Financial Services

BOTS, BANKS, AND BRANDS

Putting consumers at the center of FS innovation

By Keith Bossey and Nitin Sumangali

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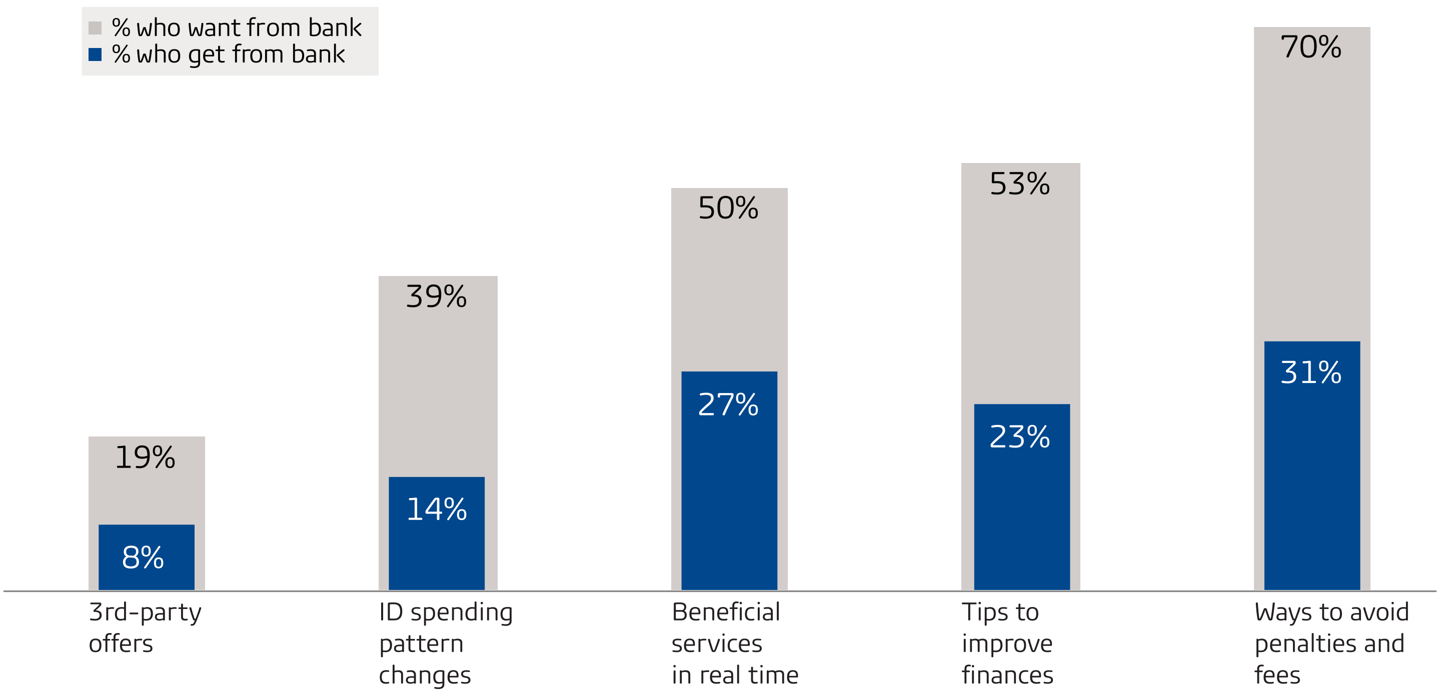
Big banks have developed a love/hate relationship with their own brands. On the one hand, their reputations – though battered by fraud, hacking, and more – may be helping big banks hold off an all-out assault from smaller, more nimble digital players. People who have money, especially those age 30 and above, still want to keep their funds in a place that they know and trust.

But, for banks, maintaining a brand relationship with consumers is like a ball and chain – expensive and time consuming. To sustain their solid and safe images, big banks need tons of back-office employees, costly advertising, and local branches that demand rent, staff, and more.

