



# ADVICE ON BANKING

FILLING THE 57% HUMAN ADVICE GAP IN DRIVING GROWTH



# BACKGROUND

In 2017, we embarked on a study to understand the level of customer loyalty in banking and the reasons behind stealth attrition. The findings were startling, with only 4% of customers considering their financial institution as a place for trusted financial advice, and many shifting to online-only banks. Based on a study we released on the state of banking across 8 countries and 50 financial institutions, the shift to universal bankers has gained little traction.

This study further supported our premise that Net Promoter Score (NPS) is no longer a strong differentiator, as most institutions have put great effort into it. The actual factor is the quality of advice these institutions provided. This led SLD to initiate a follow-up study which identified a significant gap in what customers want in financial advice, and how financial institutions deliver it. The study helped define a customer-centric view of great financial advice and how physical branch can help give a better environment fostering such in-person interaction.

## CONTEXT

Why should we delve deeper into delivering trusted financial advice? We hypothesized that financial institutions, emboldened by digital transformation initiatives, need to catch up on what is driving the deep emotional needs of their customers. In today's troubling times, customers look beyond transactional relationships with their institutions. With all the anxiety about rising interest rates and the high cost of living, customers seek advice on how to continue to prosper and grow.

## STUDY GOALS

Our goals included:

1. How do customers define excellent financial advice?
2. Where do customers seek trusted advice?
3. What part of the customer journey does advice play the most important role?
4. Where is the ideal area for delivering great financial advice?
5. What should financial institutions consider in filling the advice gap?

# DEMOGRAPHICS AND METHODOLOGY

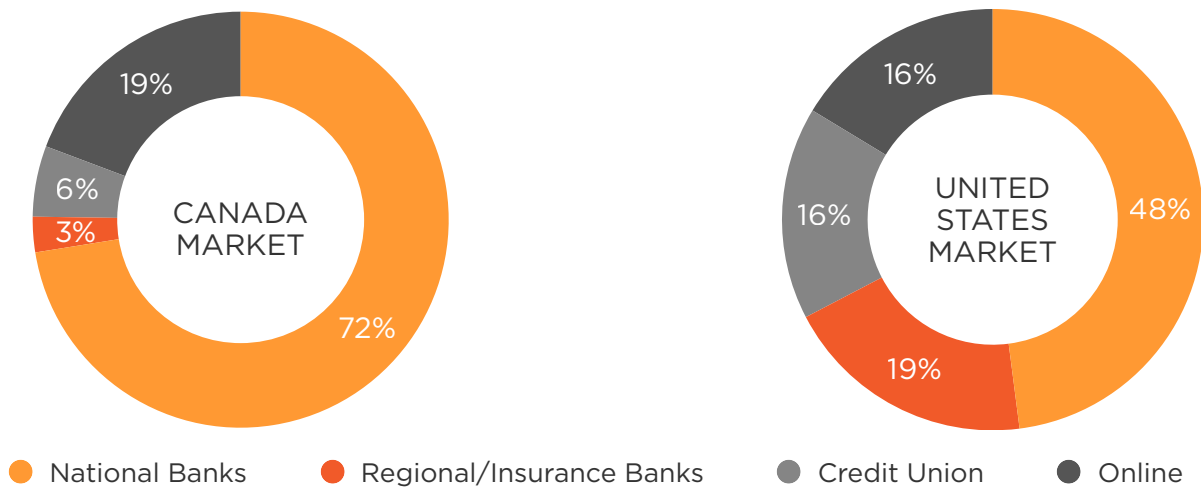
## FILLING THE 57% HUMAN ADVICE GAP

This report highlights the opportunities for financial institutions to fill the human-centric advice gap in terms of what, why and where customers seek financial advice, and how these can be delivered in the institution's physical assets.

