to ensure their sales choreography and staff training constantly evolves.

KEY INSIGHTS



BANKS NEED TO AMPLIFY ADVICE

Customers are seeking better financial advice from their institution. The data clearly supports advice is an under-leveraged need. In fact, our Stealth Attrition study found that customers rely more on family and friends for financial advice than bank advisors. This opportunity has been ignored by most institutions, leaving an opening for a powerful differentiator for the first to get it right.

DRIVING LOYALTY THROUGH EMOTIONAL CONNECTIONS

The data identifies the importance of creating brands that connect emotionally with customers. Institutions need to shift from selling products to emotional solutions that resolve the financial anxiety customers have about their future.



DIGITAL DOMINATES HOW CONSUMERS FIND INFORMATION AND BANK

With the shift to mobile as the primary banking channel, institutions will need to evolve their platforms towards a seamless experience which also integrates customers other lifestyle apps to delivering a single view of their lives. Ensuring a seamless connection to the branch experience is critical.

KEY STRATEGIES

Opportunities for financial institutions to reduce vulnerability to customer attrition.

We have identified six key strategies financial institutions may want to consider to reduce the vulnerability of silent attrition while delivering a better customer experience.



Opportunity #1: Shift mindset from transaction to services

Easier said than done. However, advice and increased customer service are key drivers of growth.

- Raising the level of advice and services ensures a lower level of attrition.
- Leverage advice to build Gen Z and Millennial customers.
- Explore product portfolio to identify how advice can reduce customers' anxiety about their financial future.



Opportunity #2: Humanizing the entire Omni-channel experience

Customers want to deal with empathetic people, not numerous prompts and automated systems.

- Customers want to interact with people, not chatbots or automated voice prompts, to answer their needs.
- Ensure every aspect of the customer journey allows for access to live bankers.
- Explore the development of an advice-centric ecosystem to elevate knowledge sharing and meet unmet customer needs.



Opportunity #3: Answer emotional need with solutions, not products

Understanding how to match the customer with the right solution starts with understanding how they feel.

- How customers feel about themselves and their primary financial institution is critical in building brand loyalty.
- Any product sales should start with how it solves a customer's emotional need.
- Copy and message should reinforce an empathetic voice supported by listening and less selling.



Opportunity #4: Transform the branch experience to support advice

It seems so obvious but many branches have not migrated their experience towards advice systems.

- Teller lines reinforce a transactional relationship. Consider creating different tiers of privacy within the branch.
- Introduce automated queuing systems that allow appointment setting from customer mobile devices to reduce wait anxiety.
- Introduce comfortable waiting areas with supporting digital signage.



Opportunity #5: Elevate the mobile experience

With mobile now representing the majority of customers' daily banking, it's important to constantly evolve the platform.

- Customers are no longer just looking for an app to do their daily banking; they desire a platform that seamlessly brings all of their lifestyle needs, from health to budgeting, into one platform.
- With the growth of faster networks and augmented reality, there are many opportunities to leverage these platforms within the branch experience.



Opportunity #6: Explore the emerging gaming platform

With gaming replacing movies and becoming a growing channel to reach younger consumers, banks need to explore how they can leverage them

