



Retail Banking

# A SHIFTING LANDSCAPE

Customer Experience Trends and Priorities in **Retail Banking**

Insights from the 2013 MECx Study by

**PeopleMetrics**<sup>®</sup>

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# EXECUTIVE SUMMARY

The 2013 Most Engaging Customer Experiences (MECx) study was designed to explore the challenges, successes and trends in customer experience creation and delivery in the retail banking world. The ultimate goal is to help retail banks and credit unions determine where they should focus their limited resources for the greatest return on their customer experience investment.

## KEY TAKEAWAYS



**The #1 customer experience practice that separates Growth Banks\* from Non-Growth Banks is taking action on individual customer feedback.**

In addition, Growth Banks are better at:

1. **Sharing** a common definition of what customer experience is and is not
2. **Utilizing** a decision-making process that emphasizes the customer
3. **Establishing** a goal for customer experience improvement



**Community institutions (community banks and credit unions) are best at engaging customers, which offers valuable insight into what customers want from the banking experience.**

While the assumption might be that the community bank experience appeals to older, less technically savvy customers, this study reveals that even among low-touch, younger consumers who are digital natives, community institutions are doing better at creating an emotional connection. There are **loyalty-fostering** elements of the community bank customer experience that provide lessons for the bigger banks looking to create positive emotions across channels.



**Banks are struggling to align their priorities with customer priorities and customers feel it.**

More than **three out of every four** executives say that the customer experience has improved. Contrast this with **two-thirds** of consumers who say they have seen no change in the experience and we have identified a gap between internal effort and the external experience.

This could be because even customer-centric banks don't have their priorities aligned with those of the customer. When asked about future improvement priorities, customers say they want better products and services, while this item falls **#7** on the executive priority list.

\*Growth Banks were identified by asking executives, "Compared to 12 months ago would you say that your banks revenues have decreased, stayed the same, or increased?"

# THE CUSTOMER EXPERIENCE PRACTICES OF GROWTH BANKS

Customer experience commitment is more than hype. More than 7 in 10 executives say that they are working on connecting employees to the customer through activities such as sharing kudos and customer stories and inviting employee ideas (see **Figure 1: Customer Experience Practices**). These are essential, foundational steps in shifting organizational culture from one that is company-centric to one that considers the customer first.

## Practices Requiring Significant Commitment Are Less Common

In spite of the great work that's being done, transformational practices with further reaching consequences are still not as prevalent. There is a significantly lower adoption rate of activities that require investment of financial and people resources.

Just 2 in 5 executives say that they have aligned their rewards structure to customer experience metrics. Compensating for sales performance is a hard habit to break. A similar number say that they have successfully implemented systemic improvements using customer feedback. That is to say fewer than half have made larger technology, product and service improvements driven by customer needs and understanding.

Perhaps the reason these more meaty activities are not being bitten off by the majority of banks is the struggle to demonstrate a tangible ROI in

**Customer Experience Practices**  
Banks are working on the essentials like recognizing staff and sharing feedback, but hesitating to take on the practices requiring greater resources and investment.

**FIGURE 1**



customer experience – three-fourths of executives say they have not successfully made the connection yet.

***The reason these more meaty activities are not being bitten off by the majority of banks is the struggle to demonstrate a tangible ROI in customer experience***

Recognizing staff and sharing feedback are foundational and, let's be honest, inexpensive, relatively safe activities. Practices requiring more investment and a greater commitment to change are adopted by the minority only.

**Foundational Practices Lead to Results**

While there is big opportunity for banks willing to tackle the tougher customer experience practices, banks that have mastered the foundational practices are already seeing the return on customer experience investments.

Participating executives in our study came from banks that have grown top line revenues in the past 12 months as well as those with stagnating or declining revenues. By splitting the feedback we received into these two groups, we identified the customer experience practices that are most highly correlated with financial performance. (see **Figure 2: Cx Practices of Growth vs. Non-Growth Banks**).