Recent GfK research shows that, despite the flourishing of digital money management services, and the potential for more FS offerings from major technology players (e.g., Google, Apple, and Amazon), only 6% of consumers say they are likely to move their primary banking account within the next 6 months. That number jumps to 9% among consumers 18 to 34 – a substantially higher percentage, but still small.

These figures have risen only slightly since 2015, when 5% of consumers said they were likely to shift their primary accounts – 8% among the 18-to-34 generation.

Figure 1. What consumers want from their banks – and what they are getting



Banks are benefitting, it seems, from the continuing perception that switching to other banks or services is a hassle, and that a "name-brand" institution is still the safest place to keep your cash. But the trendlines could spell trouble if banks don't start acting fast to improve experiences, as younger consumers are become more financially powerful and represent a bigger proportion of investors and savers.

Areas of major dissatisfaction

Our research also showed that there are major gaps between what people hope to get from their banks and what they actually receive. For example, 70% want their banks to point out ways for them to avoid fees and penalties; but only 31% say they are actually getting that kind of help – a gap of 39 percentage points. (See Figure 1.)

GfK's study also showed significant disconnects on points such as

- offering tips to improve finances: 30-point gap
- identifying changes in spending patterns: 25-point gap
- suggesting beneficial services in real time: 23-point gap
- alerting customer about unusual bank activity: 13-point gap
- providing third-party offers based on behavior and location: 10-point gap

In some cases, banks do offer these services; but that is a moot point if consumers are unaware and feel cheated or ignored. This dissatisfaction recurs across FS products – mortgages, checking accounts, investments, and insurance.

In this truly difficult situation, one word has held out hope to beleaguered banks: digitization. Hiring more customer service reps is not the way to balance budgets or grow profits; but automated and digital applications might just be able to increase personalization of product offerings while keeping costs manageable – or so banks are desperate to believe.

In recent years, banks and financial institutions have invested millions in digital upgrades, and the spending is just getting started. According to Tearsheet, for example, JP Morgan spent 16% of its budget on technology last year, investing heavily in robotics and AI. And giants like Bank of America are recruiting new workforces based on tech skills as much as financial ones.

The trouble: Consumers are not nearly as gung-ho about digitization as banks seem to be. Our study showed that two-thirds (65%) of respondents have never interacted with a chatbot – a digital customer service rep – and have no interest in doing so. Another 10% say they have had a bad experience with a chatbot; so, overall, three-quarters of the population is either not interested in or outright negative about these online human-like problem solvers.

65% of respondents have never interacted with a chatbot.

The heart of customer-centric innovation
Maybe part of the problem with consumer enthusiasm is that banks need to focus more on what consumers need – and not just what the banks can conveniently deliver. It is essential that innovation from financial institutions be fully customer centric, and not just "what we have on the shelf." What problems do financial customers need solved? Innovation here is not about products that financial firms have to offer; it's about the needs of consumers.

Here is a simple rule of thumb: If it's not easy, it's not innovative.