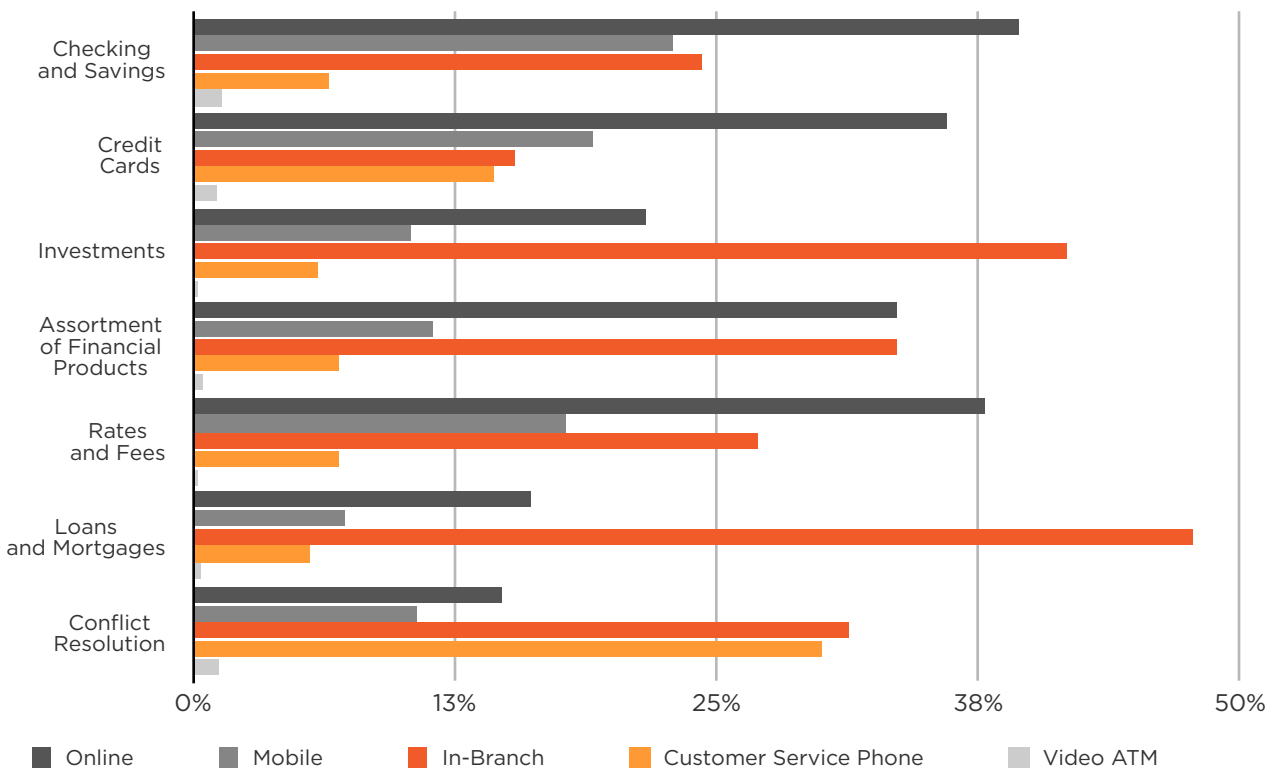
## DEMOGRAPHICS AND METHODOLOGY

Two online studies were conducted. One focused on customers of Canadian financial institutions, while another represented banking customers in the US. A total of 1,200 respondents with different types of primary financial institutions participated in the study.

### TYPE OF PRIMARY INSTITUTION

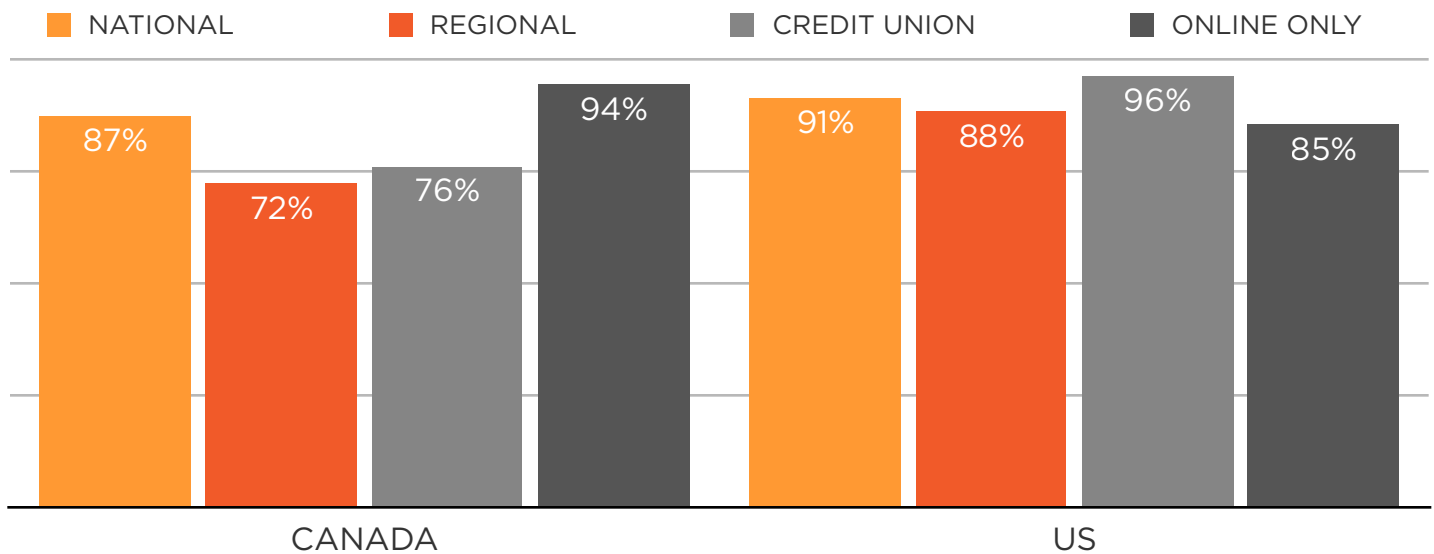


### TYPE OF BANKING CHANNEL BY PRODUCT CATEGORY





**KEY INSIGHTS**



HOW SATISFIED ARE YOU OVERALL WITH YOUR PRIMARY FINANCIAL INSTITUTION? (TOP TWO BOXES)

## HIGH-LEVEL CUSTOMER SATISFACTION

### HIGH-LEVEL CUSTOMER SATISFACTION ON TRANSACTIONAL RELATIONSHIPS

Today, customer relationships with financial brands are transactional, and the industry is dealing with the challenges of reducing most friction points through better digital UX and automation to speed up approval processes. Not surprisingly, 91% of Americans and 87% of Canadians indicate a high level of overall satisfaction with their primary institution, especially with their mobile, online and in-branch platforms.

However, the high level of customer satisfaction in general hides an important fact that financial institutions' growth categories, such as financial advice and investment services, ranked the lowest, leading to a substantial gap of unrealized opportunities. What is very concerning is the fact that the heavy investment in universal bankers has yet to move the needle on financial institutions being recognized as a resource for professional insights and advice. The number remains at 5% since our [study](#) on stealth attrition in 2017.