**The four disciplines we uncovered are:**

1. Take action on individual customer feedback
2. Utilize a decision-making process that emphasizes the customer
3. Share a common definition of what customer experience is and is not
4. Establish a goal for customer experience improvement

**BEST PRACTICES STORY**

**Taking Action on Individual Customer Feedback**

UMB Bank is turning passive customers into active promoters of the bank by closing the loop on customer feedback. Ryan, one of UMB's star Branch Managers, recently received a survey from a client that rated the bank as "adequate" only, claiming that he wouldn't recommend UMB because of its noncompetitive mortgage rates.

Ryan responded right away. He thanked the client for the feedback and shared the current mortgage and HELOC rates. The client was impressed both with the speedy response and the competitive rates. He made an appointment with the mortgage loan officer and applied for a refinance. This meant monthly savings for him and a loyal advocate for UMB. "There's an immediate revenue impact that results from this type of action," says Dawn Zerbs, SVP of Customer Experience Strategy at UMB. "In addition, the real-time insight helps our associates do what they have always done so well, build strong relationships by responding quickly to client needs."

As **Figure 2** indicates, two disciplines are most differentiating:

1. *Taking action on individual customer feedback – a 42-point difference in adoption of this activity is seen between Growth and Non-Growth Banks*

Growth Banks have invested in technology that makes it easy for them to take action on customer feedback. This foundational practice means that Growth Banks are “closing the loop” with customers who report a problem, indicate a need for further services, or recognize an employee for going above and beyond for them.

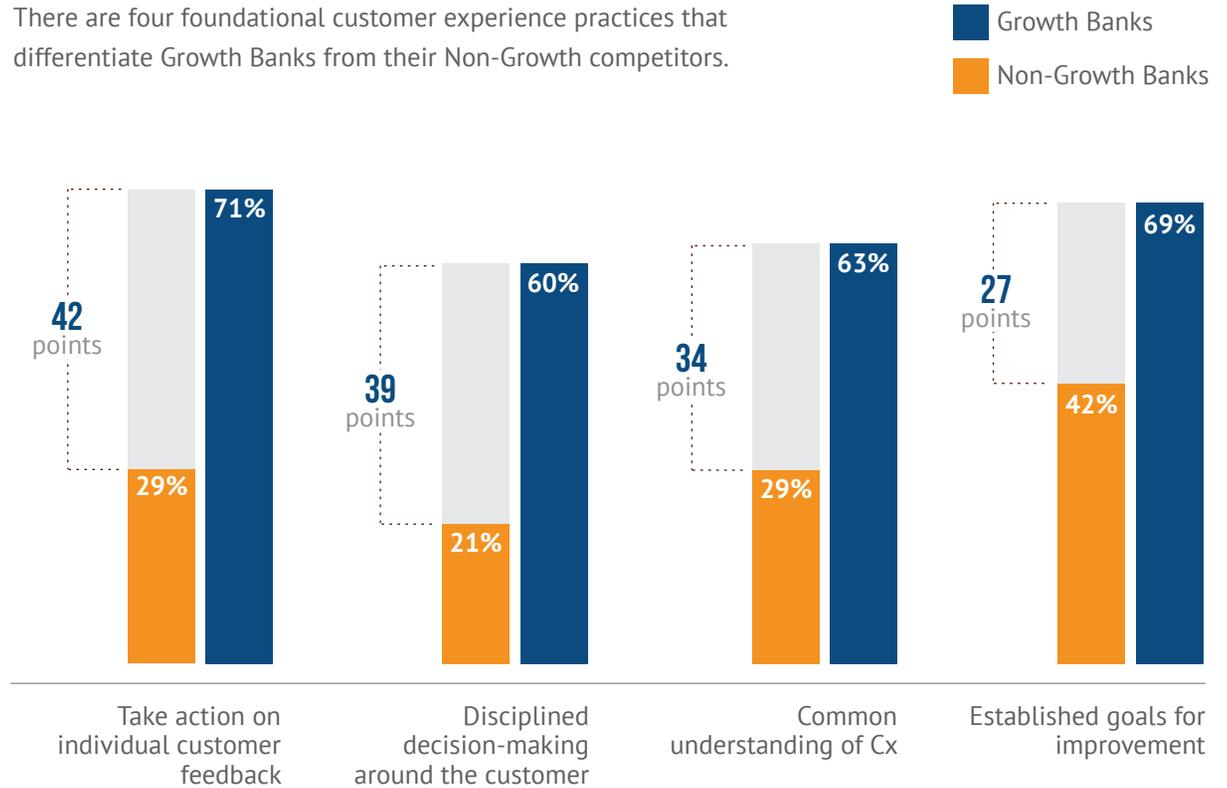
2. *Utilize a decision-making process that emphasizes the customer – a 39-point difference*