Banks and other FS firms struggle with innovation partly because they have a habit making difficult products even more complex. They bundle features together and arrive at products with names so long they need acronyms. Sometimes it takes a 50-page prospectus to describe all of the components and risk factors. All of these help get jobs done – but can anyone easily see the link from benefit sought to benefit delivered?
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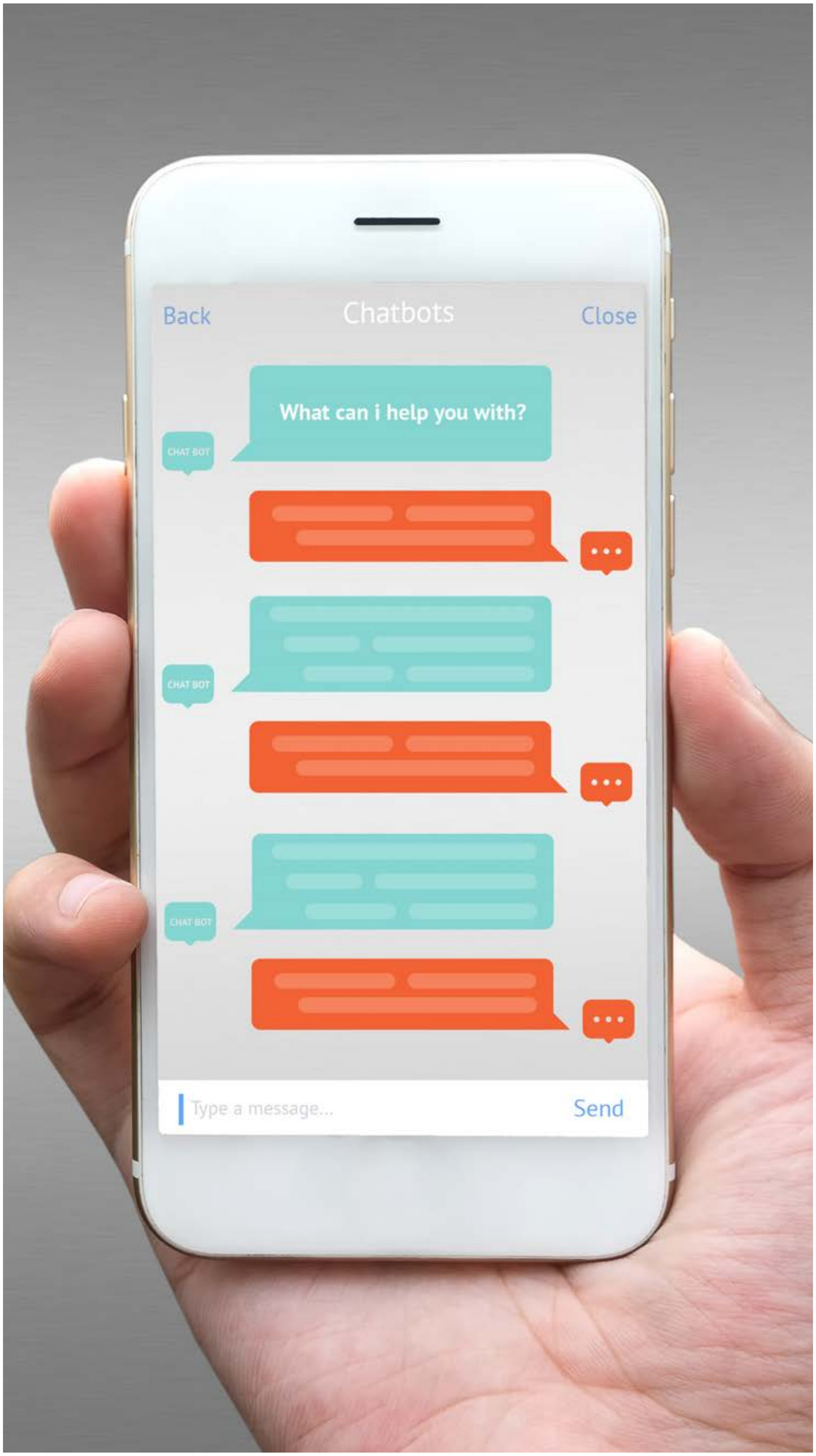
People also have major – and often predictable – concerns about the digitization of their financial world. Six in ten say, for example, that they are worried about information security in relation to chatbots; this includes 54% of 18-to-34 consumers, and more than two-thirds of those 65-plus. In the wake of the Equifax breach (which occurred after our survey) and other massive security missteps, these fears – which are beginning to seem extremely rational – need to be assuaged.

In addition, 34% of consumers feel their financial needs are too complex to be handled by chatbots and similar technology. The numbers here are pretty consistent across the generations – 31% of those 18 to 34, and 30% of those over 65.

The challenge for banks and other FS firms, then, is to find just the right mix of human presence and digital efficiency – to inspire confidence while still making business-smart decisions about customer service. And to truly address consumers' needs with easy-to-use solutions. We know that 24/7 service and paying less for human advisors are appealing benefits for bank customers; yet they also want to feel sure they will be able to "speak to someone" when the chips are down, and that they can trust their digital identities to the institutions they work with.