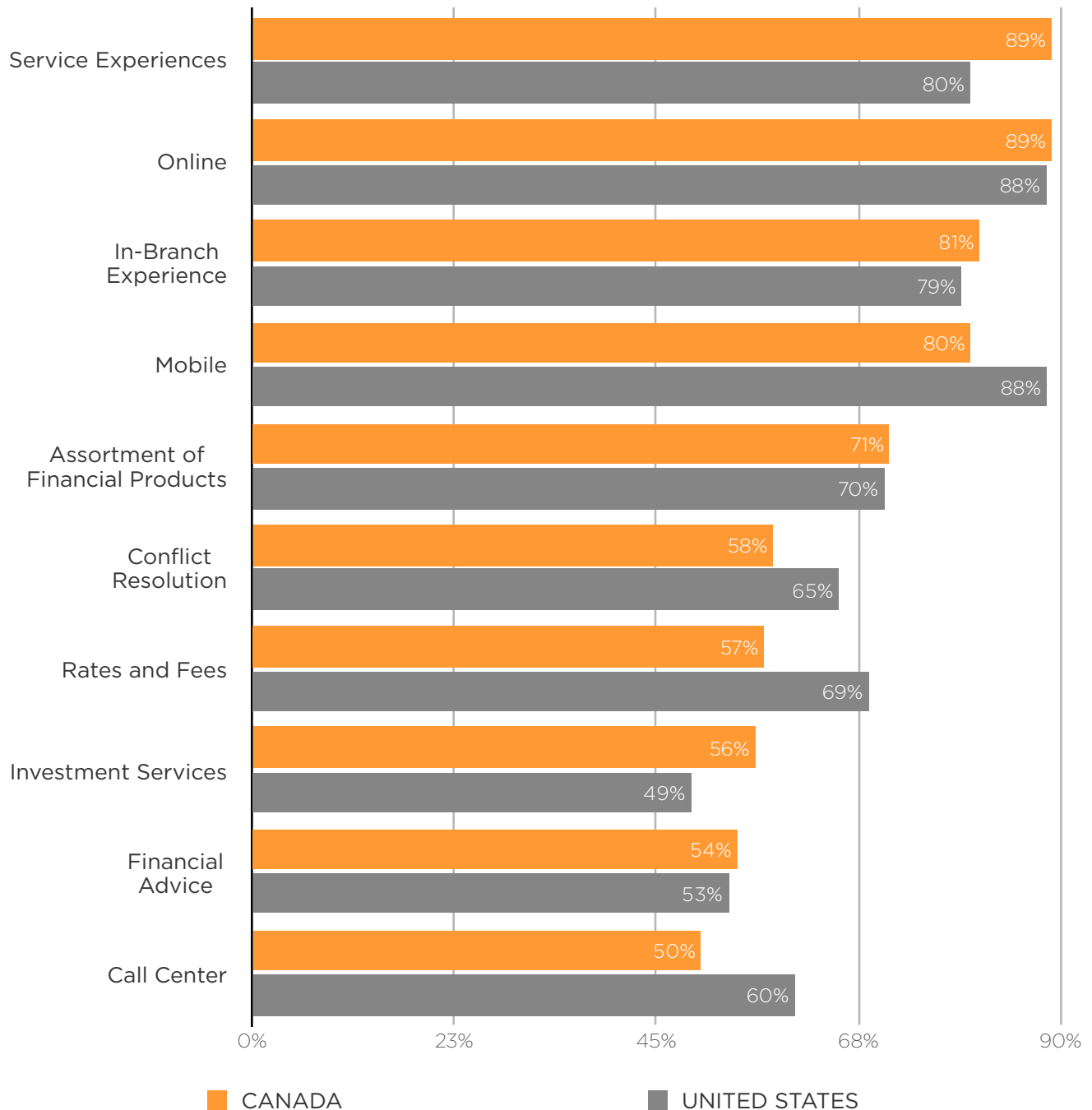
In addition, the level of customer satisfaction was consistent across various types of institutions, with national banks in both the US and Canada having the highest level of satisfaction, followed by credit unions, while that of online-only banks are the least satisfied.

The study also identified a concerning issue. Satisfaction is high for the services which are more transactional due to how customers view their primary bank. It is identified that a mere 23% of customers in the US and Canada markets view their institution as a trusted relationship that has long-term benefits, with the majority noting that they either do not think about it (14-16%), that it is only a way to manage day-to-day financial needs (18-23%), or that it is an excellent place to have a checking account or access to money (30-38%). Only 5% regards it as a resource for professional financial insights and advice.

***The perceptions of transaction-based satisfaction hinder the ability of financial institutions to establish a deeper relationship with their customers on the path of serving more of their financial needs.***

## SATISFACTION LEVELS

***Both Canadians and Americans give high scores for their in-branch experience, online, mobile and products, but significantly lower scores on financial advice, conflict resolution and investment services.***



*Can you indicate your level of satisfaction with the following offered by your primary institution?*

# ONLINE- AND MOBILE- ONLY BANKING IS NOT THE FUTURE

## ONLINE AND MOBILE = HIGH ATTRITION

Our [study](#) “The Future of Seamless Banking” highlighted that online-only institutions had the highest level of attrition, followed by institutions with physical branches that moved their customers to online-only services. The study confirmed what most bankers instinctively know – the branch’s value has remained strong and the critical place in customer journey where relationships and growth can be created. However, what has changed is the frequency of visits, with more than 70% of all financial services customers visiting their branch on average less than once a month.

The reduction in visits has led many institutions to rethink their channel strategy, reducing the number of customer branches available. The changing branch landscape is ushering in both opportunities and challenges for institutions. Our study shows that 35% of customers noted their branch had closed or was relocated, leading to a significant defection. 31% of Americans and 21% of Canadians indicated that they switched banks.