Growth Banks are disciplined about how they make decisions. They “bring the customer to the table” when making decisions. Executives, managers and the front line follow an agreed-upon criteria when making funding, prioritization and resourcing decisions. These “Guiding Principles” are what are known to be important to the customer and are aligned with the experience the organization intends to deliver.

## FIGURE 2

### Cx Practices of Growth vs. Non-Growth Banks

There are four foundational customer experience practices that differentiate Growth Banks from their Non-Growth competitors.



Regardless of what banks are doing around customer experience, the vast majority of executives in the study said that their customer experience had improved in the past 12 months. In fact, nearly 8 out of 10 executives claimed success in this area.

### Internal Efforts Are Not Translating to the Customer

By contrast, just 28% of retail bank customers said that they had seen notable improvements in the experience from their bank (see **Figure 3: Perceptions of Customer Experience Improvement**). Most customers say that the experience they get from their bank is the same as it ever was.

This means one of three things:

#### 1. Same Good Experience

“The relationship with my primary financial institution is stable and it is significantly easy to do business with them.”

#### 2. No Material Change/Indifference

“They have not done anything to make me think less of them, and nothing has happened to make me think more highly of them.”

“...Has done nothing to sway me into dissatisfaction or extreme satisfaction – I am indifferent.”

## FIGURE 3

### Perceptions of Customer Experience Improvement

Bank executives overestimate the impact their current efforts have had on the customer experience.



## BEST PRACTICE STORY

### Aligning Around the Customer

To scale customer experience efforts, every employee - from CEO to branch associate - needs to know what the customer experience should be and understand their role in delivering it. Moven (formerly Movenbank) exemplifies how banks can go about aligning internal efforts with the customer.

Moven is committed to “helping customers spend, save and live smarter” using mobile technology. They use their experience principles – insightful, helpful, engaging, simple and fresh – to evaluate all of their developments. In building their personal financial management tools such as MoneyPulse™ and MoneyPath™, every feature and design is considered in the context of these values. If a new development fails the test, they go back to the drawing board.

### 3. Same Poor Experience

“I don’t see any improvements when I go to the branch as far as service. Long lines and employees standing around still remain. They also take a long time to answer the phone.”

***In order for customers to really see and feel improvements, internal activities need to translate to the external experience***

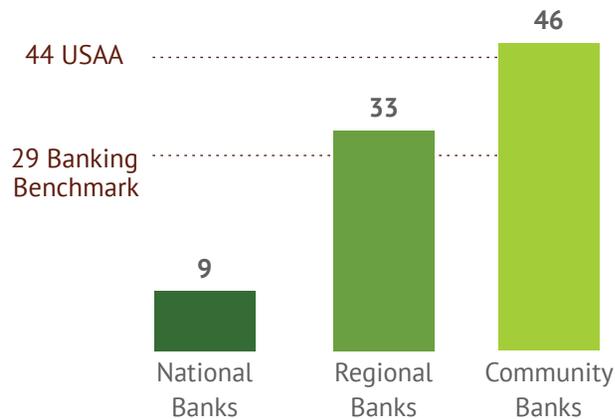
In order for customers to really see and feel improvements, internal activities need to translate to the external experience. There is one type of bank that seems to be getting this translation right – the community institution.