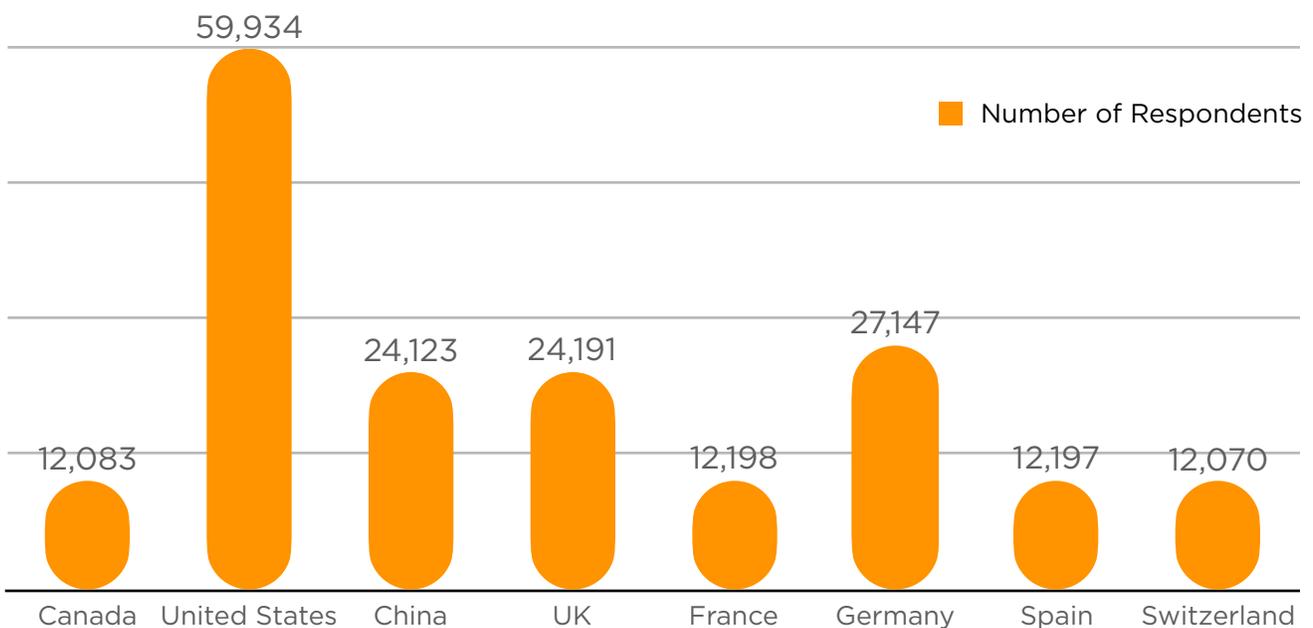
- The Metaverse is emerging as a new channel to engage customers.
- As companies explore how to market to their customers, gamification of banking and saving money provides an opportunity to both educate, engage and entertain.



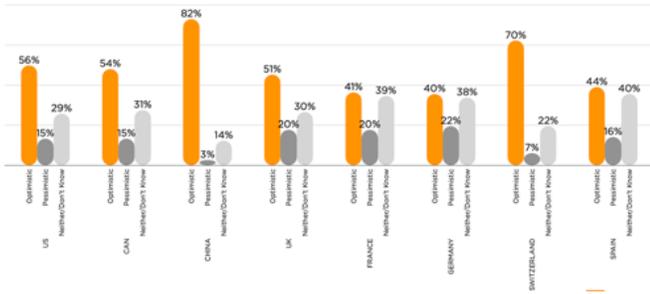
Appendix

Research respondent distribution

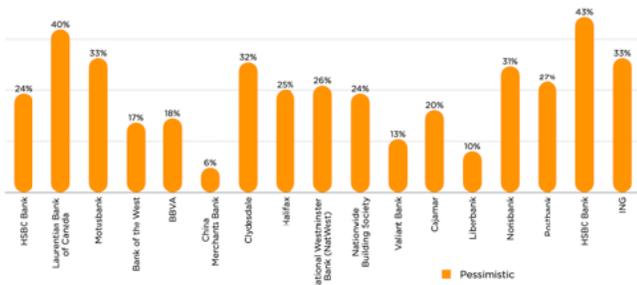
Canada	United Kingdom
Number of respondents: 12,083	Number of respondents: 24,191
Age of respondents: 18 to 64 years old	Age of respondents: 18 to 64 years old
Type of respondents: residential online population	Type of respondents: residential online population
United States	Germany
Number of respondents: 59,934	Number of respondents: 27,147
Age of respondents: 18 to 64 years old	Age of respondents: 18 to 64 years old
Type of respondents: residential online population	Type of respondents: residential online population
China	Spain
Number of respondents: 24,123	Number of respondents: 12,197
Age of respondents: 18 to 64 years old	Age of respondents: 18 to 64 years old
Type of respondents: residential online population	Type of respondents: residential online population
France	Switzerland
Number of respondents: 12,198	Number of respondents: 12,070
Age of respondents: 18 to 64 years old	Age of respondents: 18 to 64 years old
Type of respondents: residential online population	Type of respondents: residential online population



