Winning through customer experience

EY Global Consumer Banking Survey 2014

EY

Building a better working world

Contents

Welcome

When EY's second global consumer banking survey was published in June 2012, the global economy was struggling to recover and consumer confidence in the industry remained extremely low, particularly in those countries badly affected by the global financial crisis and its aftermath.

Fast forward to this new edition of our survey and the outlook for retail banking appears more positive. Although some economies still struggle to deliver sustainable growth, the global economic recovery appears to be taking hold. Consumer confidence in the banking industry is on the rise, as is trust in individual institutions, and customers are broadly satisfied with their primary banking relationships.

However, the primacy of the bank's relationship with its customers is under threat as never before. Demands and expectations continue to evolve, often fueled by experiences outside financial services, and consumers are increasingly likely to develop relationships with multiple providers. Emerging technology, and the increasing use of mobile devices for both banking and payments, is making it easier for new entrants to challenge the status quo and exploit areas of dissatisfaction and underinvestment.

This year's survey includes responses from more than 32,000 retail banking customers across 43 countries and, although retail banking remains a local business, it is striking how many parallels we can draw across markets. In this edition of the survey, we focus on the following key questions:

- What is the role of trust in creating customer advocates, and how valuable is trust to the overall banking relationship?
- Are banks investing in the right aspects of the customer experience?
- How well are banks performing on key interactions — from the basics of day-to-day transactions, to resolving problems and helping customers achieve their financial goals?
- How similar are customer behaviors across the globe?
- How well are banks prepared to fend off potential new market entrants?

For the first time, we've developed eight global segments to portray shifting consumer sentiment, often irrespective of geography.

We would welcome the opportunity to meet with you and provide customized findings to deliver additional insight, and we've provided a list of country contacts at the end of this report. Please visit us at www.ey.com/globalconsumerbankingsurvey for more information, including the ability to access additional survey data at your convenience.

Bill Schlich
Global Banking & Capital Markets Leader

Executive summary

Confidence in the banking industry is on the rise, and trust in customers' own financial services providers is high. But customers are on the move, with unprecedented access to competing banks and to new types of financial services providers. Banks must earn the *highest* levels of trust in order to retain customers, win more business and create genuine loyalty.

The banking industry is poised for growth

Confidence in the banking industry is returning, with 33% of customers gaining confidence in the past 12 months and only 19% losing confidence, compared with a 40% decline in our last survey. While much of the improvement may simply be a restoration of confidence lost in the wake of the Global Financial Crisis, this improved sentiment can only help financial institutions as they work to solidify and expand relationships with their customers.

There is significant business opportunity associated with customers who are true "advocates," those who are very likely to recommend their primary financial services provider (PFSP). Specifically, 44% of advocates opened new accounts or services at their PFSP in the past 12 months and 9% intend to consolidate everything at their PFSP in the next year. Since 85% of survey respondents defined their PFSP as a bank, it is an opportune time for banks to increase advocacy and expand their customer relationships.

An improved experience is key to realizing that growth

Customers generally trust their primary providers, but the *highest* level of trust is a clear differentiator in creating advocacy, and customer experience is a key driver of that level of trust. While overall financial stability was the top reason for customers' "complete trust" in their PFSP, the second most cited response was "the way I am treated," followed closely by other elements of the experience, such as communications, quality of advice and complaint handling.

Moreover, the most common reason customers cited for opening or closing accounts in the past year was the experience with their financial services providers, edging out rates/fees and convenience and surpassing branch locations and accessibility.

So the experience drives not only complete trust, and thus advocacy and referrals, but also the amount of business customers are placing with their PFSP. Understanding the importance of, and their performance on, specific aspects of the experience will allow financial institutions to make targeted investments.

Customers expect more

While customers are most likely to praise their PFSP for convenience and security, those have quickly become minimum requirements. Much of the emphasis within developed countries has been on improving transactions. Like ATMs in the '80s and, more recently, online banking, mobile banking was viewed initially as a point of differentiation among those financial institutions offering it. However, now it is expected, along with the ability to move seamlessly across channels. The financial landscape is different in emerging markets, but no less challenging. The integration of technology, especially mobile, has introduced providers to an influx of new customers seeking basic financial services.

When asked to evaluate 31 experience elements — or benefits — survey responses pointed to shortfalls in meeting basic expectations, such as transparency of fees and communication, and the continued importance of effective problem handling. In addition, the results provided insight into opportunities for PFSPs to differentiate themselves by customizing products and solutions to meet customers' needs and helping them achieve their financial goals.

Key improvement areas for banks

Make banking simple and clear

Transparency of fees and simplicity of offers and communication. This is one of the most sought-after benefits needing improvement. Customers want financial institutions to be clearer about what they offer, the fees they're charging and how to avoid paying fees.

Omni-channel experience. Customers are satisfied with the convenience of traditional banking but expectations are constantly rising as new technologies and consumer behaviors develop. Increasingly, customer behavior is changing to involve web, mobile, social media and in-person interactions for a single purchase. To stay competitive, financial institutions need to continue building out channel capabilities to provide 24/7 real-time access to banking, seamlessly, across channels.

Help customers make the right financial decisions in a complex environment

More and better advice. Customers tell us they are willing to increase their accounts and balances in exchange for banks' helping them develop their financial plans and goals — demonstrating the power of personalizing the experience and creating a mutual exchange of value. Thus, banks need to provide advice that is customer-centric, based on a holistic perspective of the customer's unique situation and needs. Equipping advisors with the right skill sets, incentive structures and network of specialists; positioning the branch as a sales/advice center that provides personalized assistance; and redefining the role of the call center as a viable channel for providing advice are all strategies that should be explored.

Greater use of data and digital channels to empower customers. Banks have access to vast data sets, both in-house and externally available, that they should leverage to personalize the experience and empower customers to make decisions. Key techniques and tools include making digital content dynamic based on customer profiles, showing what "customers like you" have bought, and providing personal financial management tools that help customers save, invest and spend more wisely.

Work with customers when problems arise and become their advocate

Enhanced problem resolution experience. Solving problems in a way that leaves customers very satisfied with their resolution has long been, and remains, of significant importance in the relationship. While some problems are self-inflicted, most stem from an issue with the financial services provider or another company/person. How the problem is handled matters. The survey results suggest that there is an astounding upside if customers are very satisfied with their problem resolution versus a downward spiral in trust and the relationship if dissatisfied. Making it easy for customers to raise issues, equipping the front line to handle certain problems and escalate others, explaining why the issue occurred, and following up to ensure resolution is complete are examples of ways to improve satisfaction with the experience.

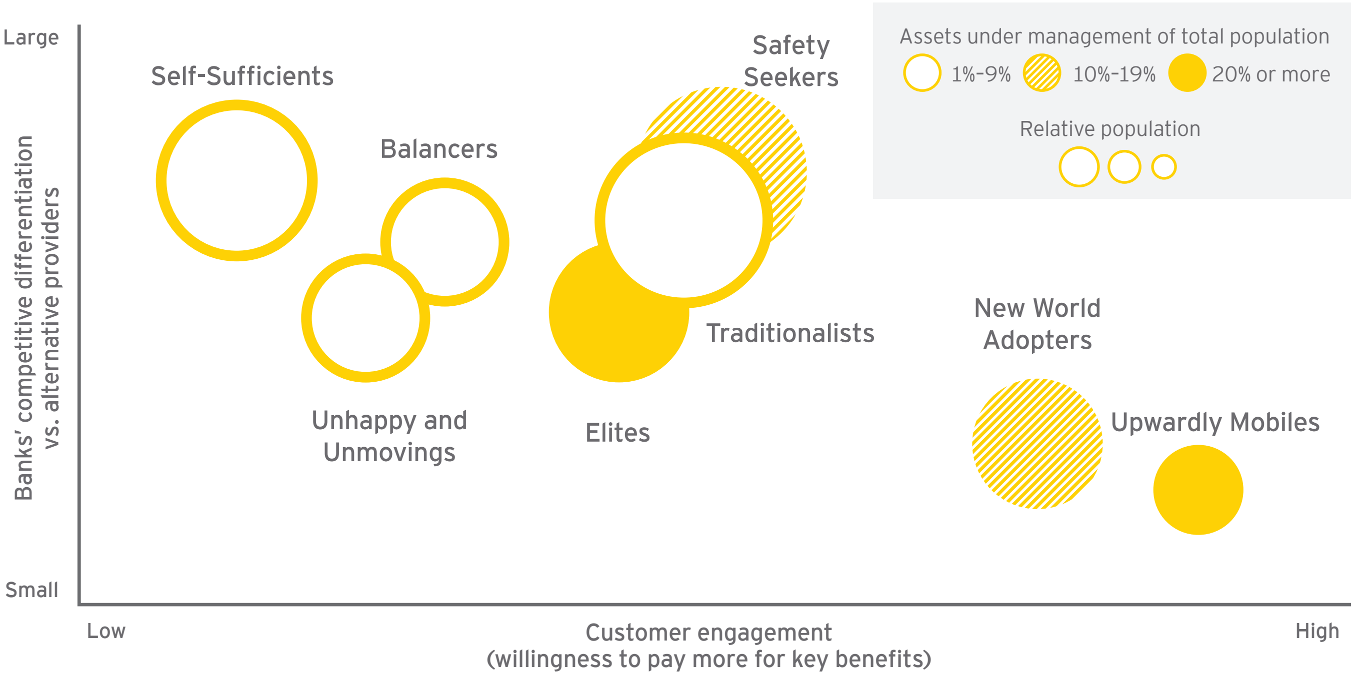
Segmentation can provide actionable insight for improvements

Customers' products, attitudes and preferences are not unique to a specific country or region. We grouped the results of the more than 32,000 customers into eight segments that share common behaviors, expectations, preferences and, therefore, solutions.

The segments vary in size, assets and willingness to pay more for key benefits (Figure 1). Those that are most promising but view banks as having a limited competitive advantage over alternative providers – e.g., the Upwardly Mobile customers – present the greatest challenge to traditional banks' ability to retain all or part of the relationship.

Later in this report we provide insights into the benefits that each segment values most, preferred channels for specific transactions, current products and services, engagement drivers and more. The segmentation analysis provides a unique lens and highlights opportunities to consider segment-based strategies to more effectively invest bank resources.

Figure 1. **Eight global segments**



Time is of the essence

While 60% of customers do not have definite plans to open or close any accounts in the next 12 months, this should not be interpreted as loyalty. Of those who definitely intend to maintain their current relationships, 22% indicated that all financial service companies are the same and 17% stated that it was too difficult or time consuming to change. Customers are not being retained; instead, they simply "remain" and are vulnerable to competitive threats.

Although traditional banks are currently seen as being in the best position to deliver on core benefits such as branch and ATM access, they are most vulnerable on benefits associated with the highest growth potential, e.g., proactively alerting customers to products and services and customizing them to fit their needs.

Traditional banks scored lowest on mobile banking features vis-à-vis the competition, and their competitive advantage in online banking features is also relatively small. Technology innovation has enabled different types of companies to provide banking services, particularly for transaction accounts, and banks may be on the verge of ceding their position as the primary provider. With online banking being the second-most common product at PFSPs, followed by other frequent-transaction products, the threat of another provider dominating these offerings and then becoming customers' primary provider is one that cannot be ignored.

Traditional financial services companies must respond to these challenges, as there is a multitude of new providers, including mobile telephone services, technology companies, and new types of banks with different technology and services entering and penetrating the marketplace.

Global insights

A promising, active environment

Confidence in the global banking industry has increased significantly over the past year. The percentage of customers whose confidence has risen now stands at 33%, a 50% gain from our last survey, which partially may reflect a restoration of prior-year losses (Figure 2). In addition, customers are generally satisfied enough with their banking relationship to recommend their PFSP (Figure 3).

Figure 2. **How has your confidence toward the banking industry changed in the past 12 months?**

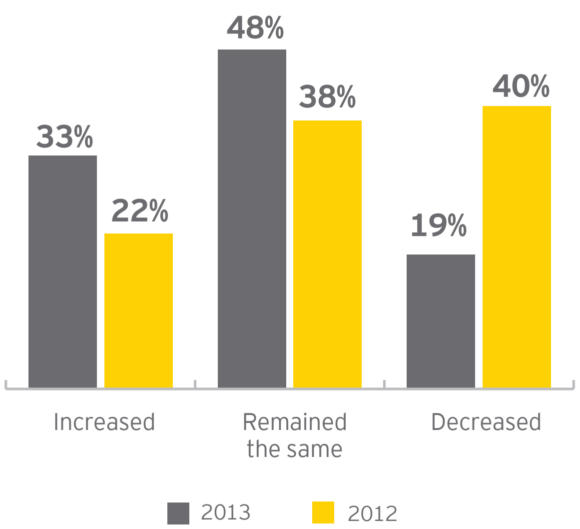
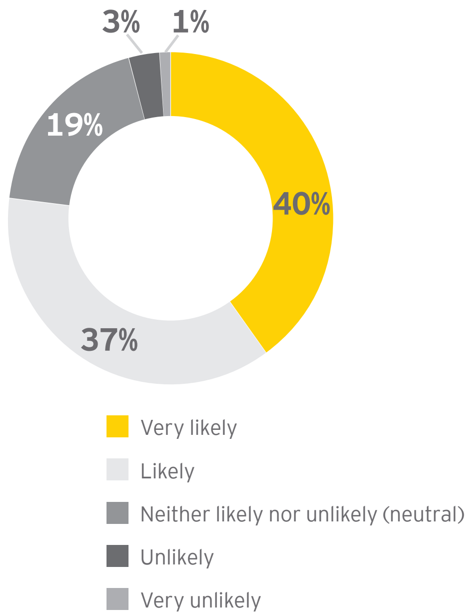


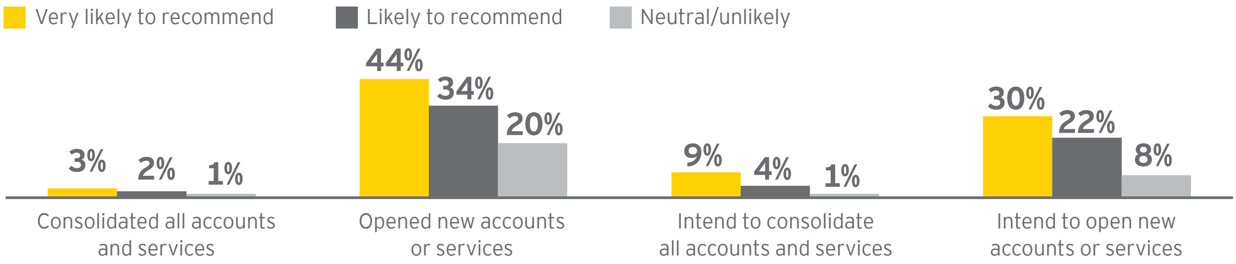
Figure 3. **How likely are you to recommend your PFSP?**



The value of advocacy

A key question is how much business benefit is associated with the higher rating, “very likely” to recommend. In fact, across the board, customers who are “very likely” to recommend their primary provider have already increased their business or plan to do so at a greater rate than those who are only “likely” to recommend (Figure 4). As a result, in this report advocacy is defined as the status achieved when customers are *very* likely to recommend their primary provider.

Figure 4. **Percentage of customers who recently made or are planning changes with their PFSP**



PFSP relationship

Our analysis is frequently done in the context of customers’ relationship with their PFSP, so it is important to understand that they almost always define this as a bank (Figure 5). In addition, the product most likely to be held with one’s primary provider is a savings account, followed by other transactional products and services (Figure 6). Of these, satisfaction levels with online banking and online bill payment are highest, closely followed by mobile payments which is owned by a smaller, but growing, portion of the customer base.