# HOW COMMUNITY INSTITUTIONS ARE ENGAGING CUSTOMERS

## FIGURE 4

### NPS by Bank Type

Customers banking with community banks and credit unions give their institutions ratings 5x higher than national banks.



## WHAT IS THE NET PROMOTER SCORE (NPS)?

NPS is a metric developed by Fred Reichheld, author of *The Ultimate Question*. It's based on a simple question: "On a scale of 0 to 10, how likely are you to refer to a friend or colleague?" This metric has been successfully linked to revenue growth and is used by companies including Intuit, Apple, and Southwest.

Community banks and credit unions earn, on average, an NPS of 46 – on par with best-in-class brands across sectors (see **Figure 4: NPS by Bank Type**). Contrast this with a score of just nine for customers of national institutions, and it's not hard to see that the community institution is winning at customer experience.

*But, isn't this just because the community institution customer is different?*

Naturally, we were curious to find out if this was due to difference in customer type. We examined our customer data to identify differences in age, tech adoption, channel preference, and income between national institutions and their smaller counterparts.

***Even the tech savvy, social media heavy, affluent and younger are more engaged with a community institution than a national institution***

While we did confirm that the community bank customer does skew older, we also learned that even the tech savvy, social media heavy, affluent and younger are more engaged banking with a community institution than a national institution. So smaller banks – many of whom don't have the financial heft to develop sophisticated customer-facing technology solutions – are able to create promoters of the experience they deliver across all customer segments. They appeal to the customer of the future who is not only a promoter by NPS standards but also very likely to be promoting online through social media channels.

That is not to say that you have to be small to deliver a great customer experience! After all, as is noted in **Figure 4**, USAA receives an NPS of 44, in the same range as community banks. Here is a big bank that is able to deliver an enjoyable experience to their customers that is similar to that which the smaller banks are able to offer.

***Regardless of which institution you choose to bank with, all customers are first and foremost looking for an enjoyable experience***

The question is how do they do it? What lessons can be shared with banks of all sizes? The MECx study included a key driver analysis (see **Figure 5: Drivers of an Engaging Retail Banking Experience**) to identify the elements of the retail banking customer experience that are most likely to create Promoters of the brand.

**FIGURE 5**

**Drivers of an Engaging Retail Banking Experience**

Customers are looking for an enjoyable banking experience.



\* Forrester's Customer Experience Index

## FIGURE 6

### The Importance of Enjoyable

Customers expect that a bank will meet their needs and be easy to do business with. It takes being enjoyable to win their hearts.



### How Are They Creating Engaging Experiences?

The analysis revealed that regardless of which institution you choose to bank with, all customers are first and foremost looking for an enjoyable experience. The functional elements such as easy and meets needs are important, but enjoyable is #1.

## VOICE OF THE CUSTOMER

### Customers love the personal experience of a community bank

“They have a small town feel to them. I like that they greet me by name before even having my account information in hand. I don’t ever feel like I am just a number to them. I don’t feel like they are lying in wait to take advantage of me at the first opportunity. I was briefly a customer of a nationwide chain and never felt valued. I tell everyone I know not to bank there. I prefer my community bank any day.”

When we look at how these different banks are performing on the key aspects of a great customer experience, it is clear that community institutions excel at creating lasting, positive emotional memories for their customers. The gap between national banks and community banks on the enjoyable dimension is 15 points – contrast this with just a 6 point difference on easy and meets needs and it’s easy to see that enjoyable is the differentiator.

## VOICE OF THE CUSTOMER

**Taking a long-term view on the customer experience makes customers feel valued and cared for**

“It’s great they have a lot of locations but they don’t care about me as a customer because I do not have a lot of money. However, being a recent grad I expect in the future I will have money, but I don’t think I will choose to put it with them. I have had to advocate and fight not to have service fees and they are constantly pestering me to take out a loan.”

### **Can Banking Really Be Enjoyable?**

We think of enjoyable experiences as those that touch us emotionally. It’s not a big leap for us to picture enjoying a meal at a restaurant, a visit to a luxury hotel or a day at an amusement park. But, isn’t it a stretch to say that our banking experience is enjoyable?