Those who did not change institutions moved to a less convenient location or opted for online-only banks. Our study points to the danger of this strategy, with over 60% or more of Americans and Canadians considering a competing financial institution in the next year with a most significant shift to online. The most considerable defection was in the future growth opportunities for institutions, namely Gen Z (age 18-24). Moving to the convenience of online-only banking may be good at reducing operational costs, but it comes at a high risk of attrition.

Another factor driving defection highlighted in the study was that online-only bank relationships were deemed transactional. It reflected a significantly lower level of being a trusted relationship with long-term benefits. Most online-only customers who drove the low level of a trusted relationship viewed their primary institution as an excellent place to have a checking account (26%), or did not think about their relationship (26%). In comparison, only 9% viewed their institution as a trusted relationship with long-term benefits.



MOBILE ONLY      BOTH      BRANCH

	MOBILE ONLY	BOTH	BRANCH
BANKING IMPROVED SIGNIFICANTLY	29%	29%	42%
BRANCH VISITATION ONCE A WEEK OR MORE	6%	18%	39%
PAST SIX MONTHS SWITCHING	29%	18%	14%
FUTURE YEAR SWITCHING TO A COMPETITOR	7%	14%	18%
FUTURE YEAR SWITCHING TO ONLINE ONLY	57%	42%	22%
SWITCHING DUE TO BRANCH DISRUPTION	45%	31%	31%

SOURCE: SLD: 2022 THE FUTURE OF SEAMLESS BANKING

# GROWTH OPPORTUNITY = FILLING THE 57% ADVICE GAP

## FILLING THE ADVICE GAP IN THE BRANCH

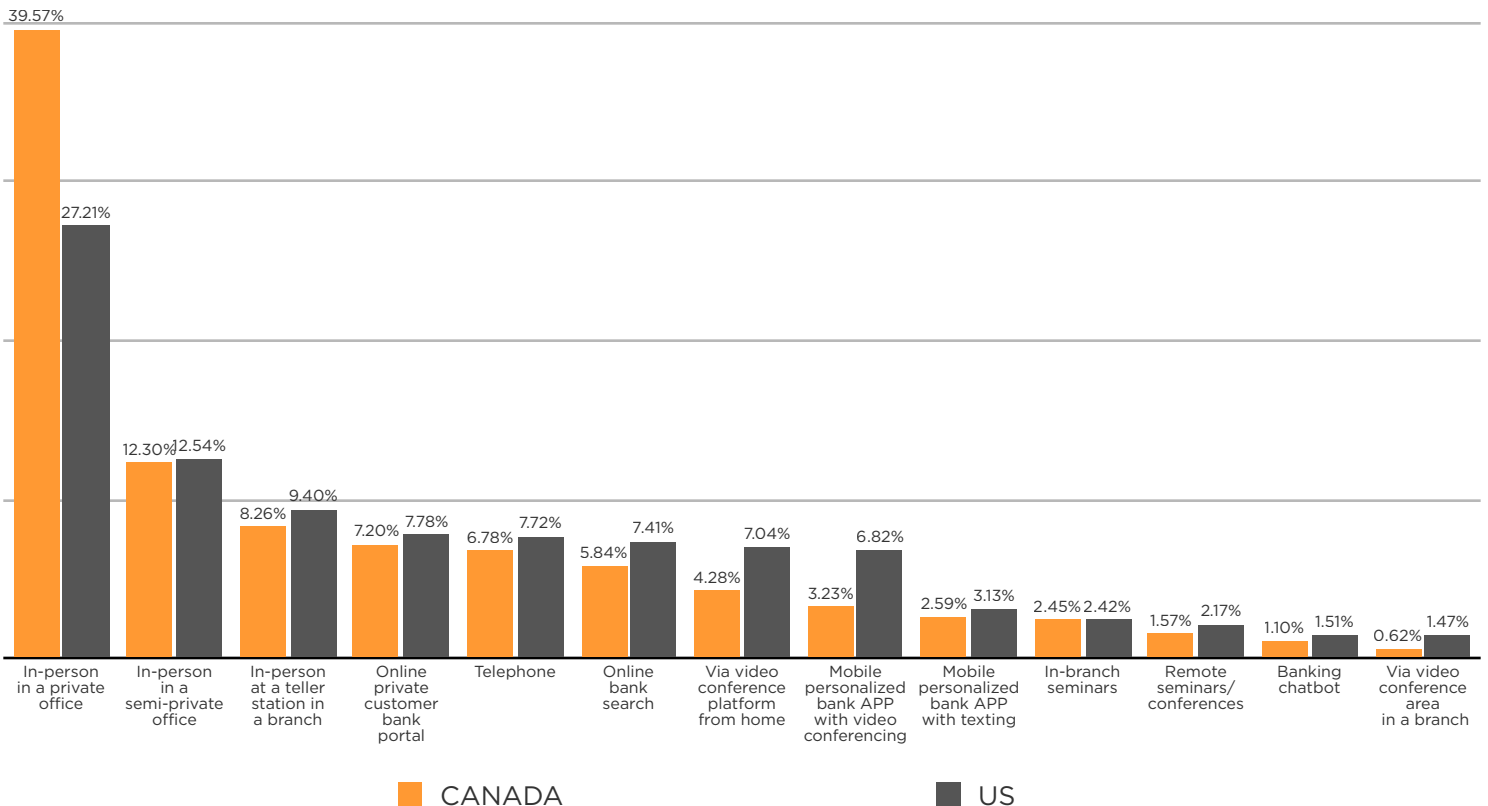
This leads to the importance of the branch in delivering financial advice, with more than 63% of respondents identifying that their ideal financial advice experience would be provided in the branch. This leads to a 57% gap between the 62% who indicated that the perfect financial knowledge would be delivered in the branch, and the only 5% who viewed an institution for professional financial advice.