But customers are expecting more and more from their providers and have an increasing array of options from which to choose, so in this increasingly competitive environment, banks cannot rest. Over 50% of all customers either opened or closed accounts and services in the past 12 months and 40% have similar plans in the next year. Given this dynamic environment, this report explores key influencers of customers’ decisions and identifies those aspects of banking in which traditional banks either dominate or have only a slight competitive edge.

Figure 5. **Definition of primary financial services provider**

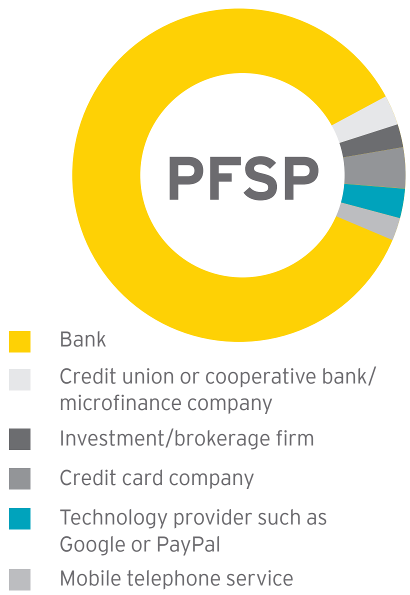
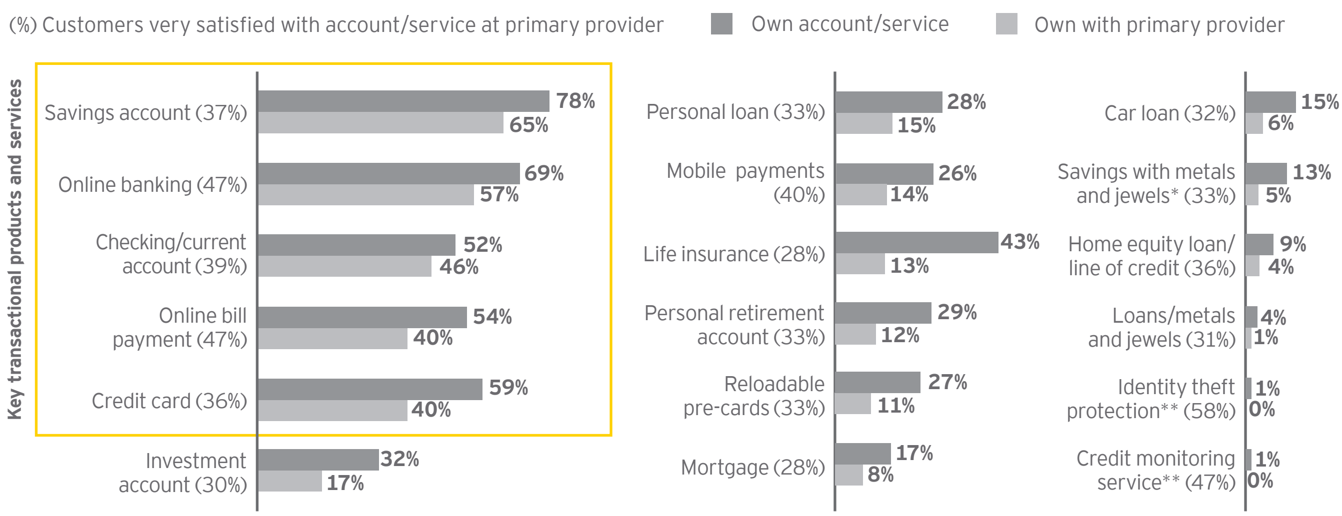


Figure 6. **Product ownership and satisfaction**



*Precious metals and jewels (like gold and diamonds) **Asked in US only

The power of trust

Given the value of advocacy, it is important to understand what a customer's primary provider must do to turn its customers into advocates.

The survey results show that 93% of customers trust their primary financial institution to a significant degree (Figure 7), but earning customers' complete trust, versus moderate trust, will result in much higher levels of advocacy and is thus worth investing in (Figure 8).

Trust is multi-faceted and is most frequently associated with the stability of the institution and the customer experience, with "the way I am treated" being of great importance, followed closely by communications, advice and problem resolution. These are all aspects of the experience that we explore as opportunities throughout this report (Figure 9).

Figure 7. **Degree of trust in primary provider**

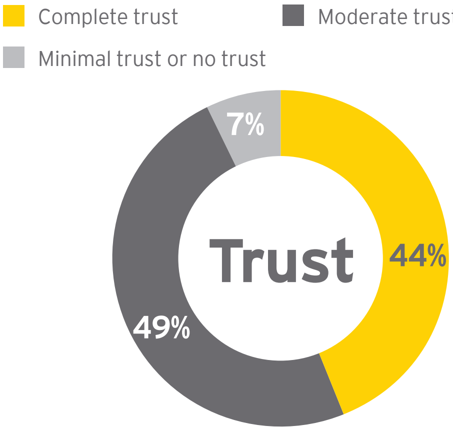


Figure 8. **Relationship between trust and advocacy in primary provider**

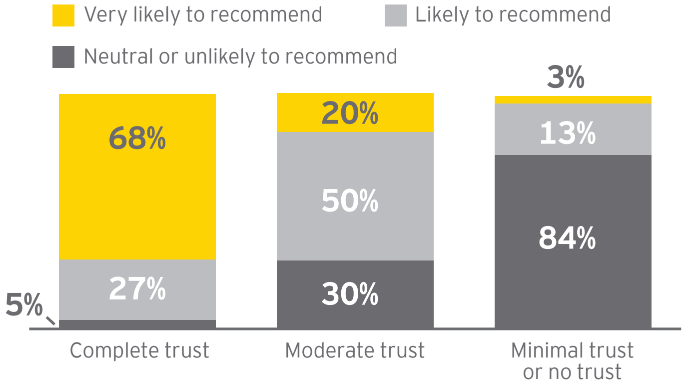
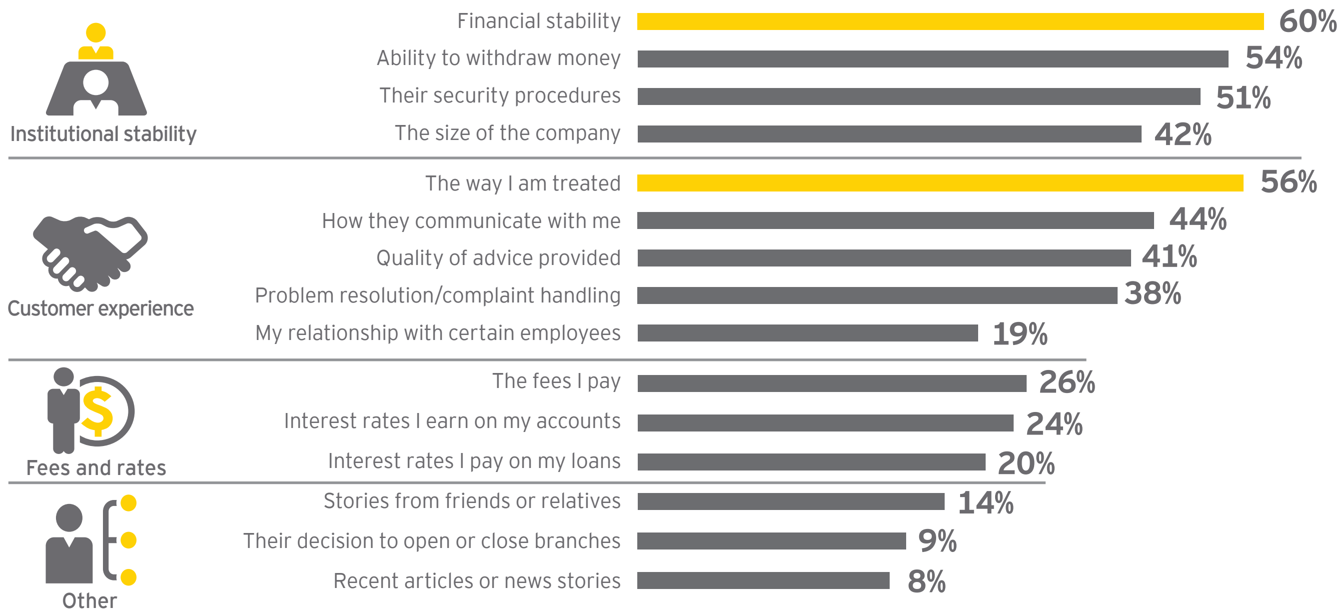


Figure 9. **Reasons for having complete trust**

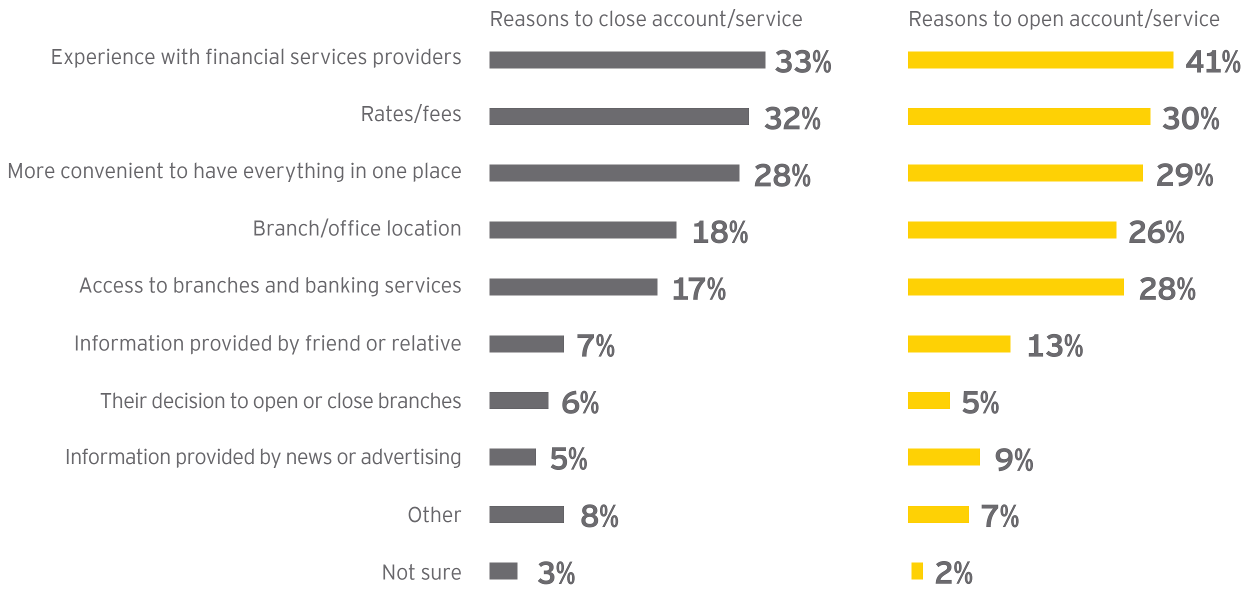


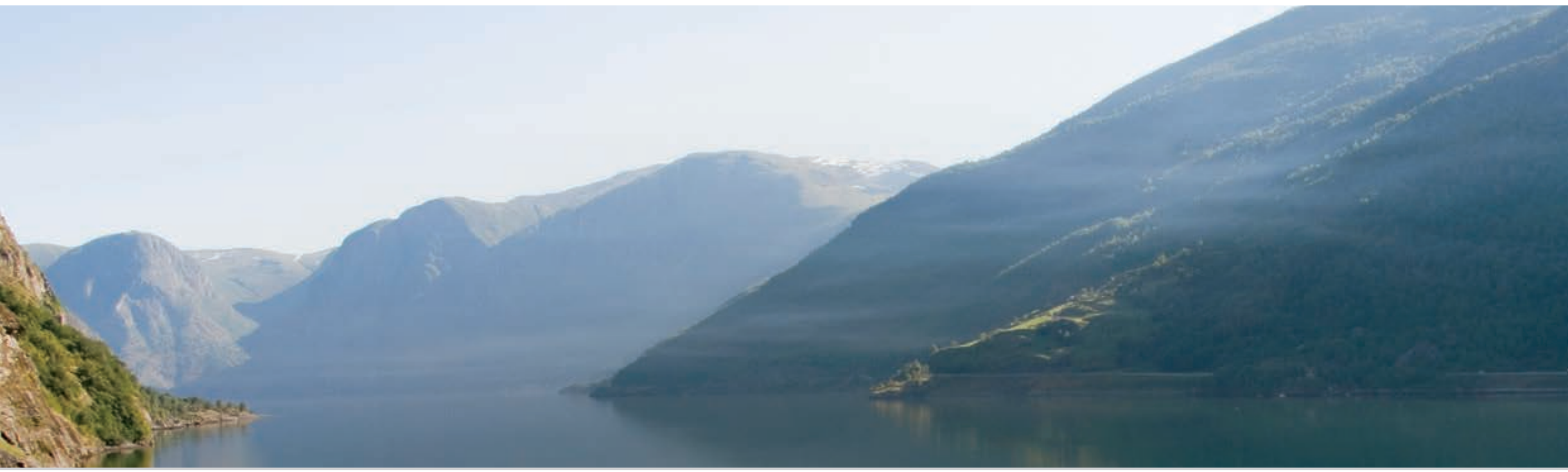
The experience is what matters

The experience is not only a key driver of trust, but also impacts behavior. For customers who opened or closed accounts or services in the past year, the single most common reason was the experience with their financial services providers (Figure 10).

Rates and fees were also frequently cited. This is reinforced in the next section of the report, which discusses the importance of fee transparency to customers and their relative dissatisfaction with bank performance. While convenience rates fairly high, physical branch access was more likely to be a reason for opening accounts and notably less of a reason for closing them.

Figure 10. **Reasons that customers opened or closed accounts in the past 12 months**





Key opportunities for banks

Opportunity 1: Make banking simple and clear

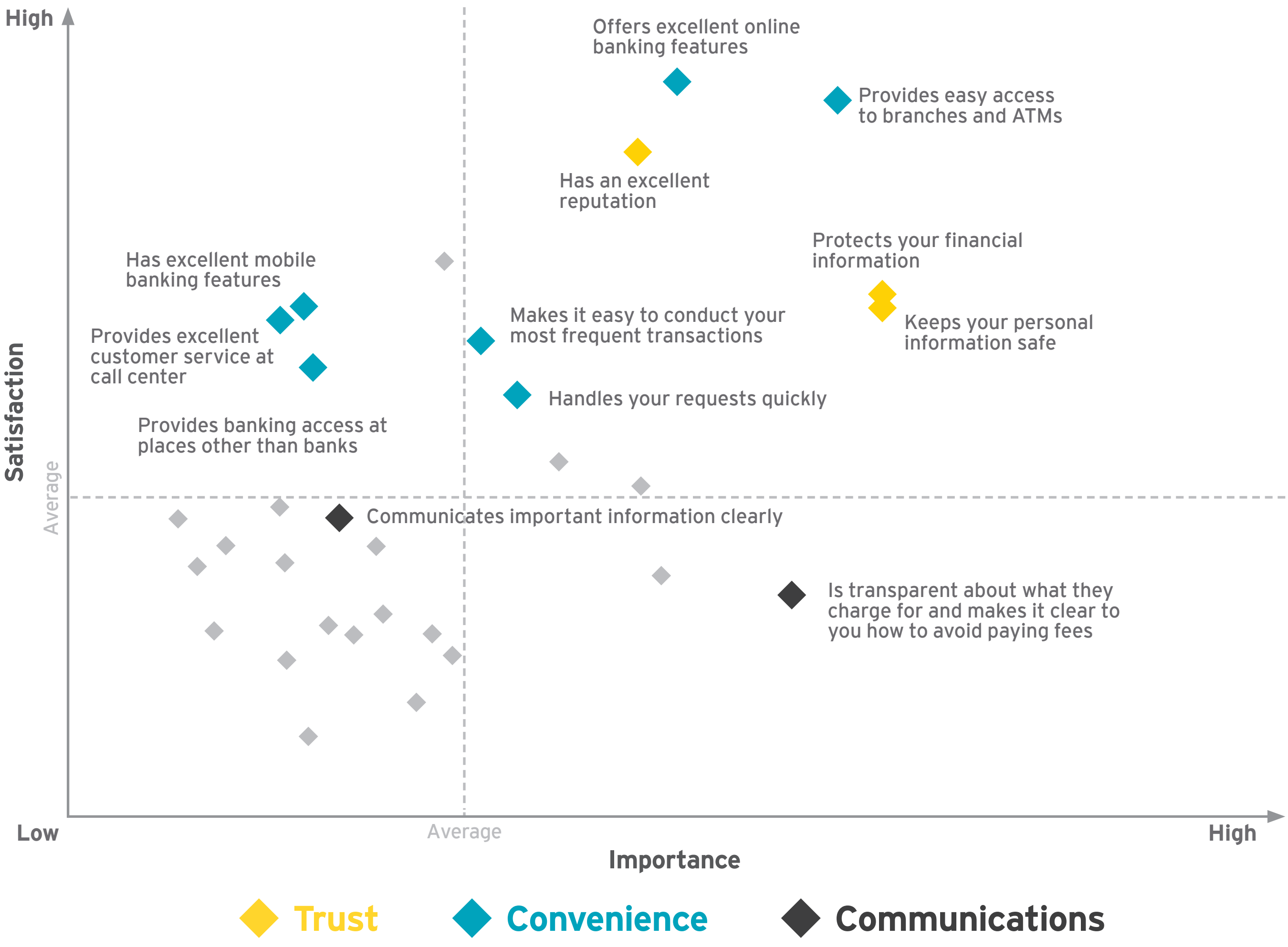
Exploring the experience and the opportunities

To gain a deeper understanding of the attributes that customers value, survey respondents were presented with 31 benefits, asked to select the five most important ones and asked to evaluate their current PFSP's performance against these benefits. Not surprisingly, most customers attributed high levels of importance and satisfaction to benefits associated with institutional stability. The more interesting findings are that banks fall short in meeting some basic expectations and also have the ability to differentiate and add value.