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The user's first impression also has to be that the interactions are slick, that the firm has invested significant resources in this new way of doing business. Customers need to feel that the digital mode represents an enhancement of service – that the apps are additions to, not replacements for, the other benefits they have come to count on.

Getting the UX right

To make sure that customers see and know that chatbots and other digital apps are truly designed for their benefit, banks need to keep their ears open – through consistent, finely tuned feedback. Digital interfaces and interactions represent core customer experiences, ones that directly affect satisfaction and, potentially, loyalty. We do know that customers tend to be reluctant to switch banks – but it is also true that consumers' money has never been more portable. And it is essential to pay close attention to consumers' perceptions of service and safety and ease of use; a wonderful behind-the-scenes program to protect data security, for example, is only half successful if banker users don't know about it.

Part art and part science, user experience (UX) research captures and make sense of all the feelings, ideas, preferences, perceptions, and responses that accompany the use of anything. Usually achieved through one-on-one observation, UX has been applied countless times to people's interactions with websites, medical devices, automobile systems – pretty much anything you can think of.

But an ongoing challenge for UX is scalablity. Focusing on the interactions of 10 or 20 customers with a bank's app, website, or bot cannot diagnose whether problems are widespread or limited. Financial institutions with millions of customers worldwide need solutions that can reliably detect not just individual reactions, but also the scope of specific issues. They also need a compact way to get at the brand value aspects of user interactions – answering not just "Did the system work?" but also "How did the interaction make you feel?"

One scalable user experience measurement model, first defined and validated by GfK in 2014[1], is UX Score. Through a series of 10 questions, UX Score captures three key dimensions of user experience – usability (task-oriented qualities), usefulness (self-oriented), and aesthetics. In tests, UX Score proved to be a solid predictor of Net Promoter Score (NPS), purchase intention, and market share – exceeding classic usability metrics like SUS and AttrakDiff in key areas.

In September 2015, GfK applied the UX Score model to studying customers' interactions on three platforms – ATM, mobile app, and PC-based online – with four major banks. By developing a clear picture of successful experiences and less-than-satisfying ones, the research could help banks understand where to spend crucial resources to improve customers' feelings about their brands.

Using a nationally representative sample, the study found that roughly two-thirds of respondents overall felt the different touchpoints had "exactly the features" they were looking for – with mobile apps scoring slightly lower than ATMs and PC-based websites. (See Figure 2.) But only one-third said that the touchpoints had "interesting new features," with mobile apps scoring slightly higher here.