When digging deeper into where customers wanted to receive outstanding financial advice, 40% indicated they wanted in-person in a private office, 12% in-person in a semi-private office, 8% in-person at a teller station in a branch, 2% in-branch seminars and 1% indicated via video conference area in a branch.

# 62%

say the **IDEAL EXPERIENCE OF GETTING FINANCIAL ADVICE** would be delivered in the branch

The need to create these advice-centric zones in the branch leads many institutions such as U.S. Bank, Regions Bank and others going through a branch transformation journey, moving from teller lines to advice pods supported by cash recyclers. It is important to note that these renovations do increase customer visitation and interest in new products and services. Such initiatives should not be under-invested, with 20% of customers indicating a significant increase in both visitation and purchase of new banking products.







## WHAT CUSTOMERS DESIRE FROM THEIR INSTITUTION

**TRUSTED FINANCIAL ADVICE  
= FINANCIAL WELLNESS**

Digitally Leveraging the branch experience, financial institutions must reflect the customer experience to align with their definition of outstanding financial advice. When asked what defines their ideal experience of financial advice, 50% of respondents indicated a financial wellness center supported by non-related banking expertise across all channels. At the same time, traditional services are provided online and at an express branch. These findings align with this [study](#) on the future of banking in 2018 about the need to shift banking models towards a customer segment-tailored financial ecosystem.

The need to redefine current banking models will be further accelerated as customers' definition of a seamless banking experience consolidates their financial products and needs within a single view. Most customers have more than six financial apps on their mobile phones, of which 58% are not from their primary financial institution. This is an early warning sign that there is an unmet need in the marketplace which non-traditional institutions could quickly fill.

# 50%

**Say the ideal experience of getting financial advice includes A FINANCIAL WELLNESS CENTER WITH NON-BANKING EXPERTISE ACROSS ALL CHANNELS**

Financial wellness also aligns well with how customers define the elements that support great financial advice. It consists of credible plans to help reach their financial goals, while finding ways to save money through customized products and services to fit their needs. More importantly, the Gen Z segment ranked “providing a financial solution ecosystem that includes non-banking products and services” as their top choice at 22%, followed by “finding ways to save them money”. “A credible plan” ranked below 7%.

The need for a credible plan as part of great financial advice was driven by Millennials, who ranked this factor first at 20%. Satisfaction and perceived level of inclusion are the lowest (dramatically so) for advice-driven products and services.

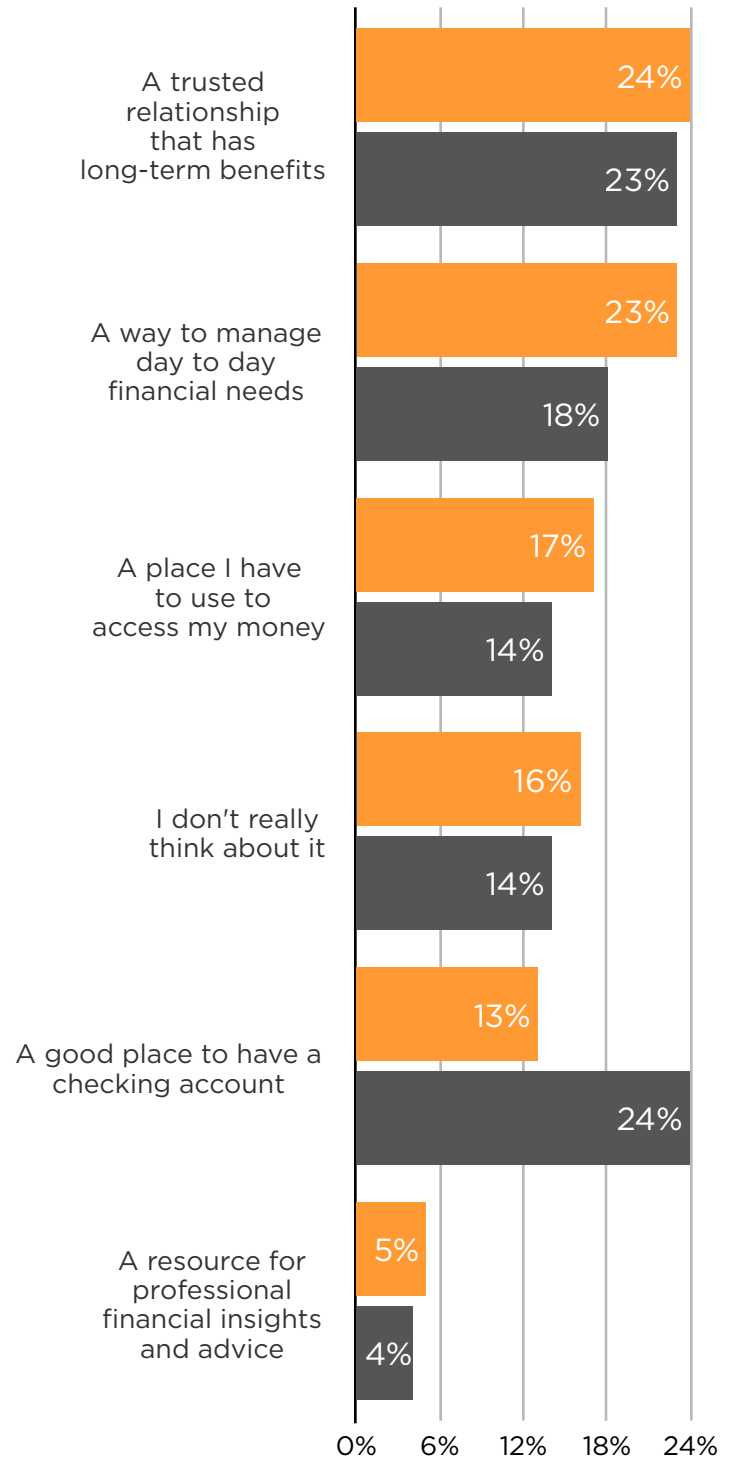
# LOOKING FOR GROWTH IN ALL THE RIGHT PLACES