We don’t go to the bank to do typically enjoyable things like being entertained, sharing in a community activity, or indulging ourselves. Emotional reactions, however, come in two dimensions: arousal and valence. Arousal is what moves us from feeling calm and relaxed to excited and energized. Valence covers the spectrum of positive to negative. While the highs and lows of arousal get more attention, valence is equally powerful.

***Taking out a loan is unlikely to invoke a great deal of fiery passion in customers, but the banking experience can still forge a strong connection by tapping into emotions along the valence spectrum***

Taking out a loan is unlikely to invoke a great deal of fiery passion in customers, but the banking experience can still forge a strong connection by tapping into emotions along the valence spectrum. And it is this emotion that is akin to enjoyment. That lasting memory and the sentiment attached to it is what customers mean by enjoyable.

### The Secret to an Enjoyable Experience

One of our objectives was to identify the most common emotional tags that customers associate with an enjoyable banking experience. We asked about a number of emotions – happy, energized, pleased, trusting, as well as secure, confident, valued, cared for and appreciated. The emotions that are most impactful in the banking relationship are:

- **Secure**
- **Confident**
- **Cared For**
- **Appreciated**
- **Valued**

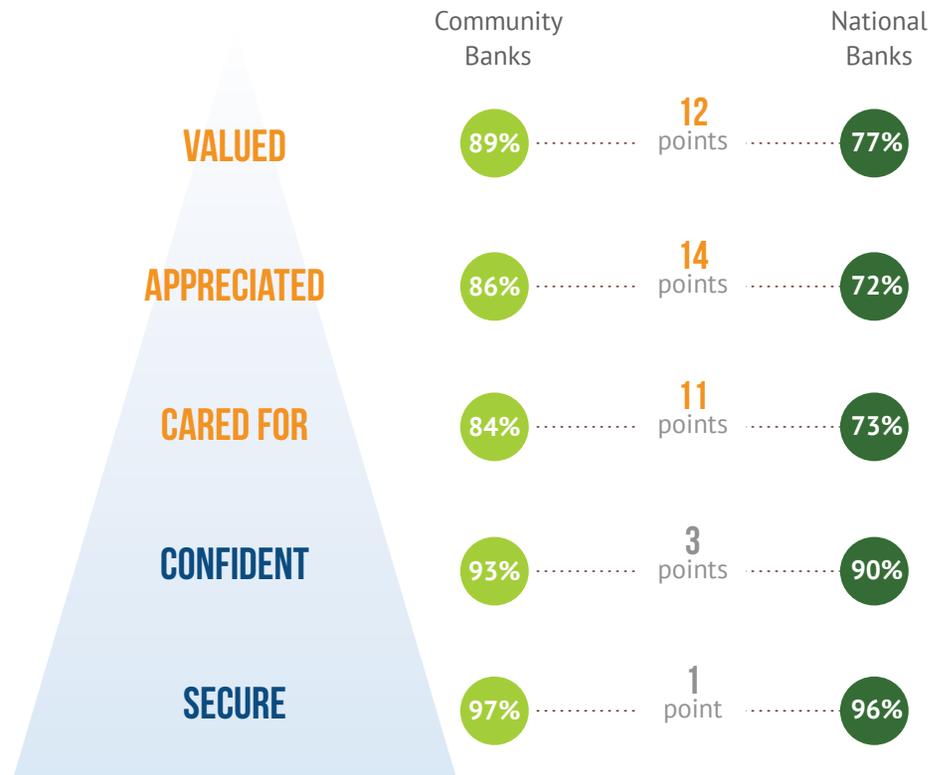
All banks in our study do a fairly similar job at delivering confidence and security – a nominal one and three point gap between national and community institutions. The real difference is noted when we look at higher order emotions.

Community institutions are making their customers feel cared for, appreciated and valued significantly more powerfully than national institutions – and this is the heart of the difference in NPS ratings. Enjoyable experiences make the customer feel cared for and appreciated, and that is the core of the community bank advantage.