Starting with trust

As previously shown, institutional factors such as financial stability and security procedures are key drivers of complete trust in one's primary financial services provider. Consistent with this theme, customers rated reputation and security of personal or financial information as very important, and satisfaction with these items is among the highest (Figure 11). There is potentially an opportunity to improve communication about security practices and increase not only trust, but also adoption of online and mobile banking services where security concerns are often a barrier to usage.

Figure 11. **Benefit importance and satisfaction**



Larger diamonds indicate the benefits discussed in this section.

Convenience

Customers are looking for simplicity in their day-to-day banking, as evidenced by some of the features they value most (Figure 11):

- Easy access to branches and ATMs
- Excellent online banking features
- Ease of conducting frequent banking transactions
- Quickly handling requests

Mobile banking ranks lower in importance, probably because of its newness and thus lower usage across the respondent base. Satisfaction with mobile banking features is notably lower than that of online banking, which may also be a result of mobile's relatively recent introduction as a channel – customers expect that everything they can do online can be done on their mobile device, but those enhancements are still catching up at many banks.

However, mobile banking features do rate slightly higher than the call center ratings, perhaps indicating that banks' investments in mobile in the past few years are starting to pay off. In addition, as more and more transactions shift to self-service channels, call centers are left to deal with the more complicated questions or problems which are, by their nature, more difficult to consistently handle well.

Fortunately, for simple, everyday banking, customers have many channels to choose from and can vary their selection depending on access, experience and what they're trying to achieve (Figure 12a). On a daily basis, customers reported using the internet most frequently, followed by mobile and ATMs. But when combined with weekly usage, customers use the online and ATM channels far more frequently than any others, and overall are most satisfied with them over mobile, branch and call center channels (Figure 12b). This is not surprising given customers' familiarity with these channels, the relative simplicity of transactions through them and investments that banks have made.

Figure 12a. **Channel use (% who use channel at specified frequency)**

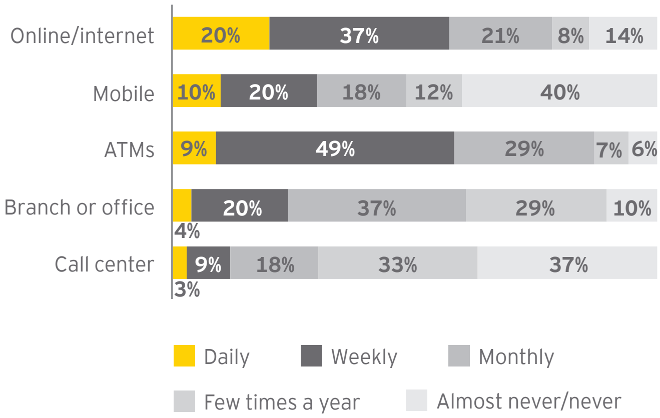
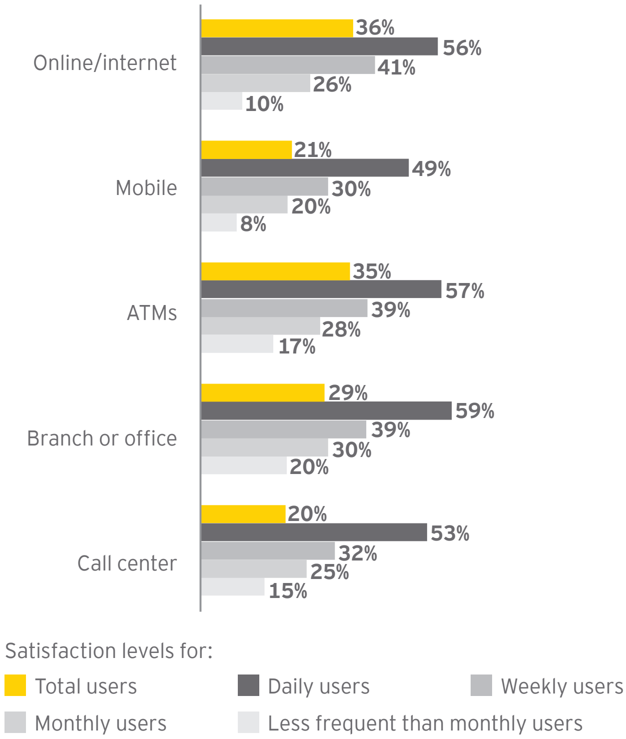
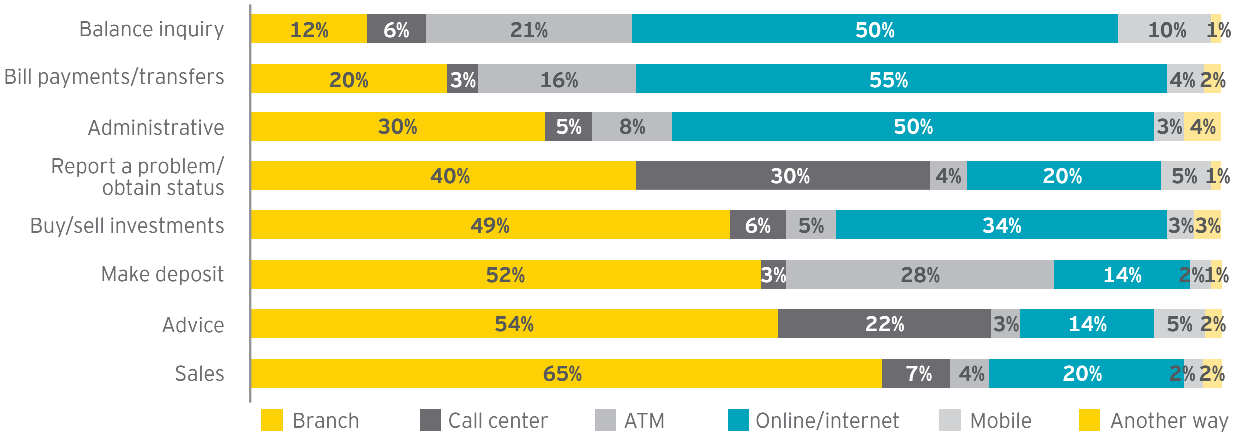


Figure 12b. **Channel satisfaction (% very satisfied)**



Opportunity 1

Figure 13. **Percentage of channel preference by task among all customers**



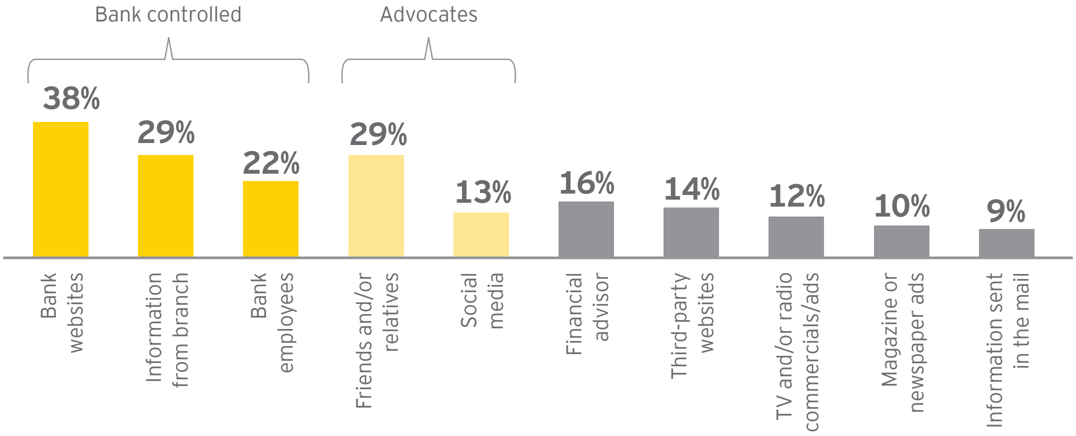
Customers have certainly come to expect convenience, and electronic channels, headlined by the broad-reaching capabilities of online banking, represent the preferred choice for frequent transactions, balance inquiries and administrative matters (Figure 13).

While electronic channels provide customers with the freedom to bank when and where they want, this does not mean that customers have lost their connection with the branch and its employees. When it comes to sales and advice, customers universally crave the personal contact. Branches are largely preferred, but call centers are also very convenient and desirable for obtaining advice. Call centers are also second only to branches for problem-related contacts, providing the convenience of 24/7 with the ability to have a conversation. As routine matters continue to shift to self-service channels, investing in call centers to handle more complex advice and problem resolution matters will be increasingly valuable.

In the survey, customers were asked to select the *single* channel they prefer most for performing specific transactions and inquiries. Acknowledging that they often use more than one channel, especially when making significant financial decisions, it is imperative to determine not only the role that each individual channel will play in each banking interaction and ensure that transactions are simple to perform without generating problems, but also how to connect the data and interaction history such that customers can complete their transactions seamlessly across channels for an omni-channel experience.

Delivering this experience often requires integration of technology and data, with the goal of both enabling customers to move among devices or channels, and equipping the bank with a single customer view and detailed profile of accounts and interactions. Armed with these insights, banks can be more successful in identifying relevant products and services and then offering, selling and servicing them through the most effective channels. Designing an overarching customer experience with detailed interactions across channels, as well as continuing to enhance individual channel capabilities, will assist institutions in making the right investments and delivering the omni-channel experience that customers have enjoyed in other industries and now come to expect in financial services.

Figure 14. **Most important information sources used when searching for a financial services provider**



Communications

Customers were noticeably less satisfied with one of the most important benefits: transparency and clarity of fees (Figure 11). This presents a burning issue for banks to improve upon, as customers who switched providers last year also cited rates and fees as an extremely important reason for closing accounts. And it is more than an irritant — two of the top five problems for which customers requested assistance related to unexpected fees and disputed charges. This takes time and effort for them to pursue, and even then only 20% of those reporting the problem were very satisfied with the resolution, and a full 42% were less than satisfied. Four major indicators point to the need to invest in improving how banks communicate about fees: 1) importance of this feature, 2) frequency of associated problems, 3) current state of satisfaction with the resolution and 4) associated business impact.

Satisfaction with clarity of communications in general was also lower than average. Overall, every interaction in every channel is an opportunity to demonstrate simplicity and clarity, which is particularly important when customers are searching for a financial services provider. While friends, relatives and social media remain strong influencers, the most important information sources are those controlled by the banks themselves, allowing them to describe their products, services and, most important, fees in ways that are simple to understand (Figure 14).

Our findings are reinforced by Siegel + Gale's recent Brand Simplicity Index report, which states: "In a world crowded with complexity, simplicity stands out. It brings clarity instead of confusion, decision instead of doubt. And the rewards are real. Simplicity inspires deeper trust and greater loyalty in customers, and clears the way to innovation for employees."

For that report, consumers were asked to evaluate the simplicity of their interactions with brands and industries. They rated "understanding when I'll be charged fees or how I can avoid fees" as the most complex of 10 touchpoints evaluated, which is very consistent with the dissatisfaction we found.

The banking industry scored 517 on a scale from 0 to 1,000, ranking 19th among 25 industries and signaling an overwhelming need to simplify how it does business, especially as consumers compare their financial providers not only to direct competitors but to other industries. Consumers not only expect this, they are willing to pay for it: the same study found that 41% of people are willing to pay more for simpler experiences and interactions.

Key opportunities for banks

Opportunity 2: Help customers make financial decisions

Advice

After mastering the basics of day-to-day banking, banks have a tremendous opportunity to differentiate by helping customers achieve their financial goals. Thus far, many of the opportunities to realize benefits from improving the experience have related to simplifying it, which often equates more to reducing pain points than to adding incremental value. Also, the introduction of technology and self-service channels into the customer experience delivered a level of convenience that customers quickly integrated into their daily lives. Constant access to banking and the security procedures enabling banking to be conducted in a safe manner now represent seemingly universal requirements and minimum expectations for which customers generally are not willing to pay more. So it is important to look to other benefits for revenue growth.

Aside from transparency of fees, the benefits with the lowest satisfaction ratings all relate to personalizing the experience, building a relationship and helping customers improve their financial well being (Figure 15). While these benefits are not as important to all segments, they represent key vulnerabilities on both ends of the spectrum:

- Opportunity: many customers would be willing to increase their business if performance improved
- Risk: traditional banks have a somewhat small competitive advantage relative to alternative providers

If these items are not addressed, alternative providers can focus on offering experiences such as recommending the right products and services, providing financial planning and leveraging financial experts. These

Figure 15. **Benefit importance and satisfaction**

Larger diamonds indicate the benefits discussed in this section.

offer some of the greatest revenue potential, since they contribute directly to cross-sell and long-term relationship growth. Doing this well requires a personalized experience, which is another area of opportunity, in the form of knowing customers' existing accounts, services, contacts and interactions. Being able to analyze this data across the entire customer relationship and putting it in the hands of the sales force will be essential to delivering on this category of benefits.

When asked what they would be willing to do if their PFSP offered a much better experience on the benefits they selected as most important, customers expressed a clear willingness to reciprocate the bank's investment in them by becoming a more valuable customer. The highest levels of engagement, defined as willingness to pay a little more, add more accounts/services, or increase deposits/investments, were related to items that personalize and develop the relationship in an advisory capacity (Figure 16). In contrast, median scores were given to benefits such as improved transparency — another attribute that has become a minimum expectation with more downside risk than upside opportunity, but a requirement for gaining trust and earning the right to provide advice.

> Banks are in an enviable position in providing an omni-channel experience and having access to customer data, as remote banking channel functionality extends into financial planning. As noted in the 2013 eBook published by EY and Knowledge@Wharton, *Mobile Banking: Financial Services Meet the Electronic Wallet,* "Banks, through the credit card, through the transaction history, see everything the customer does with everybody, allowing banks to … provide tailored products and services."