## FINANCIAL ADVICE DRIVES LOYALTY

Financial institutions have a place to go for delivering financial advice, with only 30% of customers indicating they go to them for trusted financial advice, and 5% view them as a resource for professional insights and advice. However, they view their bank's relationship as focused on transactions rather than being a resource for professional financial insights and advice, highlighting a gap and unrealized opportunity for institutions to drive loyalty. This second gap of 25% between customers' needs and financial institutions' existing approach in delivering financial advice points to a significant growth opportunity.

Delivering great financial advice matters to institutions that want to drive greater loyalty. More than 72% of customers indicated that providing financial advice would increase their loyalty. The impact on loyalty was the highest amongst Gen Z, with 75% showing an increase in loyalty. The lowest at 65% lies in the age 59-85 segments.

Gen Z's higher scores for loyalty are not surprising, as this group ranked "friends and family" as their most trusted source for financial advice. In contrast, "financial institutions" and "online" ranked a distant second, highlighting a gap for financial institutions to fill to drive loyalty with this segment.

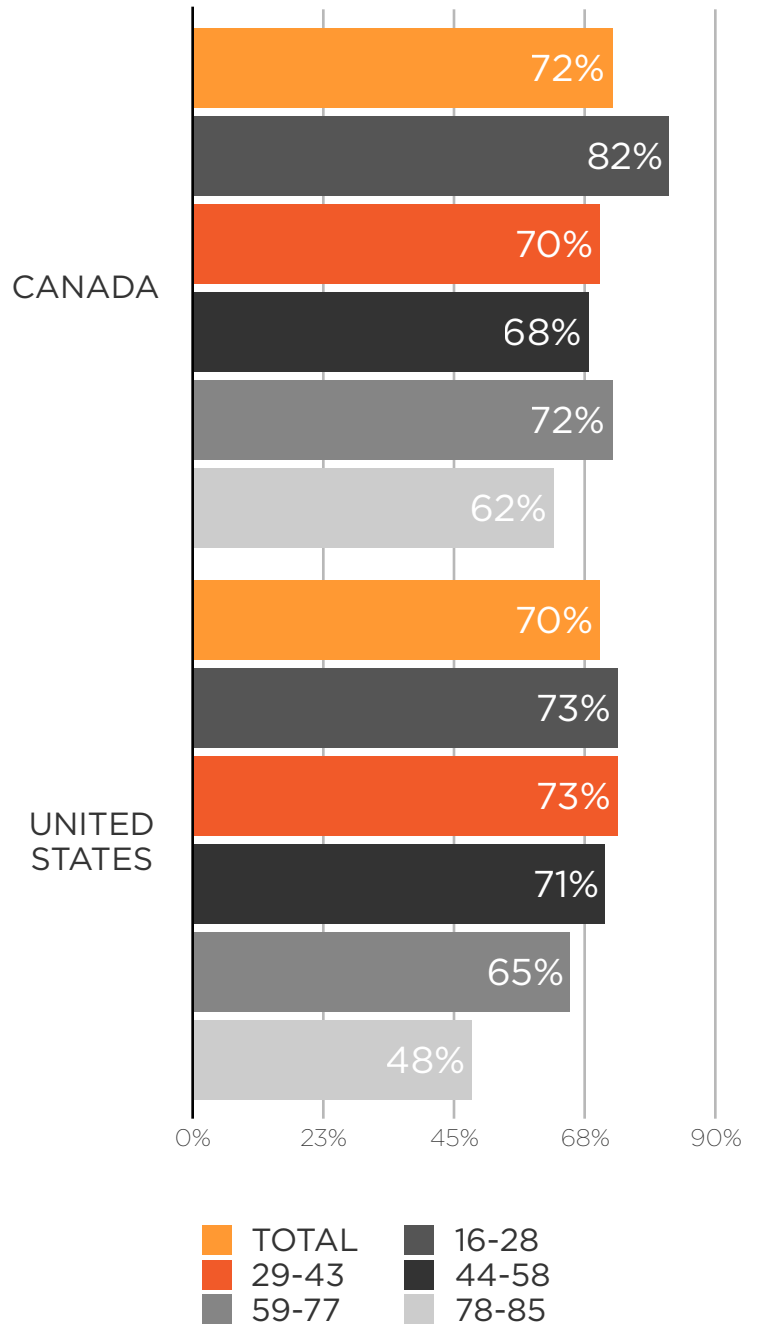


*How do you view your relationship with your primary financial institution?*

■ CANADA ■ UNITED STATES

# LOYALTY LEVELS

**Over 70% of Canadians and Americans indicated that providing financial advice is critical to driving loyalty, WITH 73-82% OF GEN Z AGREEING SO.**



*What is the impact on the loyalty towards your primary institution that provided a high degree of financial advice? (TOP TWO BOXES)*

## HOW CONSUMERS DEFINE ADVICE

### TRUSTWORTHINESS OF ADVICE IS DEFINED BY REPUTATION AND EASY-TO-UNDERSTAND INFORMATION

When seeking a professional advisor, 31% rely on the advisor's strong reputation in the industry, followed by a family or friend recommendation. Online reviews, ranking on online searches, being independent from a financial institution, or having access to the newest technology all ranked low. When considering advice, customers put the most significant importance on easy-to-understand information (54%), the credibility of the advice (52%), customized to their needs (51%), and delivered through the highest level of expertise (46%).