## FIGURE 7

### Defining Enjoyable

Enjoyable is understood by how it leaves customers feeling.



# WHERE TO FOCUS NEXT

In order to give banks a focus for their customer experience design efforts, we asked both executives and customers about their priorities for improvement in the future. We discovered that what customers want banks to fix for the future differs from what banks are concerned about.

Customers' primary need is to see improved product offerings. Digging deeper, this is synonymous with rates and fees. Unfortunately, these

## BEST PRACTICE STORY

### Creating Enjoyable Products

While banks know that things like rates and fees can damage the customer experience, few are as willing to change it as Metro Bank. The customer experience team heard from customers that the bank's overdraft protection policy that charged a \$1 fee to pull from another account was seen as unfair. When the team presented the data to the executive team they immediately expunged the policy. In addition, they went above and beyond in regaining customer loyalty by refunding the fee along with a sincere thank you to every customer who spoke up. "The customers I spoke with were very appreciative that Metro Bank listened to their feedback and acted quickly to address their concerns," said SVP of Retail, Cheryl Riebling.

## FIGURE 8

### Customer vs. Bank Priorities

Banks risk wasting improvement efforts on things customers don't care about.



items are often out of the bank's control. But what is in their control is how to create an experience that makes the rates and fees feel worth it to the customer. And this is where the customers' second priority comes into play. Customers want the bank to put them first and to show it through their actions.

On the other hand, executives placed technology in the top two priority spots: customer-facing technology followed by internal-facing technology. These are priorities that fall in the middle to the bottom of the customers' list of priorities.

***The challenge is how to build digital technology in a way that makes customers feel like they are number one***

Banks need to build out technology. The cost of branch and call center interactions is considerably higher than self-service channels supported by mobile and digital technology. The challenge is how to build digital technology in a way that demonstrates to customers that they are still number one. How can banks merge online and offline channels in a way that is enjoyable, easy, meets needs and also leaves customers feeling valued, cared for, and appreciated?

# RECOMMENDATIONS

## LEARN FROM THE GROWTH BANKS

### **Take Action On Individual Feedback**

Voice of the Customer software empowered UMB's branch manager to bring in new revenue and create an advocate for the bank. Growth Banks are not only asking for customer feedback, they have also made the investment in technology that allows them take immediate action on that feedback.

### **Commit to Guiding Principles**

Like Moven and the Growth Banks in our study you need to develop and apply your Guiding Principles that, if followed, will create the experience you intend to deliver. The unique culture and abilities of your organization will inform your Guiding Principles and how you make the banking experience uniquely enjoyable for your customers.

## TAKE IT TO THE NEXT LEVEL

### **Make It Personal**

The size of community banks gives them a distinct advantage when it comes to making an experience enjoyable and personal. The big opportunity for regional and national banks will be to invest in behind-the-scenes systems that will enable the frontline to deliver an experience that leaves customers feeling valued and cared for.

### **Invest in Long-Term Relationships**

Banks need to shift out of the transactional mindset into thinking about lifetime value. Customers who may not be worth much today will be the high-value customers of tomorrow, and now is the time to start making them feel valued and cared for.

### **Focus on Your People**

The one area both banks and customers agree on is the importance of finding and keeping your best people. Banks have an opportunity to embed customer experience thinking into their organization by building customer experience metrics into their rewards structure.

# ABOUT THE STUDY

## About the 2013 MECx

From 2008 to 2010 PeopleMetrics conducted the Most Engaged Customers (MEC) study. This was a project that examined the unique drivers of Customer Engagement in multiple industries. In 2013 we brought the project back under the new name of Most Engaging Customer Experiences (MECx) and with a greater emphasis on the emotional components of an engaging customer experience.

## Industries Included In the Study

### Business-to-Consumer

- Auto Parts and Service (Retail)
- Cable and Satellite TV
- Insurance (Auto & Home and Health Insurance)
- Internet TV
- Restaurants
- Wireless

### Business-to-Business

- Accounting and Tax
- Telecommunications
- Office and Business Supply Services

## MECx: Retail Banking

The Retail Banking portion of the study was fielded in Q1 and Q2 of 2013 and included feedback from both executives and customers.