The top three benefits promising the highest engagement opportunity all reflect a willingness to increase share of wallet in exchange for banks' helping them achieve their financial and banking goals

Figure 16. **Engagement drivers — what customers would be willing to do if their PFSP offered a much better experience**

Opportunity 2

Combining the power of distribution options with access to data and analytics makes banks uniquely qualified to develop a deep understanding of their customers and provide them with advice in ways that are both convenient and highly personalized.

Data can also be aggregated and provided to customers to help them manage their finances, by understanding their own spending patterns as well as obtaining insights from other consumers with similar profiles and goals. Given their access to both internal and external data, banks are in a unique position to provide customers with data that is truly meaningful.

Once again, banks have more than one way to provide services to their customers, and customers are open to receiving them in different ways (Figure 17). While in-person dialogue has the greatest appeal for receiving advice, remote options are also of interest. Making the right investment decisions will depend on one's overall customer and distribution strategies as well as analysis of specific segment preferences. Realizing the benefits will require careful execution planning, including clearly defining the roles of channels, ensuring that employees and advisors have appropriate skills and training support, and aligning compensation structures and priorities with the desired behaviors.

This can also contribute to increased trust, as supported by a December 2013 Forrester Research, Inc. report, "Financial Service Brands Fail to Earn TRUE Consumer Trust." This report states: "Financial services brands have long suffered from lack of consumer trust, but the 2008 financial collapse undermined the brand relationship. Difficult as the road is, financial service brands must strive to secure brand trust to build their brand." One of the key drivers of earning back customer trust is through superior personalized product offerings. "High-quality products that meet customer needs are a key driver of trust in financial services."

Figure 17. **Percentage of customers who are somewhat or very interested in these ways of receiving advice**

Key opportunities for banks

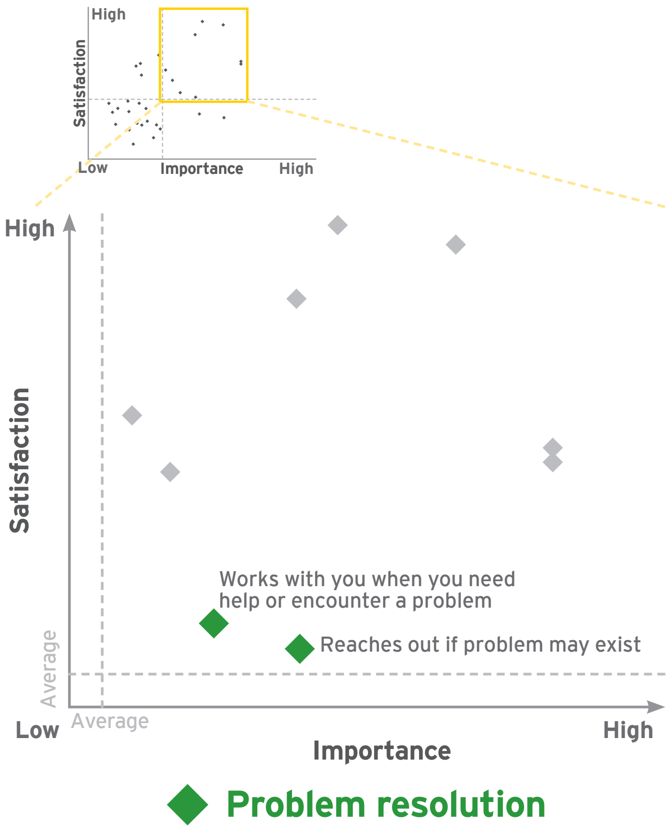
Opportunity 3: When problems arise, become the customer's advocate

Problem resolution

Problem resolution also presents both opportunity and risk. There is, perhaps, no greater moment of truth for a PFSP than when supporting customers requesting help with a problem. Effectively working with customers and even proactively contacting them in the event of a problem remains of critical importance. While satisfaction levels with problem-related benefits are higher than average (Figure 18), there are significant opportunities associated with performing much better on this dimension, and substantial risk in not doing it well.

A solid one-third of respondents reported having a problem in the last 12 months for which they contacted their financial services provider (Figure 19a). This critical interaction is a unique opportunity that allows institutions not only to solve the problem but to increase advocacy to the point that customers will increase their level of investment in their provider. An analysis of the relationship between problem resolution and advocacy, as compared with satisfaction with products, channels and benefits, found the impact of problem resolution to be substantially greater (Figure 19b). This means that for one-third of customers, how their problem is resolved becomes the seminal experience driving advocacy and impact on future business.

Figure 18. **Benefit importance and satisfaction**



Larger diamonds indicate the benefits discussed in this section.

Figure 19a.

Problem resolution incidence
% of consumers who experienced a problem for which they contacted their financial services provider in the past 12 months

Degree of satisfaction with problem resolution

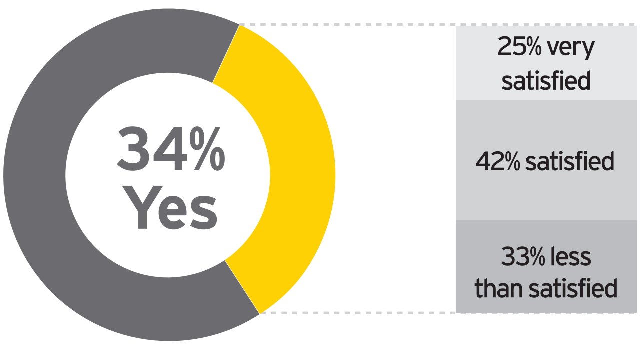
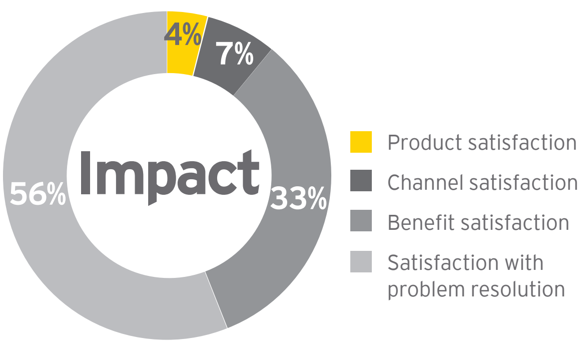


Figure 19b.

Relative impact (%) of different experiences on advocacy



Given the power of effective problem resolution, most customers are telling us that their institutions are not maximizing the opportunity. Of the 25% of customers who indicated they are very satisfied with how the problem was resolved, two-thirds of them are advocates (Figure 20), which translates into giving more or all of their business to that institution. But not everyone is satisfied, and the outcome is not necessarily status quo. In fact, those who are less than satisfied have advocacy levels lower than customers who did not experience a problem at all (Figure 20), and 19% of those dissatisfied and 32% of those very dissatisfied reported closing some or all of their accounts or services (Figure 21).

Figure 20. **Relationship between satisfaction and advocacy**

% of customers very likely to recommend PFSP based on satisfaction with problem resolution

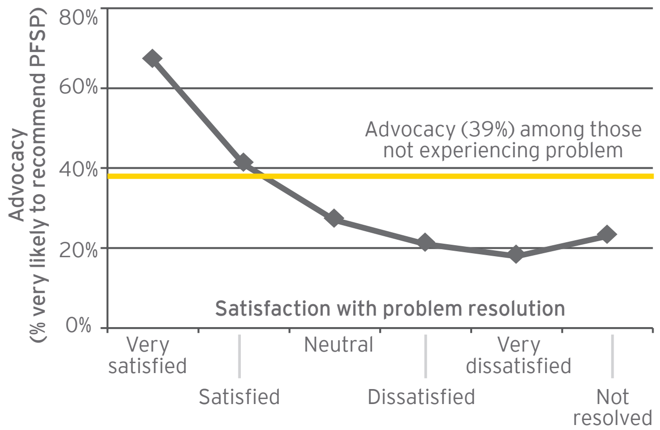
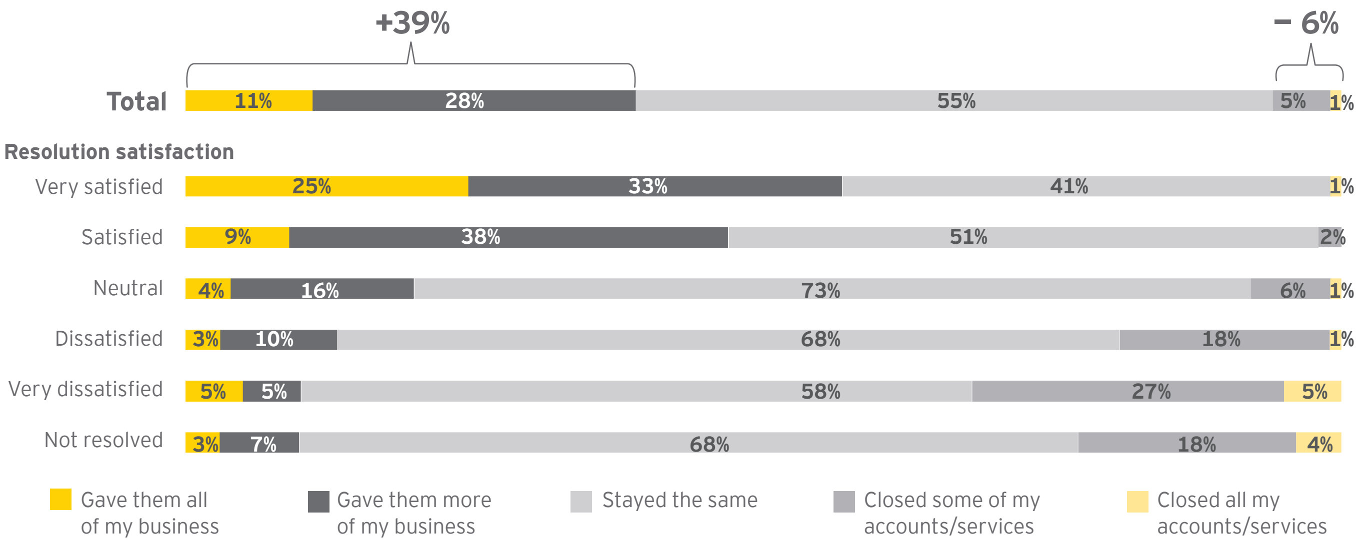


Figure 21. **Change in business among those requiring problem resolution assistance**



Fees again stand out as an area of opportunity. Representing 15% of all problems reported (Figure 22), fees are a likely cause of lost customers, second only to denials as a source of dissatisfaction (Figure 23).

In the near term, focusing on targeted issues will yield bottom-line results, as there is definitely value associated with preventing problems altogether. Improving problem resolution for all issues, especially fees, will address a frequent problem with less than average satisfaction results. Investing in call centers, preferred by 30% of customers for reporting or obtaining status on problems, can also provide immediate lift. Since effective resolution impacts advocacy, equipping call centers to field problem-related calls, strengthen the relationship and create sales opportunities is a natural strategy to follow.

Figure 22. **Types of problems experienced**

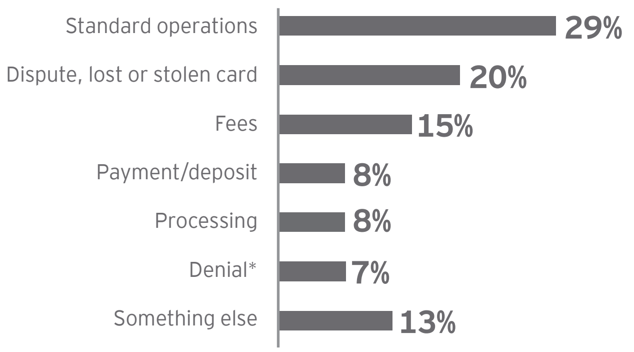
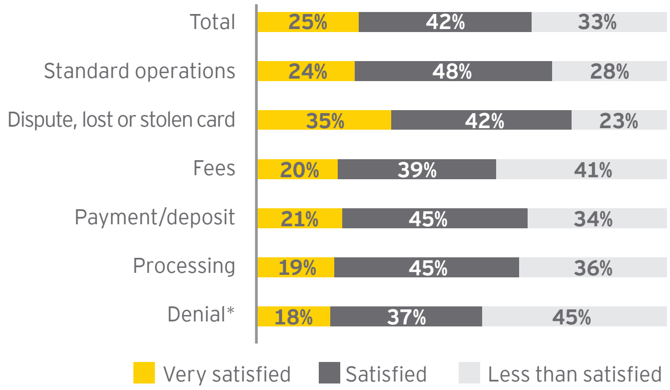


Figure 23. **Problem resolution satisfaction by problem type**



*Denial includes credit/loan requests and charges when making purchases

Segment insights

Customers' product requirements, attitudes and preferences are not unique to a specific country or region. We grouped more than 32,000 customers into eight segments (Figure 24) that share common behaviors, expectations, preferences and, therefore, solutions.

The segmentation provides a unique lens and highlights opportunities to consider segment-based strategies to more effectively invest bank resources based on those segments that are currently prevalent in one's customer base, or are targets for future prospecting.

Getting to know your customer segments

Self-Sufficients

- Older, less educated, more limited financial means
- Lower advocacy and trust, but unlikely to open and close accounts
- Value convenience (online banking features, ATM/branch access, ease of doing business) and are least frequent users of the branch
- Prefer doing their own research and using self-service tools over talking to an advisor

Balancers

- More modest assets relative to income
- Do not open or close accounts frequently
- Comfortable with online channel but value relationship aspects offered by traditional banks
- Value fee transparency and assistance with problem resolution

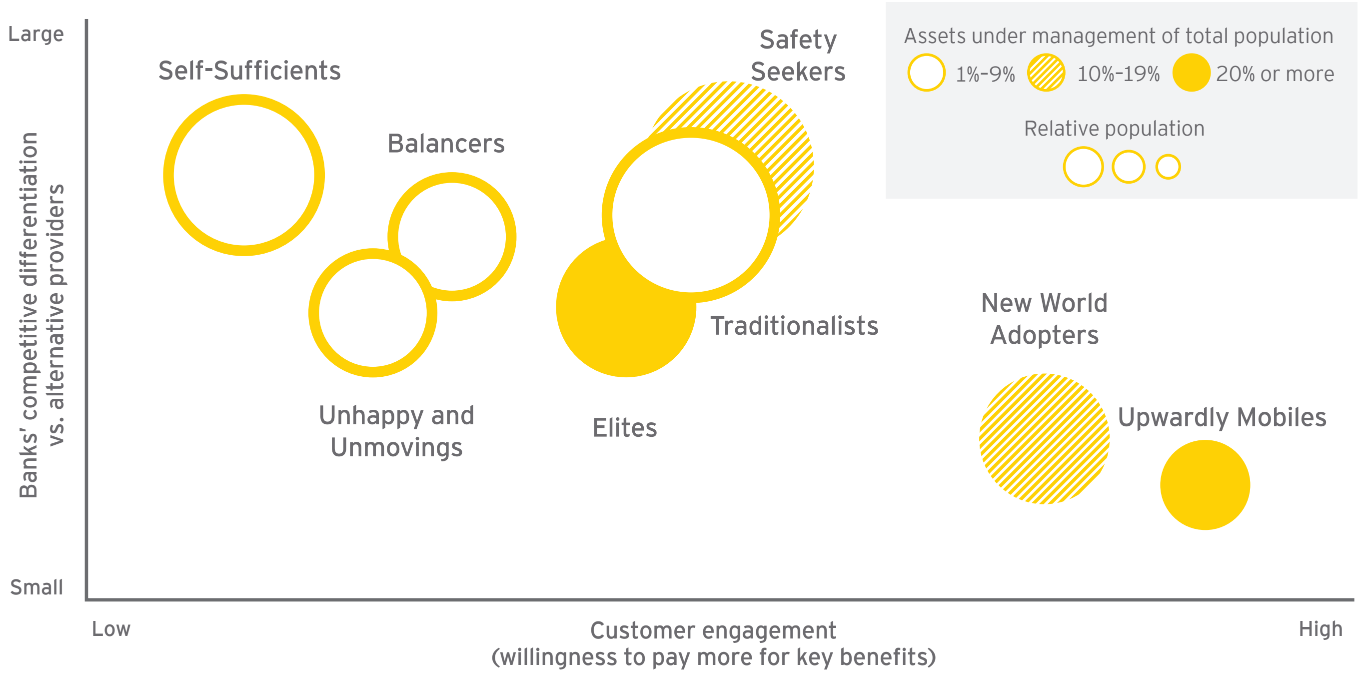
Safety Seekers

- Younger, less educated, limited cash flow and savings
- Likely to trust and advocate for their provider, but have relatively small portfolios
- Value keeping personal and financial information safe, and fee transparency
- Strong preference for using the branch for most banking services