Surprisingly, being non-commission based and having broadest range of options ranked significantly lower. This indicates that customers are looking to remove the complexity of choices and understand the cost associated with great advice. Customers seek the most significant amount of advice as part of their investments, loans, and mortgage life stages, but less so for their day-to-day banking transactions. Customers also seek advice in resolving conflicts, understanding rates and fees, and answering questions on the assortment of financial products.

### A WORD ON FINANCIAL ADVICE AND AI

There is always interest and chatter in the media and online regarding the impact of AI across most industries. To delve into this subject, we asked respondents about their view of using AI as a source of financial advice. Our study identified no significant difference between the US and Canada, with slightly over 60% indicating they have not used an AI platform such as ChatGPT in the past three months. We noted a variance in the responses regarding the level of trustworthiness between the two countries. 36% of Americans believed AI platforms provide unbiased financial advice, while only 25% of Canadians believed so. The low scores are not surprising, since only 6% of respondents ranked AI as a place they go trusted financial advice.

# 31%

Canadians say the ideal advice experience is based on strong reputation in the financial industry

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# 29%

Americans say the ideal advice experience is based on strong reputation in the financial industry

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# 52%

Canadians think the most important factor is "credibility of the advice"

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# 20%

Americans think the most important factor is "easy-to-understand information"

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# 26%

Canadians and Americans define great financial advice as "a credible plan to help you reach your financial goals"

# CONSUMERS ON CREDIBLE ADVICE

## SUMMARY

AN OVERWHELMING PROPORTION OF CONSUMERS WANT FINANCIAL INSTITUTIONS TO PROVIDE CREDIBLE FINANCIAL ADVICE IN THE BRANCHES.



### TIERED PRIVACY

Consumers in this study prefer receiving in-person financial advice in a semi-private or private office in the branch.

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### ADVICE ECOSYSTEM

Consumers are looking for financial institutions in providing a financial wellness center supported by non-related banking experts across all channels.

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### ADVICE = LOYALTY

Providing credible and trustworthy advice drives customer loyalty across all age segments.

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### RENOVATIONS = GROWTH

Renovated branches drive visitation and increase sales while branch closures are a key factor in customer defection. The branch remains the primary channel in driving growth of higher margin products.



### ONLINE = ATTRITION

Customers whose primary banking channel is online-only bank are less loyal and more prone to attrition. Customers who notice their branches closed are likely to migrate to online and are at risk of defection.



### CREDIBLE ADVICE

Customers seek advice from institutions and friends/family. They value advice that is easy to understand from credible sources.



**OPPORTUNITIES**



# KEY OPPORTUNITIES

## OPPORTUNITY #1: SHIFT MINDSET FROM “TRANSACTION” TO “SERVICE”

Easier said than done. However, advice and enhanced customer service are key drivers of growth. Now that the heavy lifting in digital transformation projects is well underway, with many in the final implementation stages, it may be time to rethink how financial institutions can leverage their branches and customer-facing bankers in delivering advice. The study supports the premise that improving advice-driven services ensures a lower level of attrition and helps drive loyalty amongst Gen Z and Millennial customers.

The first significant shift most institutions can deploy with a minor level of investment is the introduction of self check-in kiosks, now ubiquitous in the telco and airport industries. Using these kiosks will take the burden off universal bankers who feel pressured to reduce the long queues while allowing them to triage customers based on their needs. Recent studies by Engageware highlight the significant impact on NPS and staff engagement when these systems are implemented.

Another area institutions can help shift their transaction mindset is by exploring their product portfolio to identify how advice can help support sales and reduce customers’ anxiety about their financial future. Easy-to-understand language is critical to how these products link to the customers’ life stages. In addition, integrating the staff sales choreography in helping answer some of the critical customer questions would allow the start of an advice-centric relationship and the ability to move the conversation as part of a private room setting.



# KEY OPPORTUNITIES

## OPPORTUNITY #2: HUMANIZE THE OMNI-CHANNEL EXPERIENCE

The study identified a significant gap between what customers seek and how they perceive their primary institution. Providing human-driven interaction at all brand touchpoints is critical in driving stronger relationships and meeting the need of customers. The study highlighted that telephone banking had the lowest satisfaction score. Irrespective of the channel, people want to deal with empathetic people who can provide the right level of advice and guidance, whether it's a conflict resolution issue or an introduction to the latest new product. Our studies revealed that customers want to interact with people, not chatbots or automated voice prompts, to have their needs resolved.

Financial institutions must avoid the urge to reduce transaction costs to ensure every aspect of the customer journey allow for access to live bankers. Each of these interactions provides a robust platform for building trust and credibility in being a source of reputable financial advice. As banking business models need to evolve to remain relevant with the introduction of non-traditional financial services, it will be essential to leverage their expertise by exploring the development of an advice-centric ecosystem to elevate knowledge sharing and meet unmet customer needs.

Financial institutions have an untapped opportunity to expand their offerings to include advice from unrelated banking sectors that bring value in helping customers navigate their financial future. Many financial institutions have already embarked on this approach by partnering with fintech companies and integrating through APIs with other mobile applications that provide customers with a more holistic view of their finances.





