2015 North America Consumer Digital Banking Survey

Banking Shaped by the Customer

Intuitive. Intelligent. Individual.

High performance. Delivered.

accenture

Strategy | Consulting | Digital | Technology | Operations


BANK CENTER

Customer expectations are shaping the future of banking in North America like never before. Conditioned by service experiences with digital leaders in other industries, today's banking customers expect personalized solutions for how, when and where they want to bank.

Banks are working to keep up with these expectations. But digital-savvy customers often move faster than they do, especially in a banking landscape disrupted by ongoing industry convergence and emerging new entrants. To stay relevant, banks must anticipate customer demands in new ways in a new environment. This requires a relentless focus on seamless experiences enabled by analytics-driven customer insight.

Accenture recently surveyed over 4,000 consumers in the United States and Canada as part of a multi-year research initiative to understand who they are, how they bank—and how they expect to bank in 2020.[1] The survey results suggest that banks are at a tipping point. Their historically stable customer base could erode steadily if banks cannot deliver the service proposition that customers demand.

Four key findings suggest how banks can evolve customer relationships—from staying close and becoming more proactive to using their competitive advantage managing customer data and keeping pace with a new generation of banking customers:

BRANCH

Reinventing the Branch Experience

81%

of consumers would not switch banks if their primary bank closed the local branch.

RELATIONSHIP

Going Beyond Financial Transactions

79%

of consumers consider their banking relationship to be transactional—up 8 percent since 2014.

DATA

Making the Most of Customer Trust

86%

of consumers trust their bank over all other institutions to securely manage their personal data.

MILLENNIALS

Winning Millennial Customers

18%

of Millennials switched their primary bank within the past 12 months—compared to 10 percent of customers 35 to 54 and 3 percent of people 55 and older.[2]

BRANCH

Reinventing the Branch Experience

The local bank branch has long been at the center of the customer relationship. It is not surprising then that 36 percent of US consumers in our 2013 online survey cited convenient branch locations near where they live and work as the top reason for staying with their bank.[3]

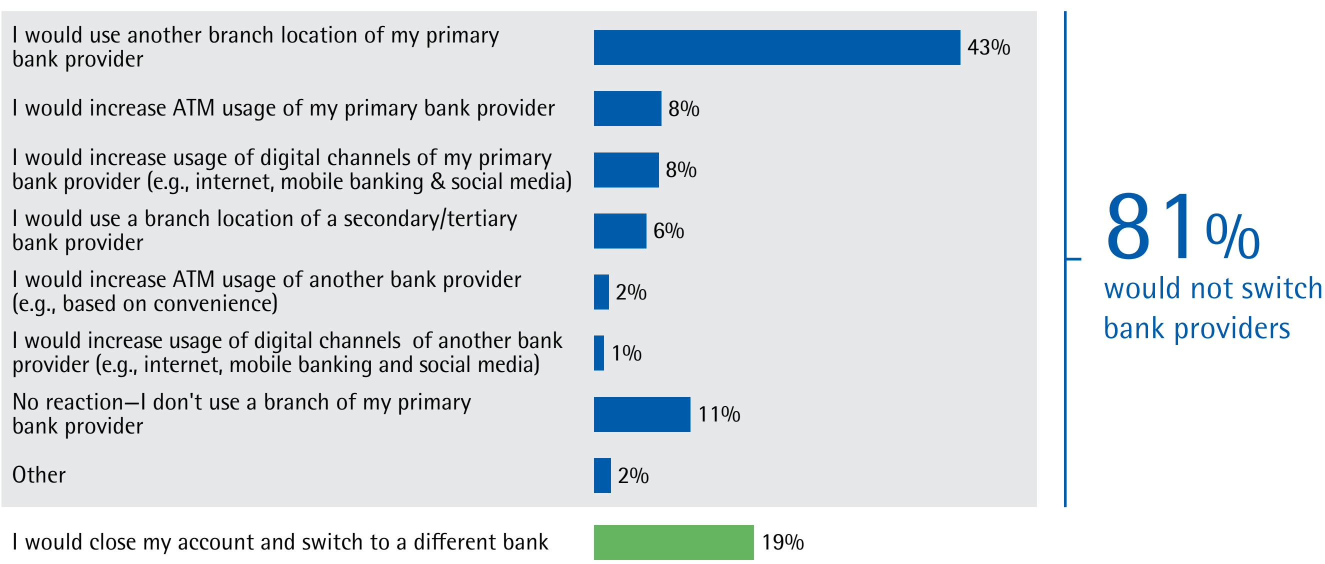
What is surprising is the extent to which consumers' views about the role of the branch have changed in just two years. Accenture's 2015 survey reveals that an overwhelming majority (81 percent) of consumers would not switch banks if their local branch closed—43 percent would simply use another branch location of their primary bank (See Figure 1). Compare this to the 48 percent of US consumers who said in 2013 that they would likely switch banks if their branch closed.[4]