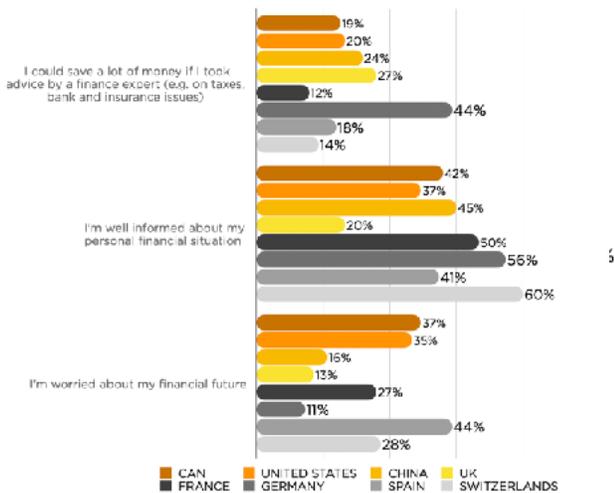
China and Switzerland have the highest level of optimism while France and Spain the lowest.



The following institutions had the highest level of customer pessimistic of the 50 institutions in our study.

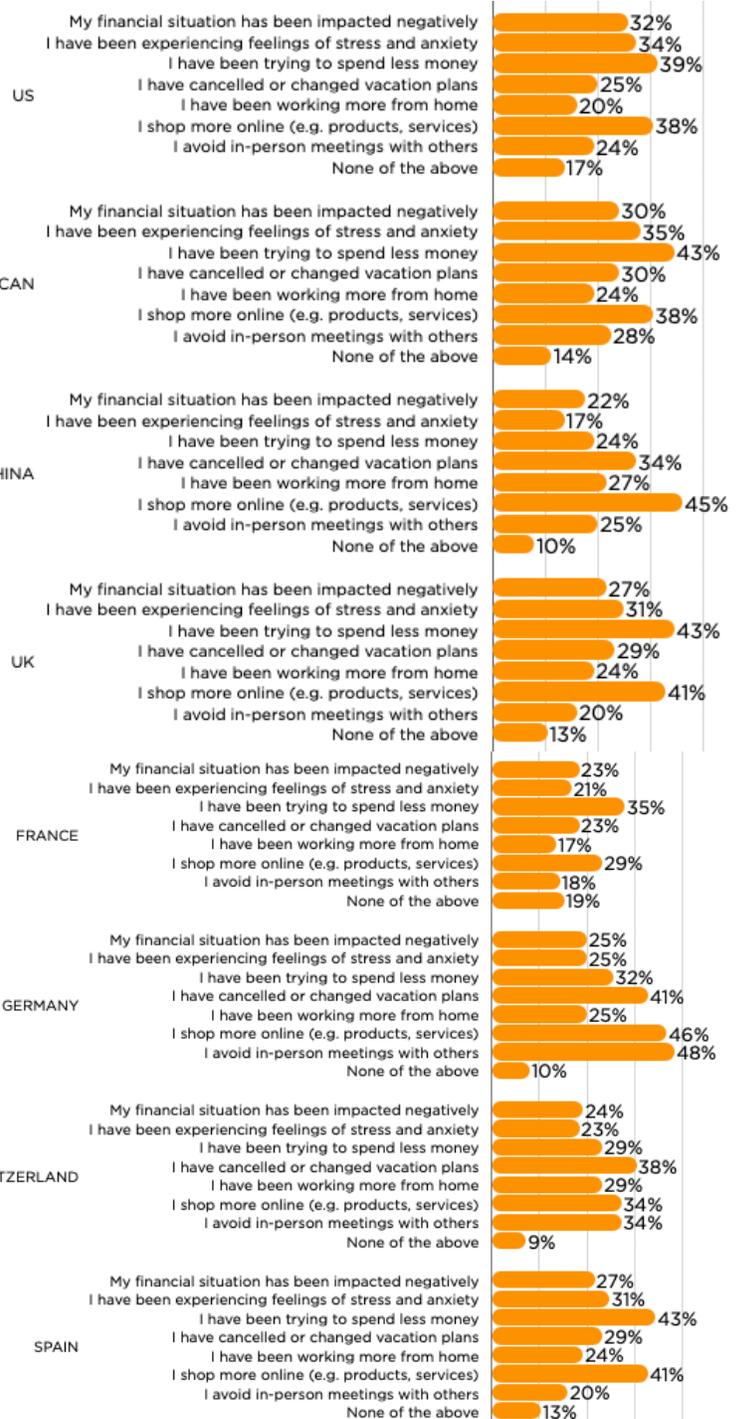


Germany, China and UK had the lowest level of anxiety over customer's financial future while Spain and Canada had the highest.