New World Adopters

- Younger, highly educated, relatively modest household incomes with significant savings relative to income
- Heavy users of technology
- High advocacy and trust in PFSP, but second most active in opening and closing accounts
- Receptive to options, including a broader range of channels and new market entrants offering new ways of doing business
- View banks as relatively undifferentiated compared with alternative providers

Figure 24. **Eight global segments**



Unhappy and Unmovings

- Older, least educated, low household incomes and low investable assets
- Lowest advocacy and trust
- Most critical of their PFSP and the industry overall
- Infrequent users of both branch and remote channels
- Unlikely to move products as they feel that all providers are the same
- High incidence of complaints, especially around unexpected fees, and low satisfaction with resolution

Elites

- Older, highly educated with high household incomes and assets
- High levels of advocacy and trust
- Second highest number of products owned
- Heavy users of online channel
- Value using self-service financial management tools and conducting research online

Traditionalists

- Less educated, most limited in income
- Lowest number of products, but willing to increase engagement when offered new ways to do business
- Will use remote channels although prefer to use the branch
- Use the ATM most frequently each week
- Value being rewarded for loyalty

Upwardly Mobiles

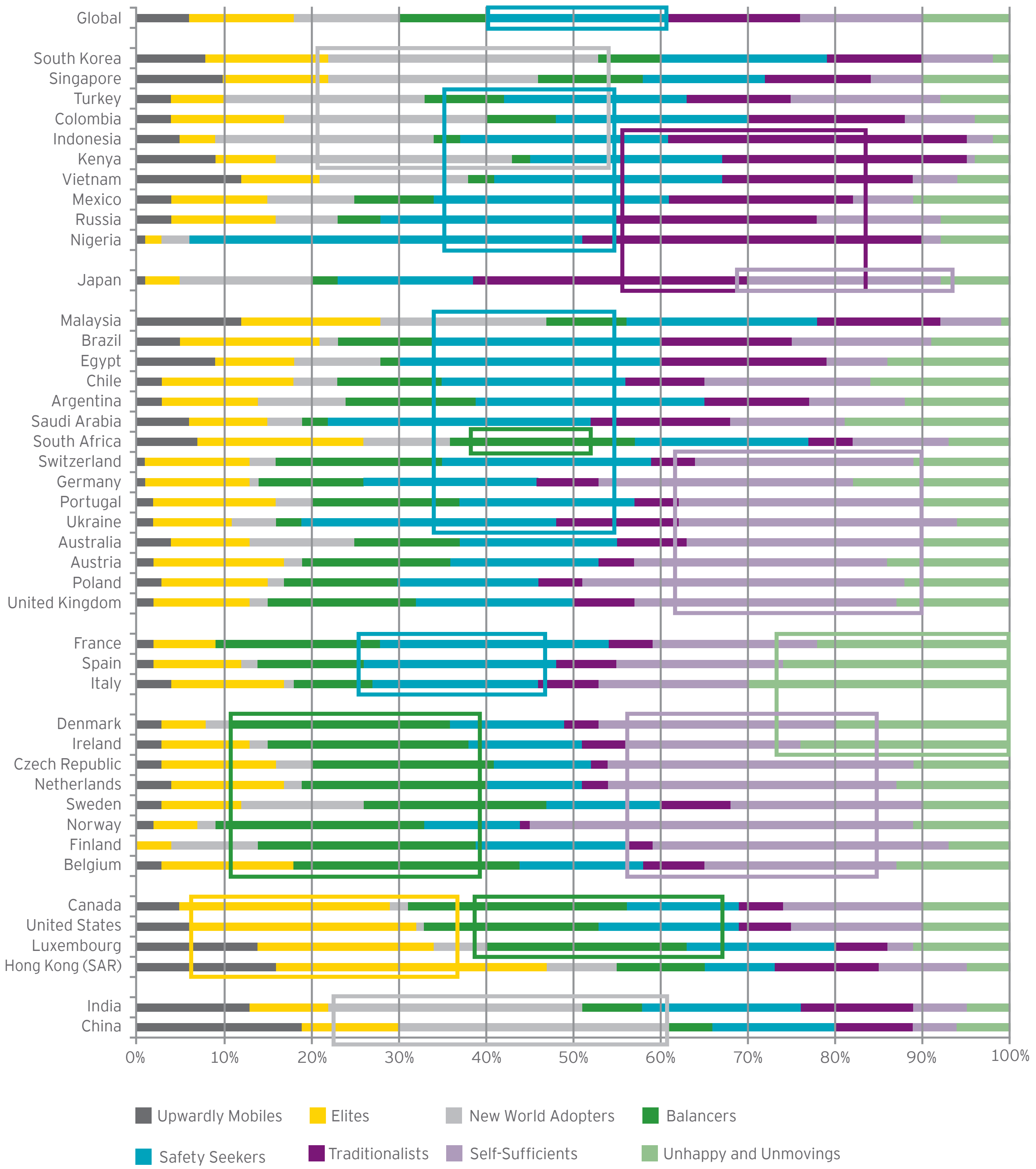
- Young, highly educated, high household incomes and investable assets
- Highest advocacy and trust
- View banks as relatively undifferentiated compared with alternative providers
- Own the most products
- Most active in opening and closing accounts
- Most likely to experience problems requiring assistance, with great returns if resolution is highly satisfying
- Value financial advice whether in person, on the phone, over video chat or via self-service

Note: AUM (assets under management) is based on the survey question asking customers for the value of their total financial assets, excluding personal retirement account holdings and real estate. Refer to the Research methodology section of this report for information regarding standardization of financial information.

Each country has a unique representation across segments and shares commonalities with other countries within and outside of its geographic region. It is influenced by a range of external factors, including economic/political/banking industry stability, cultural norms, newer technologies, income and affluence. This opens the door to new levels of insights and inspiration to explore strategies and results in countries that share similar customer characteristics.

The diagram below groups countries based on similarities in segments, regardless of geographic proximity (Figure 25). Segments comprising at least one-fifth of the population are generally highlighted to show which customer types are most dominant and influenced the groupings.

Figure 25. **Customer segments by geography**



The segments were developed based on factors including product holdings, channel preference, attitudes, reasons for trust, income and assets. Additional variations across segments are clearly observed in their demographic profiles, elements which can be used in targeting and identifying each one. We've provided some of the characteristics that differentiate the eight segments so that financial institutions can begin to develop comparable insights for their own customer base (Figure 26). While age skews younger for some and older for others, education – the percentage graduating from college or university – shows a clear progression from segments that are least well off to those that are most well off financially.

Figure 26. **Segment characteristics**

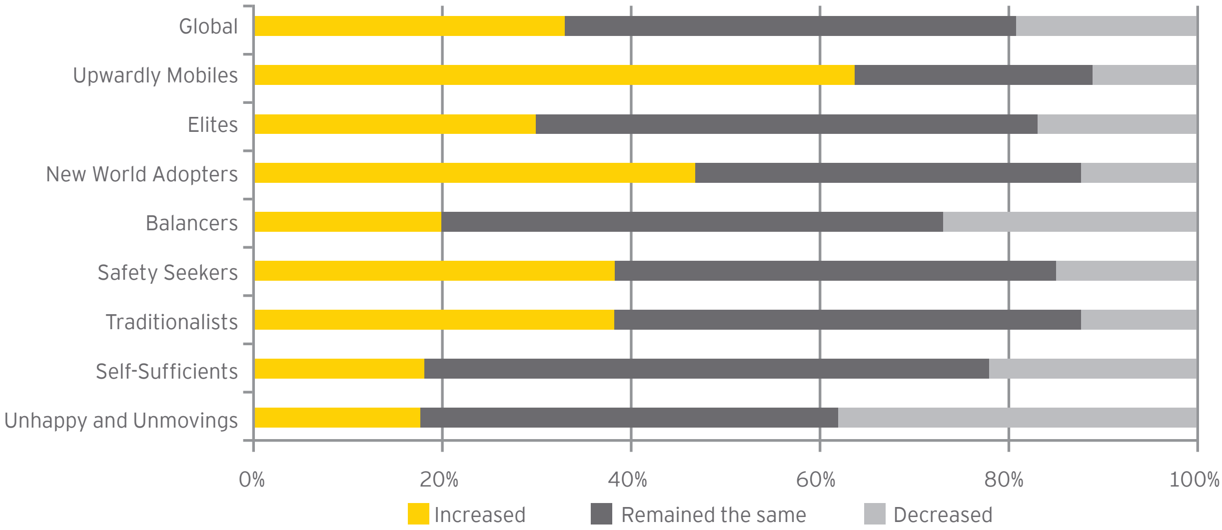
	Upwardly Mobiles	Elites	New World Adopters	Balancers	Safety Seekers	Traditionalists	Self-Sufficients	Unhappy and Unmovings	Total
% Population	6%	11%	12%	10%	22%	15%	14%	10%	**100%**
Gender									
Male	59%	57%	53%	53%	51%	48%	49%	53%	**52%**
Female	41%	43%	47%	47%	49%	52%	51%	47%	**48%**
Age (in years)									
18-34	43%	26%	44%	27%	41%	39%	32%	33%	**36%**
35-49	37%	31%	29%	35%	24%	25%	26%	27%	**28%**
50 or older	20%	43%	27%	38%	35%	36%	42%	40%	**36%**
Education									
College graduate	80%	70%	75%	59%	53%	53%	51%	47%	**59%**
Household income*									
Median	$48,571	$46,667	$29,584	$41,429	$18,667	$16,358	$29,922	$25,000	**$28,090**
Assets*									
Median	$250,000	$122,393	$93,750	$46,875	$31,875	$31,875	$28,684	$30,984	**$46,875**
% Assets under management	25%	21%	18%	7%	11%	7%	6%	5%	**100%**

*Refer to the Research methodology section of this report for information regarding standardization of financial information.

Industry and institutional sentiments

While confidence in the banking industry has increased globally over the past 12 months, this is not true for all segments (Figure 27). Upwardly Mobiles and New World Adopters exhibited the greatest increase in confidence, at 64% and 47%, respectively. In contrast, the Unhappy and Unmoving segment had the largest decrease in confidence at 38%. The other segments had varying degrees of net positive or negative change in confidence, and in each case, approximately half of the customer base reported no change in confidence level.

Figure 27. **How has your confidence toward the banking industry changed in the past 12 months?**

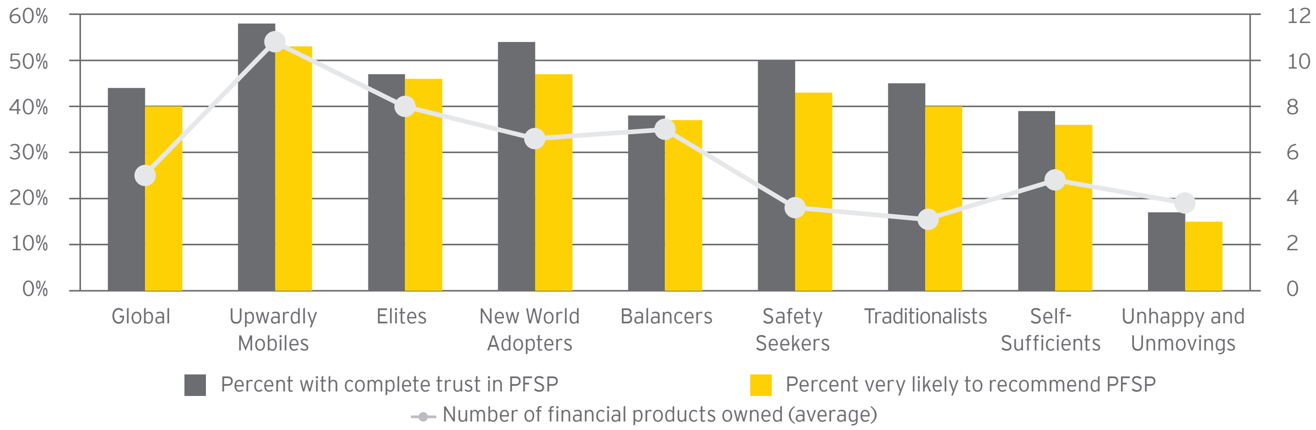


Changes in confidence in the industry often mirror feelings toward one's PFSP. This is readily apparent in the Upwardly Mobile and New World Adopter segments, which have the highest levels of trust and advocacy, and in the Unhappy and Unmoving segment, which has the lowest (Figure 28).

Upwardly Mobiles' strong advocacy results, in part, from the exposure to different institutions and the frequent surveillance of the competitive landscape that comes with their large portfolio of products. Likewise, Elites and New World Adopters also have relatively large portfolios. These three segments were most likely to open and close accounts in the prior year, activity that allows them to evaluate the status of their primary provider in light of competitive offerings and consciously select the one best suited to their needs.

Across all segments, the principal products likely to be held with primary providers are the core accounts, including transactional accounts, notably deposit products (checking/current, savings accounts) and online

Figure 28. **Trust, advocacy and product ownership**



banking/bill payment. Differences of note include the relative absence of checking/current accounts among New World Adopters, who have an above-average number of products including high ownership levels in savings accounts and online banking, and Traditionalists, who have the lowest level of online banking/bill payment and credit cards but often hold reloadable prepaid cards and almost always have a savings account (Figure 29).

Upwardly Mobiles, with the highest number of products on average, are generally least likely to hold them at their PFSP. For example, while 88%–94% have savings, online banking/bill payment and credit card products, these are held at their PFSP only 64%–72% of the time. Self-Sufficients are most likely to hold these accounts at their PFSP (70%–91% of the time) and even more so for those who have checking (or current) accounts (95%).

Satisfaction with these core accounts held at one's PFSP tends to be highest, most notably for online products — banking and bill payment — as well as mobile payments. This is fairly consistent across segments, perhaps because the customers have deliberately chosen to hold these products at their PFSP, with the exception of the Unhappy and Unmoving customers who are less satisfied with their accounts across the board.

Figure 29. **Product ownership and satisfaction**

	Upwardly Mobiles	Elites	New World Adopters	Balancers	Safety Seekers	Traditionalists	Self-Sufficients	Unhappy and Unmovings	Total	Satisfaction*
Savings account	94%	86%	96%	84%	72%	82%	65%	51%	78%	**37%**
Online banking	92%	95%	90%	97%	47%	14%	97%	56%	69%	**47%**
Credit card	88%	87%	72%	80%	43%	34%	57%	47%	59%	**36%**
Online bill payment	89%	87%	73%	78%	31%	13%	75%	32%	54%	**47%**
Checking/ current account	69%	87%	9%	75%	45%	22%	68%	65%	52%	**39%**
Life insurance policy	87%	68%	66%	69%	23%	29%	22%	25%	43%	**28%**
Investment account	80%	75%	54%	26%	15%	17%	12%	15%	32%	**30%**
Personal retirement account	69%	61%	29%	45%	17%	19%	14%	17%	29%	**33%**
Personal loan	73%	30%	30%	36%	21%	22%	20%	21%	28%	**33%**
Mobile payments	87%	39%	61%	13%	13%	14%	11%	9%	26%	**40%**
Reloadable pre-paid cards	72%	36%	42%	10%	16%	27%	20%	17%	27%	**33%**
Mortgage	52%	25%	11%	46%	7%	7%	10%	15%	17%	**28%**
Car loan	67%	18%	14%	30%	7%	7%	7%	9%	15%	**32%**
Savings with precious metals and jewels	51%	20%	21%	10%	9%	8%	5%	6%	13%	**33%**
Home equity loan/ line of credit	57%	9%	9%	14%	3%	5%	1%	4%	9%	**36%**
Loans against precious metals and jewels	26%	3%	4%	2%	2%	2%	1%	2%	4%	**31%**
Products owned (mean)	**11.5**	**8.2**	**6.8**	**7.1**	**3.7**	**3.2**	**4.8**	**3.9**	**5.5**	
Average product satisfaction	**39%**	**39%**	**38%**	**35%**	**42%**	**35%**	**40%**	**20%**	**37%**	

*% reporting they are very satisfied with the product if held at their PFSP

Opportunities for segment-driven investments

Opportunity 1: Make banking simple and clear

Remote banking is no longer remote. It is at the front and center of everyday banking, with 48% of all customers on average using either the ATM, online/internet or mobile channels at least weekly, and up to 75% for certain segments (Figure 30).