For the first time in our research, consumers rank good online banking services (38 percent) as the number one reason that they stay with their bank, ahead of branch locations and low fees, both at 28 percent. This indicates that the proximity of the branch as the primary driver of consumer choice in bank selection is declining as online capabilities are growing.

This evolution in consumer preference signals a redefinition of banking convenience. It is no longer always measured in miles to the branch or extra service hours—it is increasingly measured in clicks and apps. In fact, consumers (34 percent) think that online is the most important channel for banks to invest in over the next five years, followed by mobile (20 percent). Even customer segments that banks might assume are tied to the branch—if only out of sheer habit—are embracing digital options. Forty-three percent of consumers age 55 and over prefer the online channel to branch locations (33 percent).

FIGURE 1. A strong majority of consumers would not switch banks if their local bank branch closed.

Q: What would your reaction be if your primary relationship bank closed your local branch?



n = 4,004

The Implications for Banks

As online and mobile channels continue to come of age, and new digital channels emerge, the challenge for banks is to repurpose the branch's critical role in the customer relationship. Only 29 percent of consumers say they will use the branch less in 2020—66 percent of consumers plan to use the branch in the future as often as they do today or more. The branch network is not irrelevant; it just needs to offer a different experience.

From personnel to infrastructure costs, the branch network is expensive. As a result, banks have pursued less costly and more convenient ways to bank. Even as banks have consolidated their branches, they have still been reluctant to do so fearing negative customer backlash. Branches have also historically been where customers purchase banking products.

Our consumer banking trends research indicates that banks can strategically reduce the size of or close some local branches without customer attrition. What's more, customers are exhibiting a higher propensity to purchase financial products online. By evolving amid digital disruption, banks can avoid the fate of companies that clung to outmoded physical distribution models as their competitors raced ahead with agile digital models. Blockbuster and Borders are long gone. Netflix, Inc. and Amazon.com, Inc. have reinvented how people watch movies and shop.

Yet transforming the banking distribution model requires more than closing branches—it means re-imagining the branches that remain. Banks should invest in in-branch digital opportunities. The branch can become an interactive, omni-channel hub where customers access the latest banking options, including self-service tools. Customers are open to the possibilities here. When asked to rank potential in-branch technology services in terms of importance, most consumers selected interactive screens (52 percent) followed by self-service remote advisor (38 percent) and biometrics (37 percent).

However, banks cannot differentiate on technology alone. The end game for the new branch experience must be immersive and meaningful customer experiences. Banks must have the right foundation in place to facilitate this. For example, processes and people must be customer oriented and efficient, which means rethinking traditional branch-based roles and responsibilities. It is also important for merchandising and promotion to be consistently aligned with delivering experiential outcomes. In addition, banks must work to demystify banking using the branch as a key educational tool. Critically, also, banks cannot lose sight of the community connections that provide opportunities to become part of the fabric of people's lives.

Going Beyond Financial Transactions

The focus on meaningful customer experiences in the branch is critical for banks considering how today's consumers characterize their banking relationships. Most consumers (79 percent) define their banking relationship as transactional—a perception that has grown by 8 percent in just one year (See Figure 2).[5]