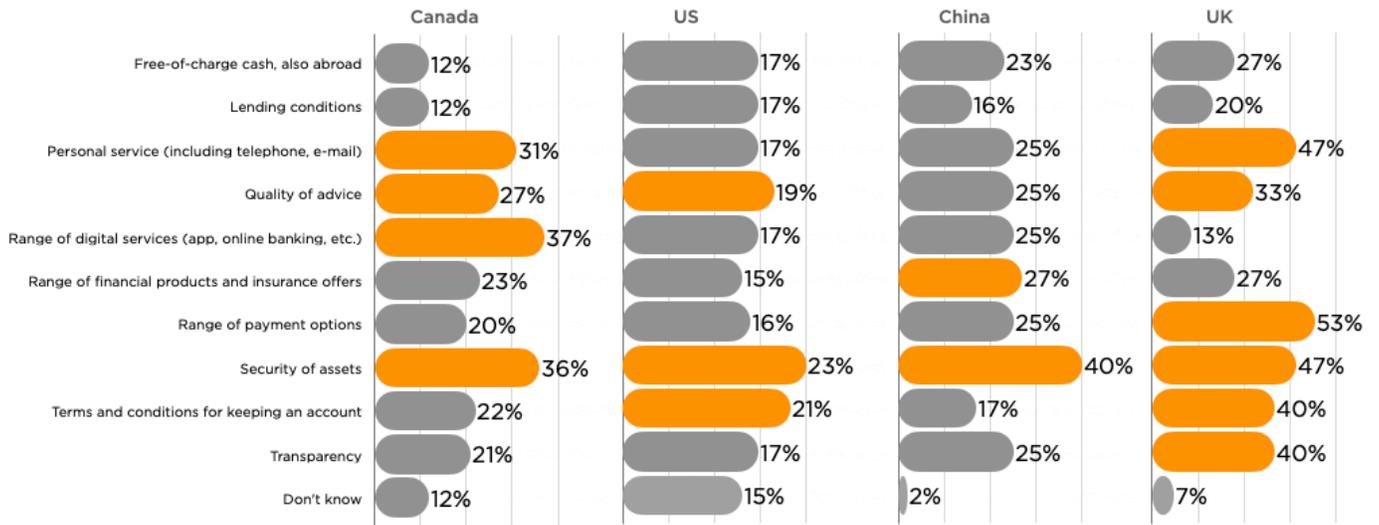


Question: Attitudes towards personal finances Question: Which of these statements about finance apply to you? (multi-pick) Base: all respondents (Health, Finance, Insurance)

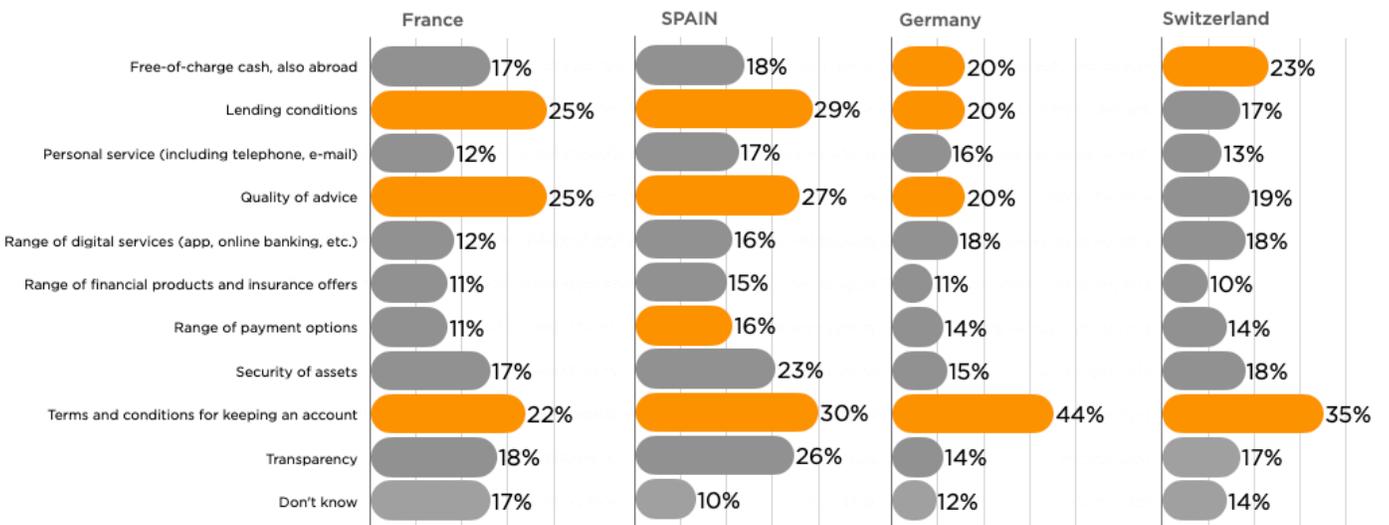
Shopping more online and spending less money the big shifts due to COVID.