Figure 30. **Channel use (at least weekly)**

	Upwardly Mobiles	Elites	New World Adopters	Balancers	Safety Seekers	Traditionalists	Self-Sufficients	Unhappy and Unmovings	Total
Branch or office	46%	23%	27%	18%	27%	26%	11%	18%	**24%**
Call center	34%	10%	17%	7%	12%	11%	5%	11%	**12%**
ATM	76%	61%	63%	55%	**57%**	**57%**	50%	**50%**	**58%**
Online/internet	**79%**	**79%**	**67%**	**76%**	45%	27%	**71%**	45%	**57%**
Mobile	69%	34%	48%	24%	26%	23%	20%	17%	**30%**
*Remote channel average**	**75%**	**58%**	**59%**	**52%**	**43%**	**36%**	**47%**	**37%**	**48%**

*ATM, online/internet, mobile

The convenience of these channels and the high adoption levels would not be possible without a significant emphasis on security. This appears to be a cost of entry across all segments, as evidenced by "keeps your personal information safe" and "protects your financial information" being in the top five most important benefits for all segments and the top two overall (Figure 31).

Satisfaction was:

- Highest for Upwardly Mobiles and Elites who also reported the highest levels of online/internet usage.
- Lowest for the Unhappy and Unmoving segment, who have the second-lowest usage of online/internet and use the ATM more frequently. Reasons for low usage of remote channels worth exploring could include security concerns, lack of familiarity with the protections available, lack of access in their markets or actual experience.

Beyond the security that makes this type of banking possible, simplicity in the form of accessible branches and ATMs and an excellent online banking experience are also among the top five benefits overall.

Transparency around fees and how to avoid paying them also represents a point of common concern across segments, with virtually all segments expressing lower levels of satisfaction with this highly important feature. This is indicative of segments wanting their banks to save them money and is reinforced by dissatisfaction with low-cost banking options. The Unhappy and Unmoving segment again expressed the lowest satisfaction of the segments. Balancers had the second-lowest satisfaction ratings on this feature, which for them and them alone is the most important benefit and thus a high priority gap to fill.

Figure 31. **Benefit importance and satisfaction with PFSP**
(Benefits shaded are the top five most frequently selected by each segment)

	Upwardly Mobiles	Elites	New World Adopters	Balancers	Safety Seekers	Traditionalists	Self-Sufficients	Unhappy and Unmovings	Total
Keeps your personal information safe	44%	40%	36%	33%	40%	37%	37%	19%	**36%**
Protects your financial information	48%	42%	43%	35%	38%	35%	37%	15%	**37%**
Provides easy access to branches and ATMs	50%	46%	50%	42%	49%	45%	44%	25%	**44%**
Is transparent about what they charge for and makes it clear to you how to avoid paying fees	36%	26%	28%	23%	28%	24%	25%	8%	**25%**
Offers excellent online banking features	49%	48%	45%	44%	44%	37%	50%	24%	**45%**
Has an excellent reputation	45%	48%	42%	41%	45%	41%	42%	20%	**42%**
Reaches out to you as soon as possible if they believe a problem may exist with your account	37%	36%	32%	29%	34%	27%	30%	12%	**30%**
Offers low-cost banking options	34%	25%	27%	24%	27%	24%	29%	13%	**26%**
Works with you when you need help or encounter a problem	32%	36%	31%	31%	35%	31%	33%	12%	**31%**
Handles your requests quickly	35%	35%	34%	29%	37%	33%	38%	15%	**33%**
Makes it easy to conduct your most frequent transactions	37%	41%	35%	39%	40%	31%	37%	20%	**35%**

Legend:
- Color represents frequency of selection as top five most important benefits
- % reflects "very satisfied" with benefit as provided by PFSP

Selection frequency is repeated in certain segments in the event of equal percentages

- Selected as one of top five important benefits most frequently
- Selected as one of top five important benefits second most frequently
- Selected as one of top five important benefits third most frequently
- Selected as one of top five important benefits fourth most frequently
- Selected as one of top five important benefits fifth most frequently
- % Customers who are "very satisfied" with this benefit as provided by their PFSP

Opportunity 1

Scratching below the surface, it becomes clear that segments place different emphasis on the other elements that contribute to simplicity and clarity. Traditionalists and Self-Sufficients are most unique in this regard:

- Traditionalists use the ATM most frequently and prefer to use the branch for all transaction types surveyed, with the sole exception of using ATMs for balance inquiries (Figure 32). They were the only segment to select "handles your requests quickly" as one of the top five most important benefits (Figure 31).
- Self-Sufficients go online most frequently and prefer this channel for many transaction types, although they use a mix of channels (Figure 32). They selected "makes it easy to conduct your most frequent transactions" as one of their top five benefits, with excellent online banking features as their number one choice (Figure 31).

Both of these segments value access to branches and ATMs. While not in their top five benefits, accessing banking at places other than banks, such as supermarkets and post offices, was notably more appealing to these segments. Interestingly, they both rated fee transparency lower in importance than other segments did, perhaps indicating a relative comfort in understanding their accounts and with getting access to the people and information they need.

The next tier of benefits after the top five offers additional insights to benefits which, when grouped together, can offer a compelling value proposition. For example, Balancers and Safety Seekers both place significant value on a personal contact that knows them and an institution that recommends accounts, products and services they really need, customizes them accordingly and finds ways to save them money. Given that these segments also prefer obtaining advice in person, and from one person on a broad range of accounts and services (Figures 34 and 35) positioning branch-based employees to build these relationships and personalize the experience would be perceived very favorably.

When asked what channels are preferred for specific transaction types, the call center emerged for problem status and reporting for four segments (Figure 32), three of which have above-average product holdings, income and assets, as well as the highest levels of problems requiring resolution. This preference for call centers is likely due to the need for more immediate assistance – assuming that the financial impact may be greater – as well as familiarity, since some of them (at least the Upwardly Mobiles and the New World Adopters) use call centers more often than the other segments do.

Figure 32. **Preferred channel by task across segments**

	Upwardly Mobiles	Elites	New World Adopters	Balancers	Safety Seekers	Traditionalists	Self-Sufficients	Unhappy and Unmovings
Deposits	Branch	Branch	Branch	Branch	Branch	Branch	Branch	Branch
Sales	Branch	Branch	Branch	Branch	Branch	Branch	Branch	Branch
Pay bills/ transfers	Online	Online	Online	Online	Online	Branch	Online	Online
Buy/sell investments	Online/ branch	Online	Online/ branch	Online/ branch	Branch	Branch	Online	Branch
Problem status/ reporting	Call center	Branch/ call center	Call center	Branch	Branch	Branch	Branch/ call center	Branch
Balance inquiries	Online	Online	Online	Online	Online	ATM	Online	Online
Administrative	Online	Online	Online	Online	Branch	Branch	Online	Online
Advice	Branch	Branch	Branch/ call center	Branch	Branch	Branch	Branch	Branch

Opportunities for segment-driven investments

Opportunity 2: Help customers make financial decisions

While each segment has a distinct set of behaviors, needs and preferences, understanding opportunities to further engage segments reveals significant commonalities across segments.

Across all eight segments, customers share a universal willingness to engage with PFSPs that are willing to invest in their financial health, meaning that customers would be willing to add more accounts and services, increase their deposit or investment balances, or in some cases pay a little more. In particular, customers from all eight segments ranked the following two benefits among the top three benefits for which they would increase their engagement with their PFSP:

- Invests in customers' financial well being
- Finds ways to improve how customers conduct business

Most segments also ranked providing "a plan to help you reach your financial goals" among the top three. The exceptions to this pattern are Upwardly Mobiles, who would increase engagement with access to financial experts, and Traditionalists, for whom being rewarded for being a loyal customer represents an important engagement opportunity (Figure 33).

Figure 33. **Benefits presenting greatest engagement opportunities, such that customers would be willing to add accounts and services, increase balances or pay a little more**

	Upwardly Mobiles	Elites	New World Adopters	Balancers	Safety Seekers	Traditionalists	Self-Sufficients	Unhappy and Unmovings	Total
Invests in your financial well being	92%	75%	85%	61%	73%	74%	54%	56%	**73%**
Provides a plan to help you reach your financial goals	82%	76%	84%	62%	73%	73%	68%	57%	**72%**
Always finds new ways to improve how you conduct your business	88%	72%	83%	60%	70%	78%	58%	56%	**71%**
Rewards you for being a loyal customer	83%	69%	77%	59%	65%	74%	52%	49%	**65%**
Provides access to financial experts	89%	60%	81%	53%	64%	62%	42%	50%	**63%**
Average engagement for 31 benefits	**82%**	**55%**	**74%**	**47%**	**60%**	**59%**	**37%**	**43%**	**56%**

Legend:
Percentage reflects those customers who would be willing to increase engagement if their PFSP offered a much better experience. Customers were asked to evaluate the top five benefits they had selected.

The top three benefits for each segment are shaded as indicated below:

- 80%–100% are willing to increase their engagement
- 70%–79% are willing to increase their engagement
- 50%–69% are willing to increase their engagement

Opportunity 2

These results clearly indicate that customers across all levels of sophistication and standing are seeking opportunities for their PFSP to extend beyond the delivery of convenience, expanding the experience, leveraging data and providing advice in a way that improves customers' financial health.

While there is a set of common benefits that would increase engagement across customer segments, the degree of opportunity varies, as does the means to deliver them. The most popular channel for receiving advice is in person, but many segments are open to other approaches, some of which may be more cost effective to deliver (Figures 34, 35).

Figure 34. **What type of advice would you most like from your primary provider?**

	Upwardly Mobiles	Elites	New World Adopters	Balancers	Safety Seekers	Traditionalists	Self-Sufficients	Unhappy and Unmovings	Total
Advice from one person on a broad range of accounts and services	36%	28%	32%	32%	33%	30%	25%	26%	**30%**
Advice from specialists for particular account or service	41%	30%	30%	28%	26%	25%	19%	23%	**27%**
Prefer to do my own research and then get advice based on my questions	17%	30%	26%	28%	25%	27%	37%	26%	**27%**
Prefer to get advice from different information sources	4%	8%	8%	6%	8%	8%	8%	9%	**8%**
Not sure	2%	4%	4%	6%	8%	10%	11%	16%	**8%**

Figure 35. **How interested (very or extremely) would you be in obtaining financial advice or assistance in the following ways?**

	Upwardly Mobiles	Elites	New World Adopters	Balancers	Safety Seekers	Traditionalists	Self-Sufficients	Unhappy and Unmovings	Total
In person	76%	63%	61%	59%	67%	64%	49%	55%	**61%**
By telephone with someone I know at a branch whom I can call during their working hours	72%	52%	55%	48%	52%	49%	37%	42%	**50%**
By using online financial management tools to make decisions around spending, investments and loans	75%	55%	62%	45%	48%	45%	40%	35%	**49%**
By telephone with someone in a call center whom I can call any day, any time	70%	48%	60%	40%	52%	52%	33%	36%	**48%**
By video chat from home or work	61%	31%	42%	25%	32%	31%	18%	24%	**31%**

Opportunities for segment-driven investments

Opportunity 3: When problems arise, become the customer's advocate

The likelihood of needing problem resolution support varies substantially across segments. Segments with broader product portfolios, particularly Upwardly Mobiles and New World Adopters, are more likely to require assistance. A majority of Upwardly Mobiles (54%) required problem resolution support in the past year. Even the segment with the lowest needs, Traditionalists, still required assistance for more than one in four of its customers (Figure 36).

Figure 36. **Problem resolution incidence and satisfaction**

As previously reported, satisfaction with problem resolution varies by the type of problem experienced, with notably higher satisfaction for lost or stolen cards and disputes than for other issues. Within each problem type, though, the segments are fairly consistent. The most significant departure from the other segments' perceptions comes from the Unhappy and Unmoving segment. These customers reported significantly lower satisfaction than average for all problem types (Figure 36). Their highest, "very satisfied," rating was awarded to card issues, but even that was only 13% compared with the average for all segments of 34%. Only 7% were very satisfied with the resolution of problems related to fees and to denials, well below the global averages of 20% and 18%, respectively.

Segments are also fairly consistent in the types of issues they experience most frequently: a) internet/mobile banking and online bill payment issues, and b) lost or stolen cards, disputed charges and identity theft. Together, these top two categories comprise 34%–42% of all problems, followed by fee-related problems, which comprise 13%–16% of all problems for most segments. Exceptions to these patterns include:

- New World Adopters, for whom 49% of issues are in those top two categories, due to the high number of internet/mobile banking issues
- Unhappy and Unmovings, who report only 32% of their issues in the top two categories, as fee-related issues are their most common concern 20% of the time, which surpasses each of the other segments

What is also common across segments is the PFSPs' power to create positive outcomes for themselves based on the problem resolution experiences they provide. Across segments, customers who are very satisfied with their problem resolution experiences have much higher levels of advocacy than those who were only satisfied. The advocacy levels are effectively the same for those who are only satisfied as they are for people who had not experienced a problem. This holds true even for Unhappy and Unmovings, the most critical of the segments (Figure 37).