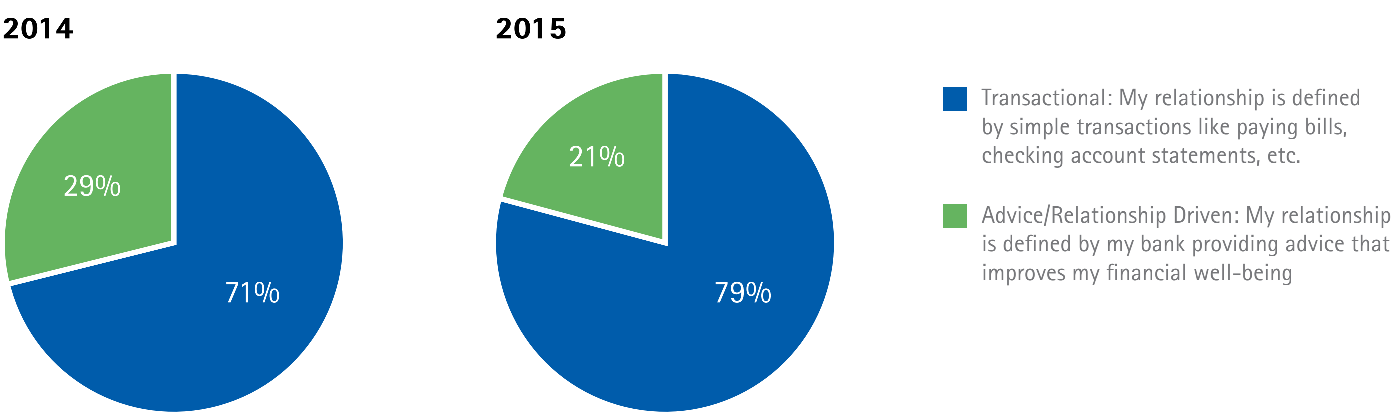
This trend is bad news for banks, and worse news if it continues unchecked. It reflects a fundamental problem for the industry. When customers think about what the bank offers—whether through the branch, online or mobile channels—most think about commodity banking products and services rather than unique value for their broader financial lives. This perception cuts into banks' ability to improve profitability and performance and can harm the brand.

The survey results confirm that consumers are buying low-margin products from their primary bank and shopping around for high-margin products. The majority (61 percent) of consumers choose other sources for brokerage accounts, 70 percent choose other sources for auto loans, and 52 percent choose other sources for home mortgages. When consumers are asked why they stay with their bank, only 5 percent say because the bank "provides me the correct level of proactive financial advice."

The good news for banks is that consumers are open to receiving more value-add services from them. These include discounts for purchases (54 percent), proactive bill pay services (53 percent), and proactive product recommendations (52 percent). In 2014, 26 percent of consumers even said that they would be willing to pay to have a bank representative work with them to build and monitor a budget.[6] Consumers report that their loyalty would be positively affected by extended value propositions from the banks such as end-to-end assistance with buying a car (44 percent) or home (43 percent).

FIGURE 2. Consumers are increasingly viewing their banking relationships as transactional.

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



n = 4,004

The Implications for Banks

Extending the value proposition is important to the future of banking. Without this, customers will use the bank for simple financial transactions, but choose service providers with reputations as niche players for assistance with important financial decisions. Banks need to provide best-in-class products that compete with niche players and also provide incremental value that can only come from having your accounts together. Relationship pricing is part of the equation, but using the data across products to provide insight into customers' needs is important as well.

Banks have been somewhat slow to act here. Long-time customer relationships—47 percent of consumers report that they have been with their bank for 10 years or longer—have made them comfortable, and even a bit complacent. The reality is that even if customers are keeping their checking account with their primary bank, some are buying high-margin products from other providers. Consider that over the last 12 months, only 48 percent of consumers got home mortgages and financial advice from their primary bank, and 47 percent sought registered retirement accounts and investment services from their primary bank.

The longevity of banking relationships to date does not necessarily equate with the depth and intimacy of that relationship, nor does it predict the longevity of banking relationships in the future.

There is an opportunity for banks to transform customer relationships by becoming vital resources that support customers' daily activities, both financial and non-financial. Accenture calls this model the Everyday Bank. Unlike traditional banks, Everyday Banks connect with customers by building close relationships around three roles:

- Advice provider that draws insights from customer data to recommend the best products and services for customers, whether or not these options come from the bank or from third parties, including other banks.
- Access facilitator that connects customers to financial and non-financial products and services that make their lives easier, using the channels they prefer and streamlining payment options.
- Value aggregator that brings customers relevant merchant funded offers, everyday purchase discounts and loyalty rewards that go beyond the financial value proposition.

Far from a mere utility, the Everyday Bank is a trusted confidante, choreographing a digital ecosystem around customers and delivering superior customer experiences. For example, the mortgage lending customer experience at an Everyday Bank is something entirely new. Rather than just providing the home loan, the Everyday Bank educates borrowers on the obligations of homeownership, suggests realtors who work in the area, or connects homebuyers with service providers to assist them with home improvement projects once they move in.