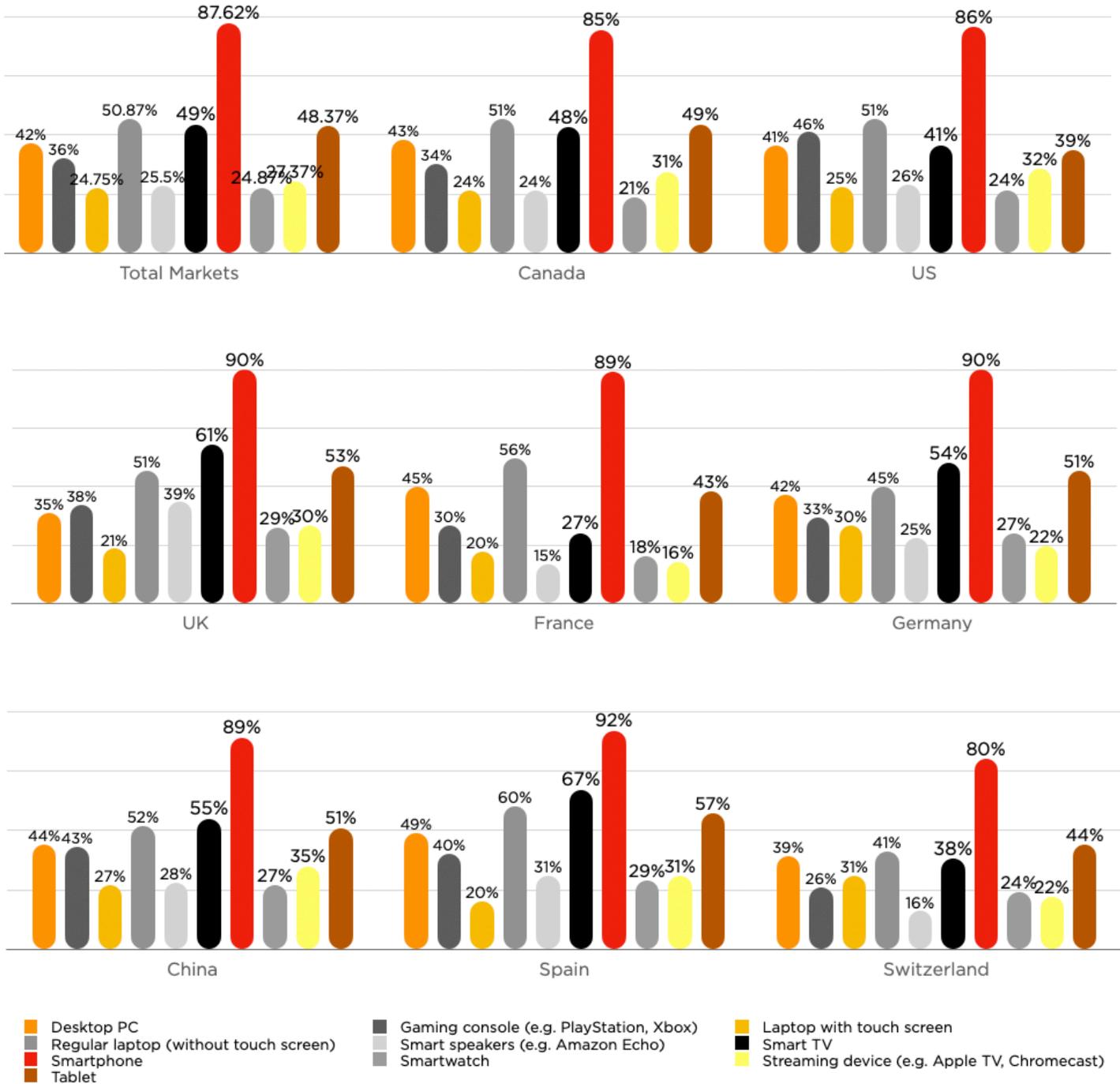
Security remains a key defection factor for the UK, North America and China but not Europe, where terms play a critical role.