Opportunity 3

Figure 37. **Advocacy based on problem resolution satisfaction**

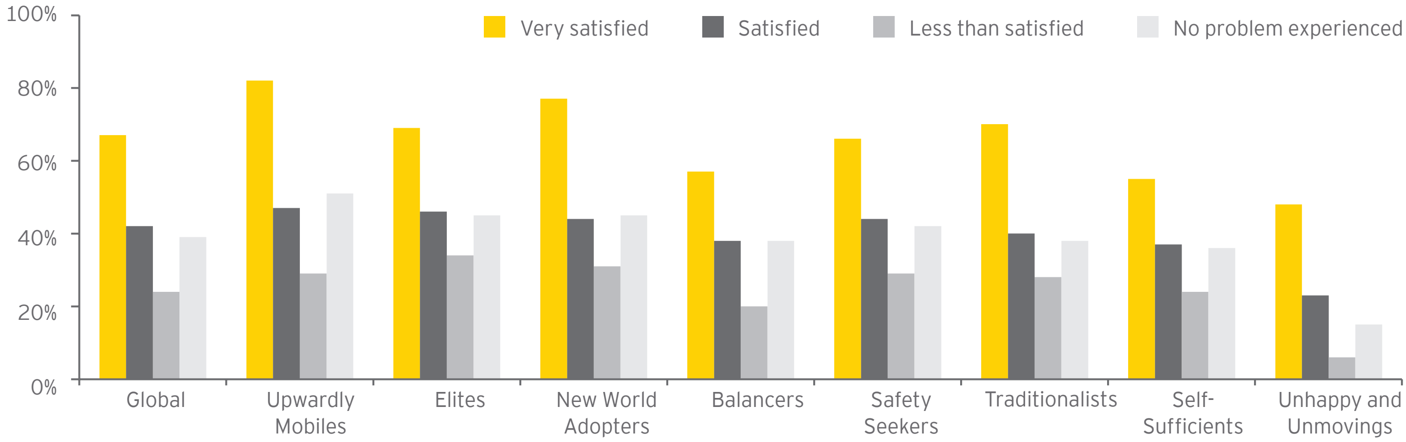
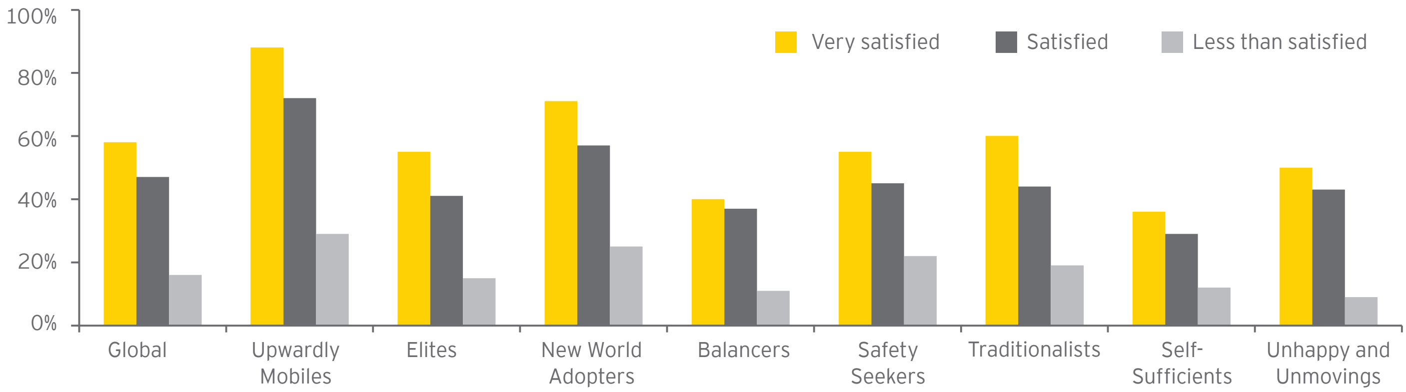


Figure 38. **Positive impact on business based on problem resolution satisfaction**



However, the associated business impact, defined as whether customers gave their PFSP more or all of their business as a result of the resolution experience, varies more by segment (Figure 38). While all reported an increase in business based on a positive experience, more so if they were very satisfied, the degree of the increase varied depending mostly on the size of the customer's product portfolio. Those who hold products elsewhere or have broader financial needs have a greater opportunity to move business from one institution to another.

The value of the consistency across segments and the business opportunity is that many improvements in the problem resolution experience can be designed and implemented once for the benefit of all customers. Clearly communicating on a website how to report a problem and equipping sales and service professionals with tools to capture information required for resolution, as well as improving processes to prevent problems altogether, are examples of strategies that typically bear no incremental costs whether deployed for one or for all segments.

Segment preferences or opportunities can then be used to develop targeted strategies, such as fee waiver policies or additional outreach to ensure the problem has been fully resolved to the customer's satisfaction. The business case is typically compelling, since the opportunity for increased business and revenue growth is usually complemented by a reduction in operating costs related to more efficient resolution and follow-up processes, more effective customer communications, and redesigned operational processes that generate fewer problems in the first place.

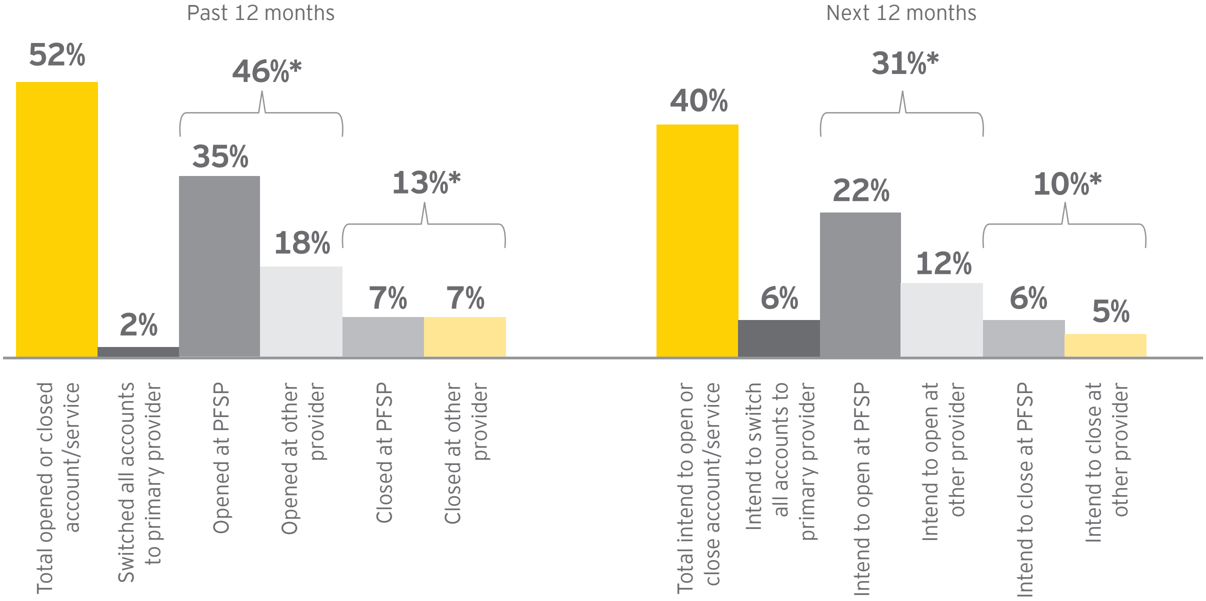
Why banks need to act now

Customers are actively exploring and pursuing their options

Exposure to products and services through their daily routines and interactions helps customers create informed opinions — and with these opinions comes the possibility of frequent product movement.

Interest in exploring competitor offerings is perhaps encouraged by the experience offered by other industries, e.g., consumer product companies where mobile capabilities and interactions are more advanced. Over half of customers have opened or closed at least one product in the past year and nearly as many, 40%, plan to do so in the coming year (Figure 39). Not surprisingly, customers with more products report more activity. Upwardly Mobiles stand alone in their level of product movement, with 71% opening and 22% closing accounts in the past year. While 55% of them

Figure 39. **Percentage of customers who opened and closed accounts and services in the past year or intend to do so in the the coming year**

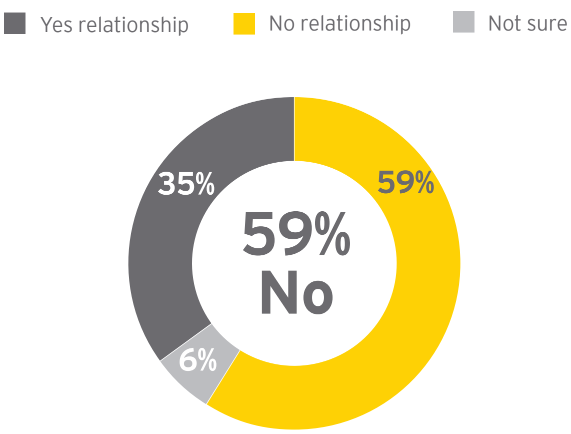


*Net of customers' activity at PFSP, other provider, or both opened new accounts at their PFSP, 34% conducted new business with other providers, suggesting that they continue to scan the marketplace for the best providers. Elites and New World Adopters have similar patterns.

At the other extreme, fewer than half of Self-Sufficients and Unhappy and Unmovings moved any products over the past year. This is not surprising, given their level of inertia and their belief that the industry lacks differentiation. While consolidation is rare, these customers are more likely to open accounts with their PFSP, probably due to added convenience.

When asked whether customers had accounts or services with an institution before it became their PFSP, only 35% of customers reported that this was the case (Figure 40), suggesting that they are very open to exploring and establishing relationships with new providers, and actively concluding that existing providers are no longer suitable to be their primary financial institution.

Figure 40. **Prior relationship with PFSP**



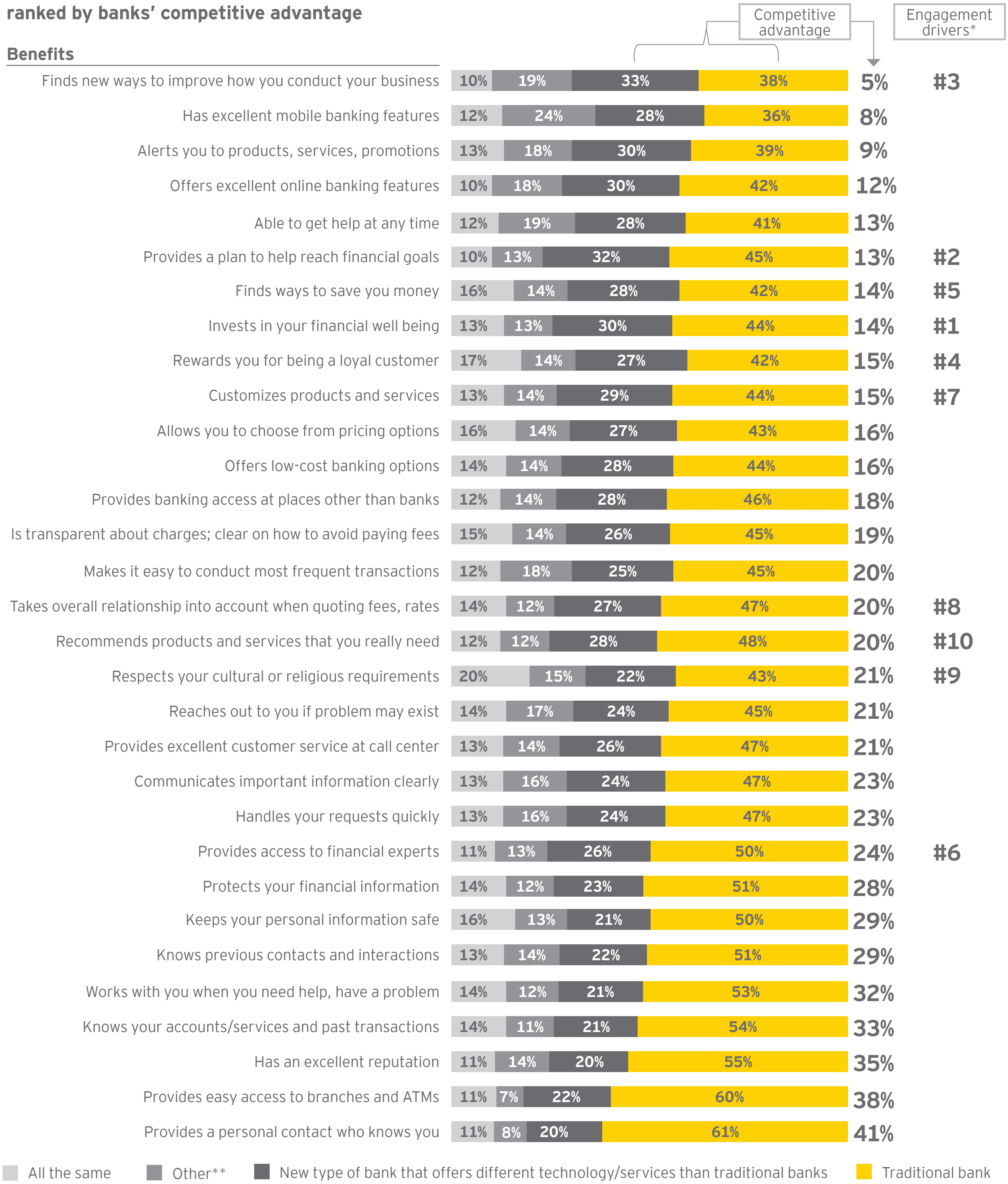
Banks have new, viable competitors for prized offerings

Given the high levels of activity and openness to change, it is important to understand which type of institution would best be able to deliver the top five benefits identified by each customer. The competitive landscape is no longer limited to traditional banks but now includes new types of banking and financial management providers.

The results show that traditional banks are seen as best able to deliver on many benefits but have only a small advantage on some that offer the greatest capacity for increased customer engagement (Figure 41). Many of the benefits for which banks aren't significantly differentiated can be thought of as ways to improve the customer's financial health and to personalize the experience, some of which can be delivered via technology and effective data analytics, e.g., pushing real-time solutions to customers at relevant points of interaction. They represent the highest area of vulnerability, signaling the importance of investing in the key engagement drivers.

In addition, online banking has become a major focal point for what defines a PFSP, along with other frequent-transaction products. Given the small competitive advantage banks have over providers for online and mobile banking, one should take seriously the threat of another provider dominating these offerings, personalizing the experience and then becoming a customer's primary provider.

Figure 41. **Type of organization best able to meet customers' needs, ranked by banks' competitive advantage**



*Willingness to increase deposit/investments, add more accounts/services or pay a little more if PFSP offers a much better experience. (See page 15.)
**Technology company like Google or Paypal, or mobile telephone service

Segments view the competitors differently

Equally provocative is that the competitive gap is substantially smaller for some of the most desirable customer segments, suggesting that defections to competitive types of institutions could be disproportionately led by more profitable customers (Figure 42). Upwardly Mobiles and New World Adopters are clearly among the most prone to defection, as both view the two types of institutions almost identically.

Differences in perspectives by segment are shown in the table below for selected benefits; the lower the bar, the less differentiation banks have with respect to the competition (Figure 43). Using these results with other survey data can be powerful in developing targeted strategies. For example, Elites generally think traditional banks are differentiated, but the advantage is slight on finding new ways to improve how customers conduct their business. Given their frequent use of remote channels, continuing to enhance these capabilities could be important to their retention. The same is true of Upwardly Mobiles where there is actually a 13% deficit. In this case, innovative approaches that increase convenience for certain segments could pay off for all segments and also be more cost effective for banks to manage.