Both customers and banks benefit from this change in the bank's conventional role in the mortgage process. Customers get end-to-end services that reflect the fact that getting a mortgage is a life milestone, not just a financial transaction. In fact, 27 percent of consumers say that receiving end-to-end customer service would motivate them to apply for a mortgage with their current bank. This is even if their bank did not offer the most favorable mortgage rates. This role is a plus for banks that must find better ways to differentiate their services when competing on product and price has become increasingly difficult.

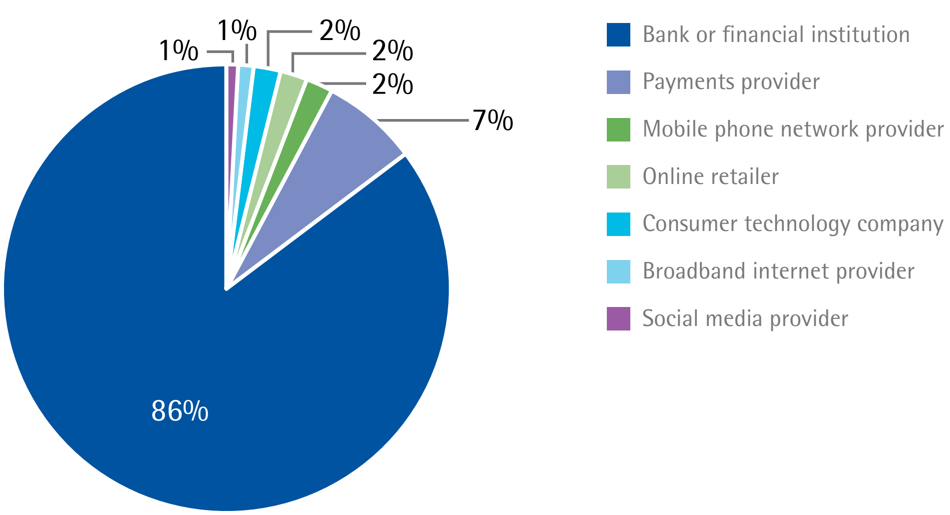
Making the Most of Customer Trust

To become an Everyday Bank, banks must understand their customers in entirely new ways—and customer data is essential to do this. Data insight allows banks to provide value-added services that reflect customers' unique interests, needs and purchasing patterns. It provides a platform for the intuitive, intelligent and individual services that customers want. Accenture's survey results suggest that banks have a strong foundation of customer trust, making for an enviable position in today's digital economy.

An overwhelming 86 percent of consumers trust their bank over all other institutions to securely manage their personal data (See Figure 3). No other provider in our survey—including mobile phone network providers, online retailers, consumer technology companies, broadband Internet providers or social media providers—comes close to this level of consumer confidence. Payment providers rank a distant second at just 7 percent. In addition, "keeps my financial and personal data secure" ranks first among statements that consumers agree with about their primary relationship bank.

FIGURE 3. Most consumers trust their bank over other institutions to securely manage their personal data.

Q: Which type of company do you trust most with securely managing your data on your behalf?



n = 4,004

Numbers may not equal 100% due to rounding

The Implications for Banks

Data is the currency of a digital economy. Companies across industries are vying to collect and unlock consumer data to become more relevant to customers.

Digital leaders and start-ups have been far more skillful and forward thinking than traditional players in their ability to see—and seize—the value of consumer data. For example, Amazon.com, Inc.'s mission to be "the Earth's most customer-centric company" is powered by sophisticated algorithms that employ first, second and third party data to anticipate what customers want. In financial services, peer-to-peer lenders such as LendingClub Corporation use data to uniquely connect borrowers and lenders.

In a banking landscape where data is king and industry disruptors are building business models around new ways to use it, consumers' trust in banks to securely manage their personal data well is a competitive advantage for banks that must solidify their role in a complex market.

The message to banks is that there is opportunity to use customer data to improve the sales and service experience. Banks must leverage customer trust without delay while remaining vigilant around protecting privacy and permissible use. There is also opportunity for banks to create new service offerings for customers such as data protection services or even an online password vault to store the array of customer passwords that they manage across sites. The future of banking will be about continuing to secure personal data while finding ways to proactively drive advice, aggregation and value through targeted use of consumer preference and transaction data.