Question: What would be the main reasons for you to change a financial service provider (e.g. bank)? (multi-pick) Base: all respondents (Health, Finance, Insurance)

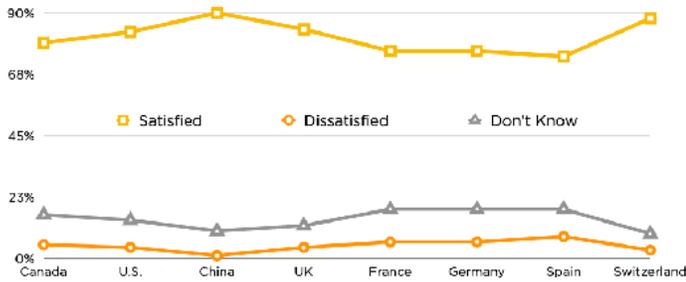


Mobile, smart TV, regular laptop and tablet are also the preferred devices for internet connections across the globe.

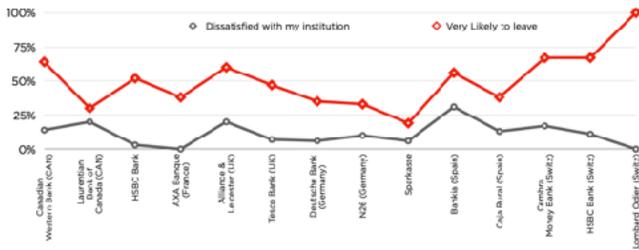


Question: Internet usage by device Question: Which of these devices do you regularly use with an internet connection? (multi-pick) Base: all respondents.

China had the highest level of customer satisfaction, followed by Switzerland while Spain and France had the lowest.

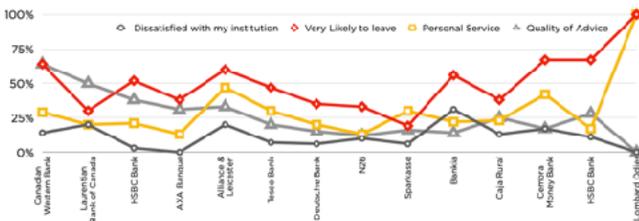


The following financial institutions in our study had the highest risk of customer defection across the 50 institutions.