# KEY OPPORTUNITIES

## OPPORTUNITY #3: ANSWER EMOTIONAL NEEDS WITH SOLUTIONS, NOT PRODUCTS

One of the key factors driving the credibility of offering trusted advice is the ability to customize the offering to the given customer. No customer wants to feel like their institution is selling a product that may not fit their emotional needs. How customers feel about themselves and their financial brand is critical to building brand loyalty and reinforcing empathy. A homogeneous approach to communicating to customers or marketing products may result in irrelevant offerings and weak advice-centric relationships. Product sales should start with how it solves customers' emotional needs at the given juncture of their financial life stage.

Customers are bombarded with thousand of marketing messages every day. It is important to establish a strong foundation in driving credibility and moving the conversation from transaction to an advice-focused mindset. Messaging in the branch and throughout the copies of banking channels should reinforce an empathetic voice supported by listening and less selling. Solution selling requires institutions to take a significant shift of mindset and approach. The use of information should avoid pre-conceived biases.



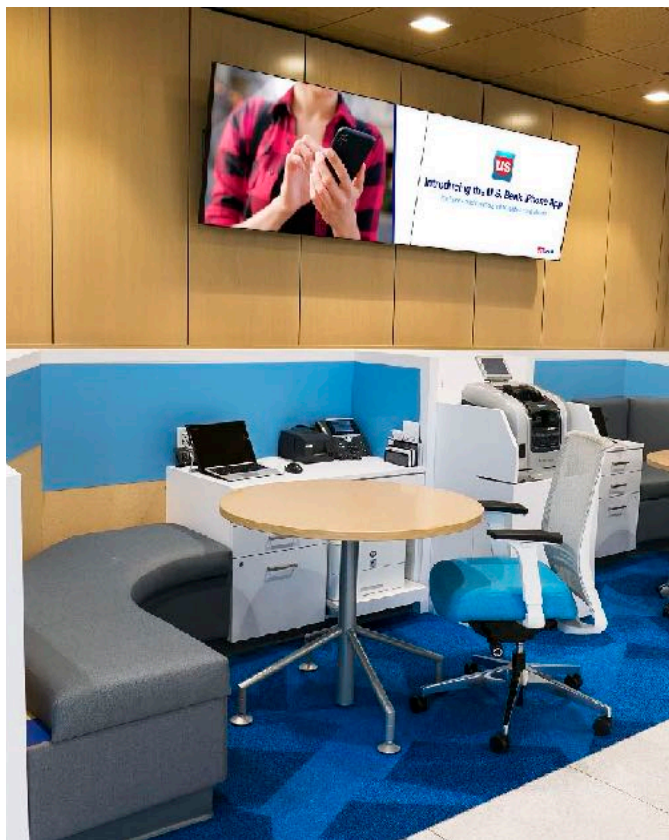
To shift from transaction to solution selling, financial institutions should start with a review of the customer journey across all of the available channels. Looking at the customer journey through an advice-centric perspective will help identify key moments of truth that help build the credentials in providing trustworthy advice. Another area of opportunity is to take a page out of how Chinese banks promote the expertise of their bankers through each advisor's office entrance, which features their degrees and specialization. Very few financial institutions we have visited in the past decade go beyond the name plate sign to promoting the talent within each branch through digital or permanent signing.

# KEY OPPORTUNITIES

## OPPORTUNITY #4: TRANSFORM THE BRANCH EXPERIENCE FROM “TRANSACTION” TO “ADVICE”

A key factor driving behavioural shift is a revamped physical experience. Branch layouts and design provide a strong platform to reinforce change for both employees and customers. The replacement of teller lines with service pods, together with the creation of semi-private and private, easily accessible advice zones, can send a strong message regarding the institutions’ commitment to proving quality advice. The integration of digital signing and untethered banking platforms help reinforce advice cues in addition to allowing bankers to seamlessly shift the conversation from a transaction zone to one focused on advice. Digital signing also provides an opportunity to customize the message to the major customer segment, sending relevant and timely messages as customers visit the branch.

It seems obvious, but many branches still need to migrate their experience towards advice. Teller lines reinforce the transactional relationship and consider creating different tiers of privacy and intimacy within the branch sales choreography will help drive visibility and credibility in terms of expertise in advice. However, this cannot be achieved if bankers are compelled to solve queue wait times instead of taking the time to provide advice in each interaction. Institutions which have effectively migrated towards an advice approach have introduced automated queuing systems that allow appointment setting from customer mobile devices to reduce wait anxiety. With the elimination of waiting lines, the introduction of comfortable waiting areas and digital signing, an anxiety-free environment will be created, setting the tone for a more conducive engagement with customers.



# CONCLUSION

## TOWARDS ADVICE-CENTRIC GROWTH

The study strongly supports the need for financial institutions to shift their mindset from the convenience of transactions across channels which is becoming table stakes, towards helping solve customers' financial anxieties through solution selling and advice. The branch remains the critical catalyst to make this shift since customers, despite declining visits, view the in-person engagement with their banker in a physical branch as the essential place to receive advice.

However, there is a significant gap between what institutions offer and their customers' perception of being the source of financial advice. This gap will only grow with the continued stress of inflation and rising living and financial costs, allowing non-banking institutions to fill the void. Now that institutions are well underway in their digital transformation based on a [study](#) we completed, it's time to shift the attention to how to convert their branch channel into an advice-centric customer experience.



# ABOUT



## **Jean-Pierre Lacroix**

As an innovator, designer, strategist, futurist, transformer of brands for growth, Jean-Pierre Lacroix is the President of Shikatani Lacroix Design (SLD). He is strongly committed to design innovation. In addition to pioneering the successful firm, Jean-Pierre is also a past President of The Association of Registered Graphic Designers of Ontario, past President of Design Industry Advisory Committee (DIAC), board member of Society of Environmental Graphic Designers (SEGD), as well as former Director of the Packaging Association of Canada.

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



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