Winning Millennial Customers

One of the most important customer groups for banks to focus on is Millennials. They will drive the future of banking. In 2015, Millennials overtake Baby Boomers as the largest living generation in the United States.[7] Millennials are significant contributors to consumer spending—spending $600 billion each year in the United States—and are transforming financial services.[8]

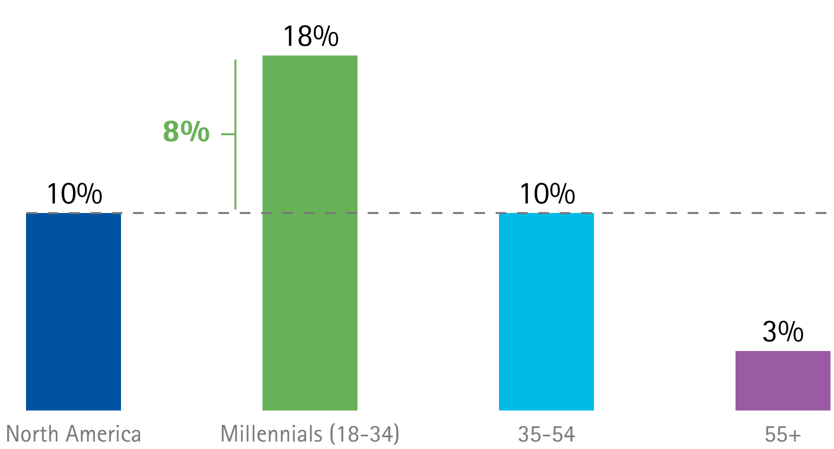
While banks must win the Millennial generation, our survey indicates that they must do more to retain the Millennial customers they have. As a group, Millennials switch from their primary bank at a pace nearly double the average of other age groups. In fact, 18 percent switched their primary bank within the past 12 months—compared to 10 percent of customers 35 to 54 and just 3 percent of people 55 and older (See Figure 4).

The survey data indicate specific trends in Millennial switching. Local/community banks are the biggest "winners" in attracting Millennials with a 5 percent migration. Large regional or national banks are the biggest "losers" with a loss of 16 percent of this customer age group. What's more, credit unions experienced a 3 percent growth in new Millennial customers.

Millennials point to high fees and poor loyalty programs as the top reasons why they are dissatisfied with their banks. On the other hand, Millennials say that they are most likely to stay with their current bank if online banking services are good.

FIGURE 4. Millennials are more likely than other age groups to switch from their primary bank.

Q: In the past 12 months, have you switched to a new financial services provider?



n = 4,004

The Implications for Banks

Banks that try to retain Millennial customers by serving them like they have served their parents and grandparents do so at their own peril. Millennials are a wholly new kind of banking customer. Their life experiences color their expectations of their banking experiences. They are digital natives.

Millennials have seen digital disruptors across industries defy convention to remake service experiences—and these breakthrough companies influence them. Being compared to digital leaders and being expected to keep up is no easy task for banks.

Our research shows that Millennials manage fewer banking products and providers—45 percent bank just with their primary bank. In addition to accessing basic banking products, they focus on acquiring digital services. For example, a greater number of Millennials purchased/signed up for mobile banking software/apps in the past 12 months—22 percent compared to just 13 percent of 33 to 54 year olds and 6 percent of those 55 and over.

Millennials choose their banks for online banking services, reasonable fees, branch convenience and loyalty rewards programs, according to the survey results. Banks can capture Millennial mindshare by delivering a seamless omni-channel experience with personalized, proactive interactions. More than developing digital products and services, this is about using digital as a springboard to meaningful experiences that bring new value to Millennials' financial and non-financial lives. There is also a need for banks to rethink loyalty programs along similar lines to connect with Millennials—extending transaction-related perks to provide more individualized benefits based on customer insight.

Start Shaping the Future of Banking

Delivering on the expectations of banking shaped by all customers, including Millennials, requires an analytics foundation in addition to business and IT integration, agile operating models and strong digital governance. These fundamentals are key to deepening customer relationships and intimacy so that banks can deliver the insight-driven experiences that customers want.

Banks must improve capabilities in the following areas:

Know the customers

Micro-segmentation allows banks to understand customers better as groups, sub-segments and individuals. It guides banks to direct resources, develop products and service customers through individual interaction models and as part of an omni-channel strategy.