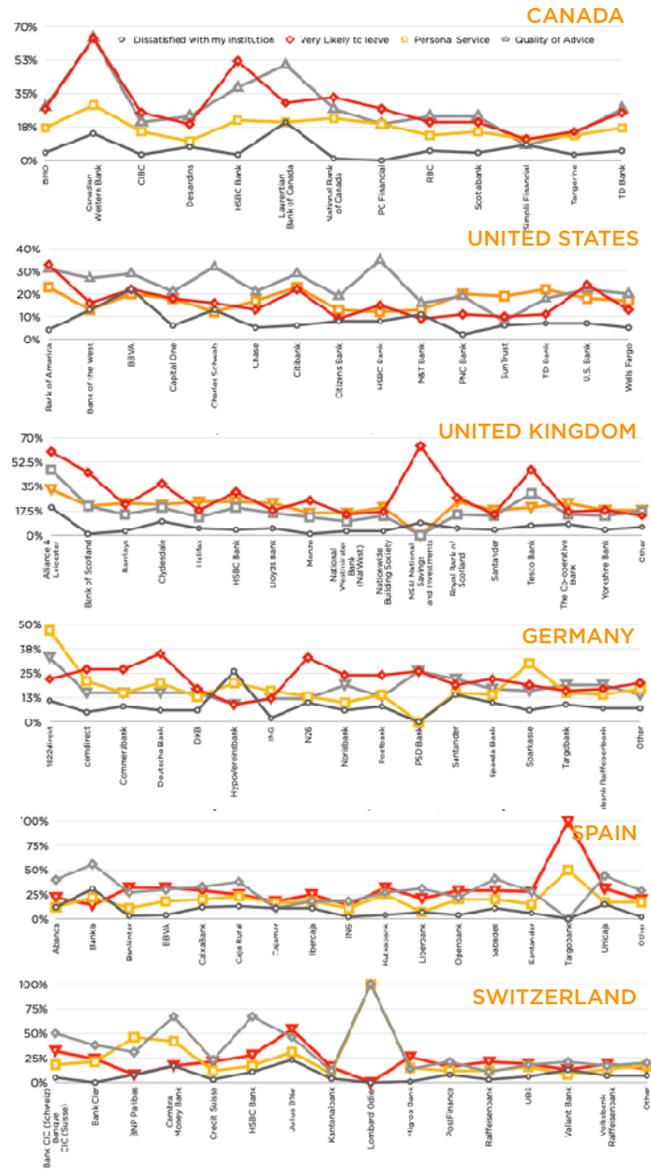
Question: Satisfaction with primary bank; Base: respondents who have a bank account (Health, Finance, Insurance)
 Question: What would be the main reasons for you to change a financial service provider (e.g. bank)? (multi-pick) Base: all respondents (Health, Finance, Insurance)

Quality of advice and personal service key attrition factors for these institutions.

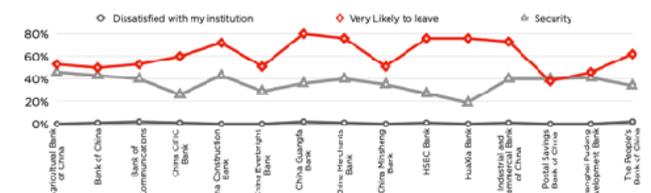


Question: Satisfaction with primary bank; Base: respondents who have a bank account (Health, Finance, Insurance)
 Question: Recode based on Satisfaction with primary bank (detailed) (single-pick) Base: respondents who have a bank account (Health, Finance, Insurance)
 Question: What would be the main reasons for you to change a financial service provider (e.g. bank)? (multi-pick) Base: all respondents (Health, Finance, Insurance)

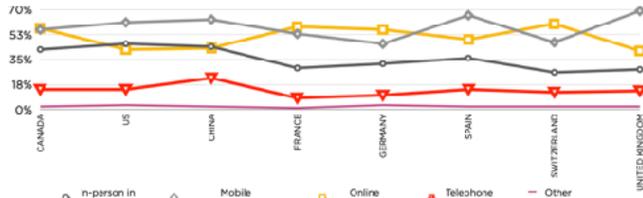
The majority of countries in the study identified quality of personal service and advice as strong predictors of potential defection.



Security is a stronger predictor of defection in China

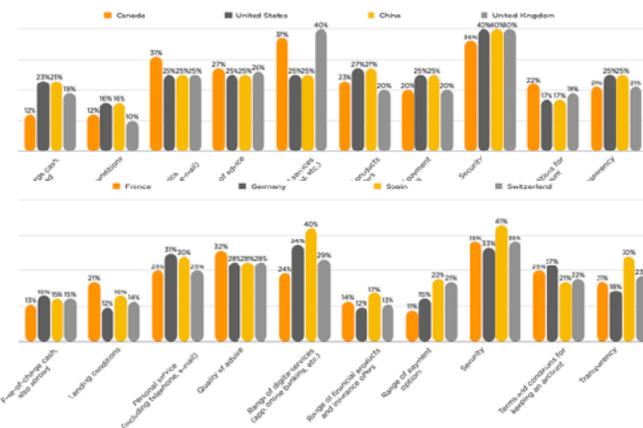


In person branch visits remain strong while Spain and United Kingdom have the highest percentage.