Figure 2. Users rate bank touchpoints

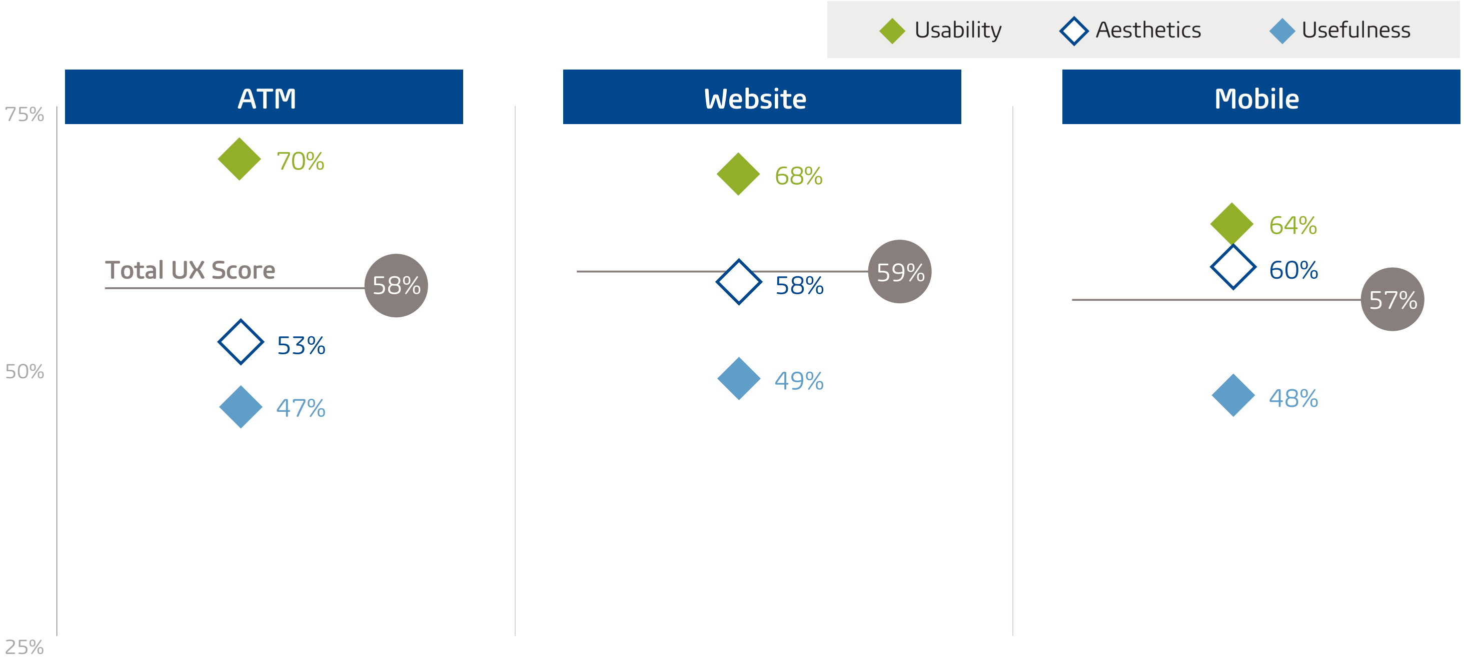
Aggregate of four banks measured.
Letters denote significant differences across touchpoints.

	ATM (A)	Website (W)	Mobile (M)
Has exactly the features I need	69% M	68% M	59%
Has interesting new features	33%	35%	37%

Figure 3. Overall bank touchpoint comparison

Aggregate of four banks measured.

Across all four banks, the three types of touchpoints scored well on Usability, but fell short on Engagement. (See Figure 3.)



Where do we go from here?

It is clear that self-service touchpoints, powered by AI, are here to stay – and the proportion of interactions that rely on these digital channels will only continue to grow. Financial firms will therefore have four imperatives where a quantitative UX approach – like UX Score – can be valuable:

1. **Innovation:**
   As products and services become digital experiences, traditional approaches used to measure concepts and identify improvements will become increasingly irrelevant. Actual user testing (qualitative) and UX Score measurement (quantitative) will have more immediate impact – and tell us whether our smart new idea is also something consumers want and can easily learn to use.

2. **Customer experience tracking:**
   While measures such as NPS will continue to be used for many channel interactions, and to understand customer experience at the relationship level, it will be more insightful to have quantitative measures integrated into tracking programs or have distinct tracking mechanisms for digital touchpoints.

3. **Customer experience improvements:**
   Deep dives into outages at these digital touchpoints can be assisted by the use of UX Score as a pre/post measure, in both qualitative settings and larger-scale quantitative initiatives.

4. **Competitive assessment:**
   In industries such as financial services, where differences in product features and benefits are often small, the experience of delivering services becomes the brand differentiator. UX represents the delivery on the brand promise – and assessing its success allows financial firms to look for areas of personal vulnerability or strength, as well as opportunities to steal share from competitors.

As companies rush to digital and AI as sources of personalization and efficiency, it is imperative that customers' experiences are in line with expectations --usable, useful, and aesthetically appealing. We need to keep usability and simplicity at the center of any innovation efforts, using AI or any other resources. Make sure that new products and apps are meeting the customer's needs – not just responding to what is convenient for banks to deliver. Then we will see truly "sticky" tech breakthroughs from banks and FS generally.

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