Re-imagine the experience

With analytics, banks can create customer-centered journeys that go beyond conventional banking encounters. They can develop test-and-learn approaches, using data insight to inform continuous improvement efforts that reflect customer behaviors and feedback.

Change the distribution mix

Considering the changing role of the branch and the growing importance of digital, banks should rethink the distribution mix to make the most of customers' changing patterns of channel usage.

Deepen and sustain loyalty

Banks can sustain customer loyalty by combining implicit loyalty—advice, matching donations or services like merchant-funded offers—with explicit loyalty (points based systems), using the right data for an insight-driven, holistic loyalty program.

Evolve into Everyday Banks

Banks must bring multiple elements together—channels, customer experience, analytics, partnerships, digital platforms and innovation among them—to power a new Everyday Bank value proposition.

While there is a remarkably high level of customer satisfaction (88 percent) for banks' performance, banks cannot get complacent. No longer tethered to the branch or even to their primary bank, customers move fluidly and independently among many options. They build individual relationships based on their needs, curating and controlling their banking experiences on their terms.

The banking landscape is changing. Digital-savvy customers expect banks to proactively and smartly serve and delight them. If they do not, other banking institutions and agile new entrants are poised to give customers just what they want. So banks must decide if they want to watch the future of banking be shaped for them, or shape it themselves.

TO FIND OUT MORE, PLEASE CONTACT:

David Edmondson
North America Banking Lead
david.m.edmondson@accenture.com

Wayne Busch
North America Banking &
Capital Markets
wayne.m.busch@accenture.com

Robert Mulhall
Accenture Distribution &
Marketing Services
robert.d.mulhall@accenture.com

Farrell Hudzik
Accenture Digital
farrell.p.hudzik@accenture.com

NOTES

[1] Small business and commercial respondents were not included in the survey.

[2] In the survey, Millennials were defined between the ages of 18 and 34.

[3] Accenture, *US Retail Banking in the Digital Era*, 2013. http://www.accenture.com/SiteCollectionDocuments/PDF/Accenture-Consumer-US-Retail-Banking-Survey.pdf

[4] Ibid

[5] Accenture, *The Digital Disruption in Banking*, 2014. http://www.accenture.com/SiteCollectionDocuments/PDF/Accenture-2014-NA-Consumer-Digital-Banking-Survey.pdf

[6] Ibid

[7] Richard Fry, *This Year, Millennials will Overtake Baby Boomers*, Pew Research Center, Washington, D.C. (January 16, 2015). http://www.pewresearch.org/fact-tank/2015/01/16/this-year-millennials-will-overtake-baby-boomers/, accessed March 12, 2015.

[8] Christopher Donnelly and Renato Scaff, Accenture, *Who are the Millennial Shoppers? And What do They Really Want?* http://www.accenture.com/SiteCollectionDocuments/PDF/Accenture-Outlook-Who-Are-Millennial-Shoppers-What-Do-They-Want-Retail.pdf.

SURVEY POPULATION AND METHODOLOGY

The survey was conducted for Accenture by Market Knowledge Online among 4,004 adults in the United States and Canada between January 19, 2015 and January 26, 2015. 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:

David Helin
Accenture Research
david.w.helin@accenture.com

Candace McArthur
Accenture Research
candace.mcarthur@accenture.com

FOR FURTHER READING

US Retail Banking in the Digital Era
http://www.accenture.com/us-en/Pages/insight-retail-banking-survey-2013-us-retail-banking-digital-era-summary.aspx

2014 North America Consumer Digital Banking Survey
http://www.accenture.com/us-en/Pages/insight-digital-disruption-banking-north-america-consumer-survey.aspx

The Everyday Bank: A New Vision for the Digital Age
http://www.accenture.com/microsite/everydaybank/Documents/media/Accenture-EverydayBank-NewVisionforDigitalAge.pdf

VISIT US AT

www.accenture.com/consumerbankingsurvey

FOLLOW US ON TWITTER

@BankingInsights

About Accenture

Accenture is a global management consulting, technology services and outsourcing company, with more than 323,000 people serving clients in more than 120 countries. Combining unparalleled experience, comprehensive capabilities across all industries and business functions, and extensive research on the world's most successful companies, Accenture collaborates with clients to help them become high-performance businesses and governments. The company generated net revenues of US$30.0 billion for the fiscal year ended Aug. 31, 2014. Its home page is www.accenture.com.

15-1422U/9-9411

12460123