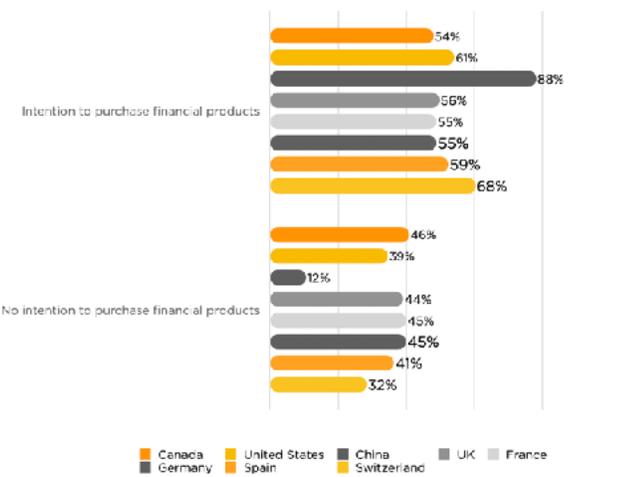


Primary banks are especially good at security and range of digital services while Canada and France ranked higher for personal service.

Question: Which of the following services is your primarily used bank especially good at? (multi-pick) Base: respondents who have a bank account (Health, Finance, Insurance).

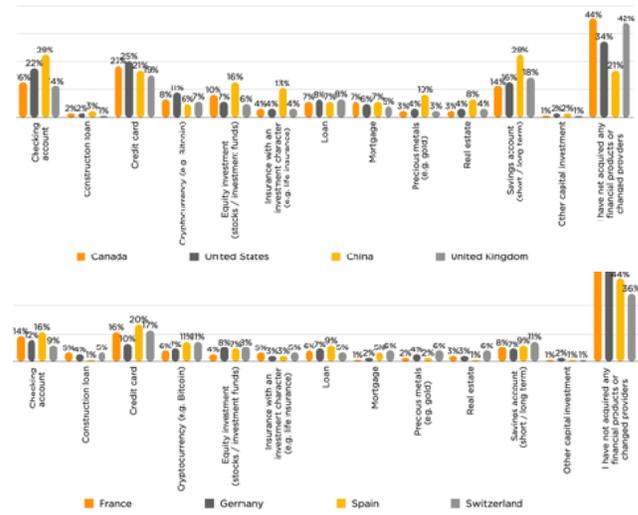


China customers had the highest intent of purchasing financial products while Canada had the lowest.



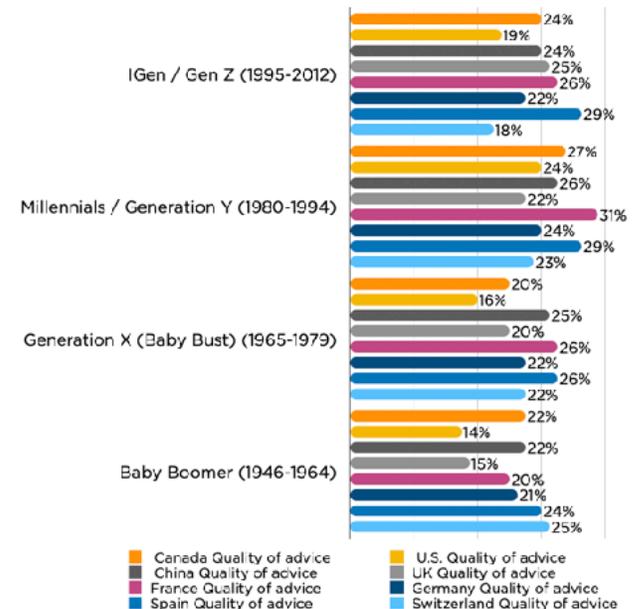
Canada, UK, France, Germany and Spain had the fewest financial products acquired in the past 12 months. Credit cards and checking accounts were the most prevalent new products.

Question: Financial product changes / acquisitions by type Question: Which of these financial products have you acquired in the past 12 months and/or where did you change providers? (multi-pick)



Millennials are the most prone to defection due to quality of advice while China and Spain ranked high all age segments.

Question: What would be the main reasons for you to change a financial service provider (e.g. bank)? (multi-pick) Base: all respondents (Health, Finance, Insurance)





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