Figure 42. **Competitive advantage of traditional banks vs. new type of bank**

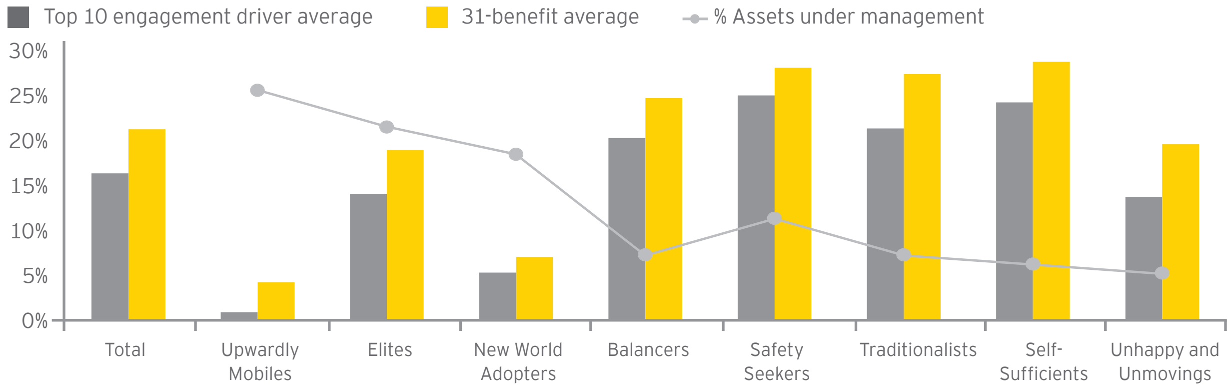
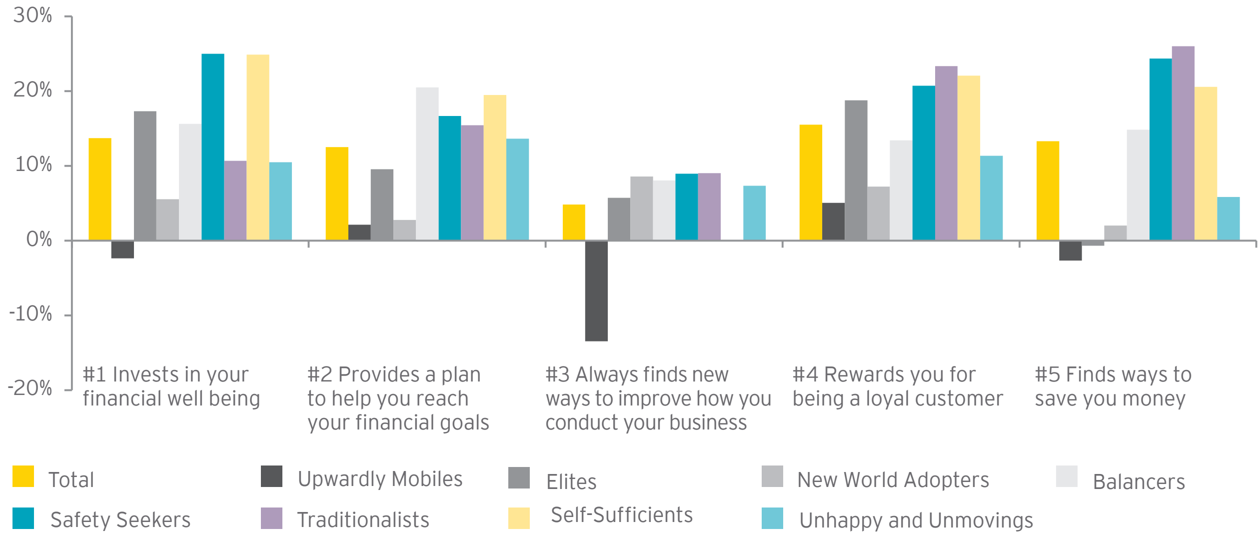


Figure 43. **Competitive gaps for top five engagement drivers**



Spotlight on emerging markets

Segment-based strategies are crucial to success in emerging markets. But consumer dynamics in developing markets are specific to each country and rapidly evolving. That makes strategic planning hard, and banks operating in these markets require strategic flexibility and rapid-change capability in servicing their target segments. This survey brings insight to this challenge by getting to know customer segments with similar profiles and banking behaviors. Getting to know your customer is critical. Given customers' very wide disparities in generational behavior, wealth/income and banking experience, deciding "where and how to play" with one's investment capital is a tough challenge for every retail executive. Based on observed segment behavior in emerging markets, we believe banks operating in these markets need to invest in the following capabilities in particular.

- Advocacy of affluent customers — especially Upwardly Mobiles, Elites and New World Adopters. Affluent customers in these segments provide the bulk of assets under management and revenues. Our results show that emerging markets have an especially high representation of New World Adopters. Banks targeting these segments must work hard to sustain and improve advocacy and cross-selling to customers. Managing customer data and analytics, and delivering its insights to target and serve customers better across all channels, are of key importance. As our survey shows, excellence in digital distribution is another means to improve advocacy, in emerging markets even more so than in developed markets.

- Innovation for mass market customers — especially Balancers, Safety Seekers and Traditionalists. Emerging markets have a high representation of Safety Seekers and Traditionalists. Our survey highlights that, overall, customers in emerging markets value innovation more than they do in developed markets. Finding the magic operating model to serve mass customers profitably is a key goal of consumer banking. From our Emerging Markets Barometer, we know that there are untapped opportunities for providing low-cost retail banking products to the underbanked and mass market segments, which require innovative product development and deep risk skills. Especially for the younger customer generation, emerging market banks are investing in the innovations to deliver low-cost, high-touch banking and reaching customers 24/7 without extensive branch networks. In most emerging markets, mobile technologies can make the biggest difference in reaching and interacting with these customers profitably.

Conclusion

Banks are poised for growth and well positioned to continue the recent momentum in building customer confidence. Focusing on the customer experience is paramount to establishing complete trust and, in turn, creating customer advocates who will both refer business and expand their own relationships.

It will be essential to preserve the competitive advantages that banks have in delivering those benefits which are fundamental to banking and highly valued, including protection of customer information and increasing convenience across channels. But the competitive landscape demands that investments be made in other benefits, generally those that will increase engagement through customized advice and solutions. Each segment has different priorities, so developing targeted strategies requires careful attention to experience benefits, channel preferences, priorities and behaviors.

With these parameters in mind, institutions should zero in on the three areas identified through the customer input received and discussed throughout this report:

1. Make banking simple and clear through transparency of fees, simplicity of offers and communication, and delivery of an omni-channel experience
2. Help customers make the right financial decisions in a complex environment through more and better advice and through greater use of data and digital channels to empower customers
3. Work with customers when problems arise and become their advocate through improved problem resolution capabilities

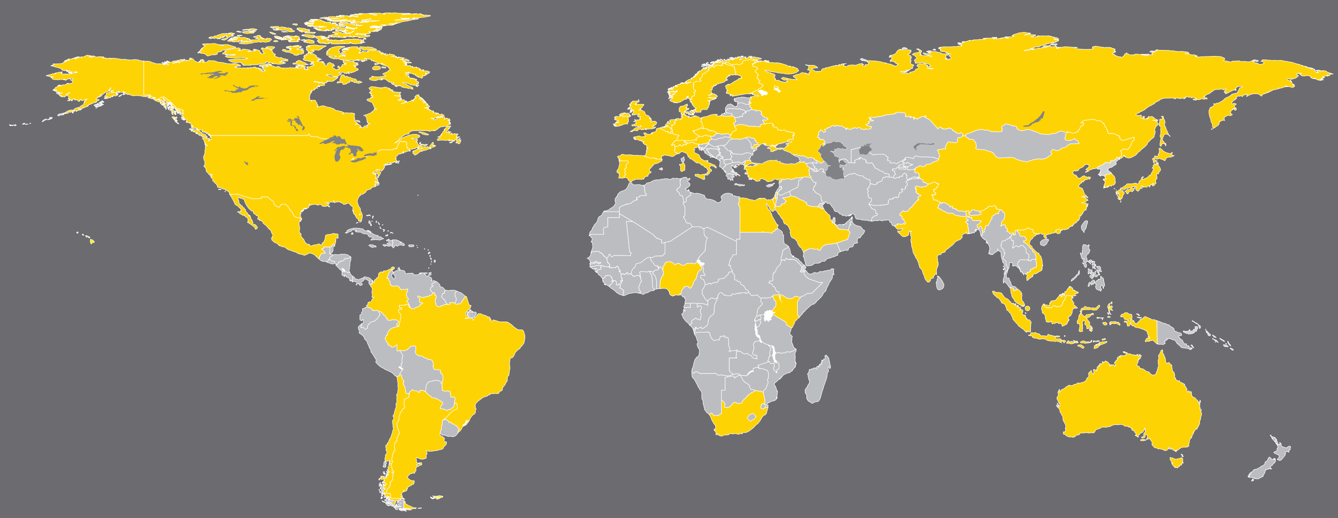
EY helps financial institutions develop and implement customer-focused strategies and solutions. We bring an integrated perspective on many aspects of becoming a more customer-centric organization and consistently delivering the desired customer experience. Armed with this survey's insights and a comprehensive understanding of your organization's needs, we can assist in developing a strategy and road map to deliver results based on customer needs and organizational strategy. We would be pleased to talk with you and your organization about our capabilities in the following areas:

Customer and revenue growth	**Channel effectiveness**	**Customer experience**
Acquisition strategy	Distribution channel strategy	Customer experience design
Customer retention and cross-sell	Salesforce effectiveness	Customer communications
Customer segmentation	Branch effectiveness/redesign	Issue and complaints management
Customer analytics	Contact center transformation	Advisory operating model
	Digital transformation	
	Social media	

Research methodology

EY surveyed 32,642 retail banking customers.

- To qualify, respondents had to own at least one financial product as defined in the survey and have access to the internet.
- The survey was translated into local languages and conducted online in 43 countries.
- The survey instrument was pre-tested in Brazil, China, India, Spain and the United States to ensure the survey questions were understood and captured relevant aspects of customers' banking behaviors and experiences.
- All financial questions referenced each country's local currency and were standardized into US dollars based upon the purchasing power parity conversion factor as reported by The World Bank for 2011 for all countries except Argentina, for which data was not available; the Big Mac index for July 2013, as developed and reported by The Economist, was used as an alternative for Argentina.
- The target quotas were established based on age and gender in each country.
- All data was weighted to reflect each country's population based on age and gender, as well as each country's global representation. Exceptions included the countries of Egypt, Kenya and Saudi Arabia where prevalence of male decision makers in the household resulted in the data being weighted by age only. Estimates used in weighting were drawn from The World Bank's International Comparison Program database, which provides demographic indicators for countries and areas of the world with a population of 5,000 or more.
- The average interview length was 16 minutes.
- The data was collected from 25 July to 7 October 2013.



North America	
Canada	503
United States	1,516

Latin America	
Argentina	502
Brazil	1,684
Chile*	400
Columbia*	518
Mexico*	1,875

Africa	
Kenya*	502
Nigeria*	1,500
South Africa*	512

Western Europe	
Austria	406
Belgium	406
Denmark	127
Finland	128
France	793
Germany	808
Ireland	410
Italy	764
Luxembourg	124
Netherlands	402
Norway	128
Portugal	400
Spain	533
Sweden	128
Switzerland	400
United Kingdom	767

Eastern Europe	
Czech Republic	415
Poland	508
Russia	1,806
Turkey*	872
Ukraine	507

Middle East	
Egypt*	753
Saudi Arabia	500

India	
India	2,177

Asia-Pacific	
Australia	414
China	2,776
Hong Kong (SAR)	472
Indonesia*	1,504
Japan	1,503
Malaysia*	504
Singapore	405
South Korea	514
Vietnam*	776

Numbers represent the respondents per country
*Emerging markets

Country contacts

Argentina
Juan Carlos Aquique
Tel: +54 11 4875 4820
Email: juan.aquique@ar.ey.com

Australia
James Saretta
Tel: +61 3 9655 2686
Email: james.saretta@au.ey.com

Austria
Gunther Reimoser
Tel: +43 1 21170 1032
Email: gunther.reimoser@at.ey.com

Belgium
Philippe Desombere
Tel: +32 2 774 95 01
Email: philippe.desombere@be.ey.com

Brazil
Rafael Schur
Tel: +55 11 2573 3299
Email: rafael.schur@br.ey.com

Canada
Paul Battista
Tel: +1 416 943 3820
Email: paul.a.battista@ca.ey.com

Chile
Ariel Koch
Tel: +56 2 2676 1448
Email: ariel.koch@cl.ey.com

China (Mainland)
Dong Xiang Bo
Tel: +86 10 5815 2289
Email: xiang-bo.dong@cn.ey.com

Colombia
Edgar Sanchez
Tel: + 57 1 484 7250
Email: edgar.sanchez@co.ey.com

Czech Republic
Pavel Riegger
Tel: +420 225 335 114
Email: pavel.riegger@cz.ey.com

Denmark
Henrik Axelsen
Tel: +45 5158 2663
Email: henrik.axelsen@dk.ey.com

Egypt
Ehab Azer
Tel: +20 2 2726 0260
Email: ehab.azer@eg.ey.com

Finland
Antti Hakkarainen
Tel: +358 40 592 4433
Email: antti.hakkarainen@fi.ey.com

France
Pierre Pilorge
Tel: +33 1 46 93 59 79
Email: pierre.pilorge@fr.ey.com

Germany
Ulrich M. Trinkaus
Tel: +49 6196 996 25173
Email: ulrich.trinkaus@de.ey.com

Hong Kong (SAR)
May Knight
Tel: +852 2849 9518
Email: may.knight@hk.ey.com

India
Murali Balaraman
Tel: +91 226 192 0490
Email: murali.balaraman@in.ey.com

Indonesia
Fariaty Lionardi
Tel: +62 21 5289 4004
Email: fariaty.lionardi@id.ey.com

Ireland
Brian Binchy
Tel: +353 1221 2326
Email: brian.binchy@ie.ey.com

Italy
Fabio Gasperini
Tel: +39 06 6753 5203
Email: fabio.gasperini@it.ey.com

Japan
Koichi Iwasa
Tel: +81 3 3503 1954
Email: iwasa-kch@shinnihon.or.jp

Kenya
Amaha Bekele
Tel: +254 20 271 2366
Email: amaha.bekele@ke.ey.com

Luxembourg
Bernard Lhoest
Tel: +352 42 124 8341
Email: bernard.lhoest@lu.ey.com

Malaysia
Chow Sang Hoe
Tel: +603 7495 8696
Email: sang-hoe.chow@my.ey.com

Mexico
Juan Pablo Garcia Galardi
Tel: +52 55 5283 8634
Email: juan.galardi@mx.ey.com

Netherlands
Robert-Jan Hagens
Tel: +31 88 407 2119
Email: robert-jan.hagens@nl.ey.com

Nigeria
Colin Daley
Tel: +234 703 910 6008
Email: colin.daley@ng.ey.com

Norway
Erik Klausen
Tel: +47 24 00 27 76
Email: erik.klausen@no.ey.com

Poland
Iwona Kozera
Tel: +48 22 557 7491
Email: iwona.kozera@pl.ey.com

Portugal
Mário Trinca
Tel: +351 217 912 284
Email: mario.trinca@pt.ey.com

Russia
Thomas Martin
Tel: +7 495 660 4887
Email: thomas.martin@ru.ey.com

Saudi Arabia
Thomas Abraham
Tel: +966 11 215 9416
Email: thomas.abraham@sa.ey.com

Singapore
Nam Soon Liew
Tel: +65 6309 8092
Email: nam-soon.liew@sg.ey.com

South Africa
Hendrik Geyser
Tel: +27 11 502 0965
Email: hendrik.geyser@za.ey.com

South Korea
Young Suk Kim
Tel: +82 2 3787 4278
Email: young-suk.kim@kr.ey.com

Spain
Arturo Derteano Maraña
Tel: +34 91 572 79 60
Email: arturo.derteanomarana@es.ey.com

Sweden
Karin Sancho
Tel: +46 70 318 97 67
Email: karin.sancho@se.ey.com

Switzerland
Achim Bauer
Tel: +41 58 286 35 53
Email: achim.bauer@ch.ey.com

Turkey
Murat Hatipoglu
Tel: +90 212 368 5868
Email: murat.hatipoglu@tr.ey.com

Ukraine
Kostiantyn Neviadomskyi
Tel: +380 44 499 2025
Email: kostiantyn.neviadomskyi@ua.ey.com

United Kingdom
Omar Ali
Tel: +44 7951 1789
Email: oali1@uk.ey.com

United States
Heidi Boyle
(Global consumer banking survey 2014 sponsor)
Tel: +1 312 879 3820
Email: heidi.boyle@ey.com

Jim Neckopulos
Tel: +1 415 894 8148
Email: jim.neckopulos@ey.com

Vietnam
Nguyen Thuy Duong
Tel: +84 904 892 799
Email: duong.nguyen@vn.ey.com

EY | Assurance | Tax | Transactions | Advisory

About EY
EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. For more information about our organization, please visit ey.com.

About EY's Global Banking & Capital Markets Center
In today's globally competitive and highly regulated environment, managing risk effectively while satisfying an array of divergent stakeholders is a key goal of banks and securities firms. EY's Global Banking & Capital Markets Center brings together a worldwide team of professionals to help you succeed — a team with deep technical experience in providing assurance, tax, transaction and advisory services. The Center works to anticipate market trends, identify the implications and develop points of view on relevant sector issues. Ultimately it enables us to help you meet your goals and compete more effectively.

EYG No. EK0237
1308-1120596 BOS
ED 0115

ey.com