### Executive Study

Included feedback from over 70 retail banking executives from national, regional and community institutions. Areas of inquiry included:

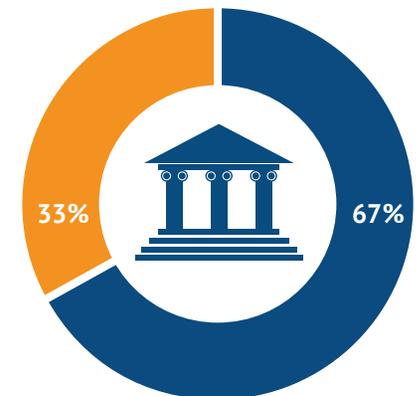
- Customer experience practices
- Customer experience progress
- Current challenges
- Future priorities

In addition to the survey, we conducted in-depth interviews with banks reporting success in using customer feedback to drive change.

## FIGURE 9

### About Our Executive Research

Over 70 bank executives from Growth and Non-Growth banks and credit unions participated in our research.



*Customer Study*

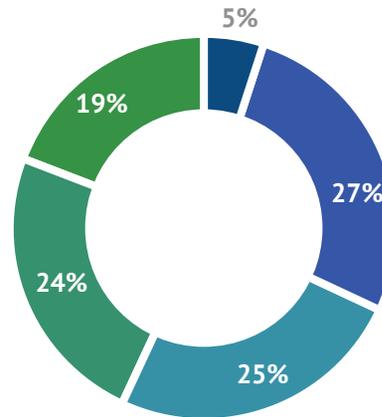
Included feedback from over 900 consumers. Customers were selected in equal numbers from national, regional or community institutions (approximately 300 respondents each). Areas of inquiry included:

- Engagement and Advocacy
- Customer experience progress
- Future priorities
- Channel usage and preference
- Drivers of a great banking experience

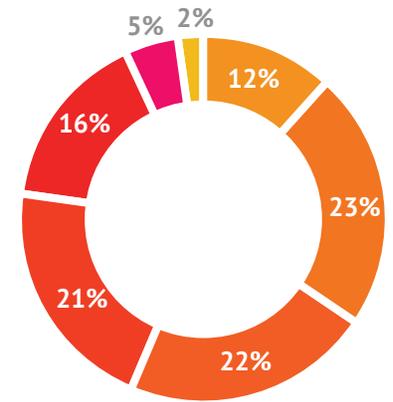
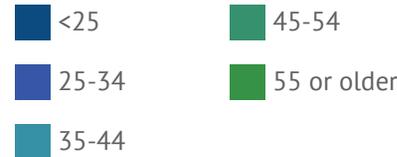
**FIGURE 10**

**About Our Customer Research**

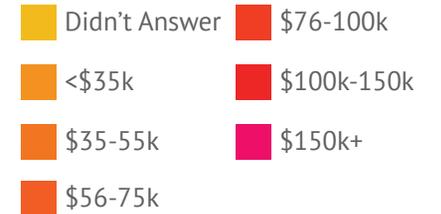
Consumer participation by age and income level.



**Age**



**Income**



**ABOUT THE AUTHOR**

**Kate Feather**



Kate Feather leads the customer experience transformation group at PeopleMetrics. In this role she acts as strategic consultant on many key accounts, is responsible for the firm's research and development projects, and is a frequent speaker and contributor to publications on topics related to customer experience.

## FURTHER INFORMATION

If you are interested in MECx research from other industries in this study, please email us at [info@peoplemetrics.com](mailto:info@peoplemetrics.com)



### About PeopleMetrics

PeopleMetrics works with companies who believe that people are the heart of their business. Our Voice of the Customer (VoC) and Voice of the Employee (VoE) solutions help companies emotionally connect with their customers and employees. Our approach combines strategic consulting, intuitive software, and insights that help companies deliver consistently great experiences.

**Are you ready to transform your customer experience?**  
Get in touch.



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