Accelerating digital transformation in banking

Findings from the global consumer survey on digital banking

Consumers around the globe expect their banks to act and interact more like top technology brands. Our latest global consumer survey on digital banking reveals where the gaps are and what banks can do to meet heightened expectations.

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Today, many consumers have a stronger emotional connection with leading technology brands than they have with their primary banks. If banks want to keep up, they will have to engineer the digital experience they offer to make these emotional connections which can ultimately translate into sticky interactions and more profitable customers.

In May 2018, Deloitte surveyed 17,100 banking consumers across 17 countries to measure the current state of digital engagement. The results confirmed findings that we have observed in other Deloitte studies: Consumers' overall satisfaction with their primary banks is generally high.[1] Nearly two-thirds of consumers in our global sample are either completely satisfied or very satisfied with their primary bank. But this measures emotional engagement with broad strokes; it does not paint a full picture of customer satisfaction. Consumers feel best-in-class digital service providers including Apple, Google, Amazon, Samsung, and Microsoft, outperform banks in providing quality, convenience, and value via an exceptional digitally driven consumer experience.

Our study indicates that consumers are ready for a higher level of digital engagement from their banks. This clearly presents an opportunity for banks; if they can improve their digital offerings, they could increase customer engagement.

Of course, many consumers already interact with digital banking channels quite frequently, which is a highly positive development. Our study found 86 percent of consumers use branches or ATMs to access their primary bank; 84 percent use online banking; and 72 percent use mobile apps to access their primary bank. But tellingly, digital channels are used more frequently than branches and ATMs across all generations, and in all countries. While the frequency of digital channel usage is a positive sign, there is an important distinction to make here regarding quantity versus quality of interactions. Digital channels are mostly limited to informational and transactional services while consumers still prefer traditional channels for complex or advisory services, however. Of the respondents who filed a complaint with their bank, 42 percent used contact centres, 26 percent used branches, and only 30 percent used digital channels (online or mobile). The trend is also true for applying for new products, especially loans that require multiple verification and documentation steps. And although few banks allow their customers to apply for a consumer unsecured term loan or small business loan through digital means, fintechs have been allowing this for almost a decade.[2] For the most part, retail banks still require human intermediaries and cumbersome nondigital documents to process loan applications.[3]

Further, banks' "pull" approach versus a "push" approach to digital service could be standing in the way of creating emotionally engaging digital interactions. Today's consumers still come to the bank's platform to meet their needs—be it monitoring account details or understanding their spending patterns—and banks tend to react to their needs. Meanwhile, fintechs have shown a better way to digitally engage consumers through a "push" strategy that includes sending them intelligent, tailored insights based on their spending behaviour or notifying them about discounts or loyalty offers at nearby retailers.[4]

Although banks have made the important step of making the login process easier by having mobile devices remember information in a secure manner, they can invoke more push strategies, such as providing customers with alerts regarding unusual movement in their accounts.[5]

1. Val Srinivas, Steve Fromhart, and Urval Goradia, First impressions count: Improving the account opening process for millennials and digital banking customers, Deloitte University Press, September 6, 2017.
2. Peter Renton, "The new intersection of banks and marketplace lending," Lend Academy, December 21, 2016.
3. Srinivas, Fromhart, and Goradia, First impressions count.
4. Chris Skinner, "Big banks are not fleeing the fintech heat (yet)," The Finanser, accessed July 31, 2018.
5. Shirra Frost, "Engage customers with financial alerts," ABA Bank Marketing, March 8, 2017.

The digital-emotional connection

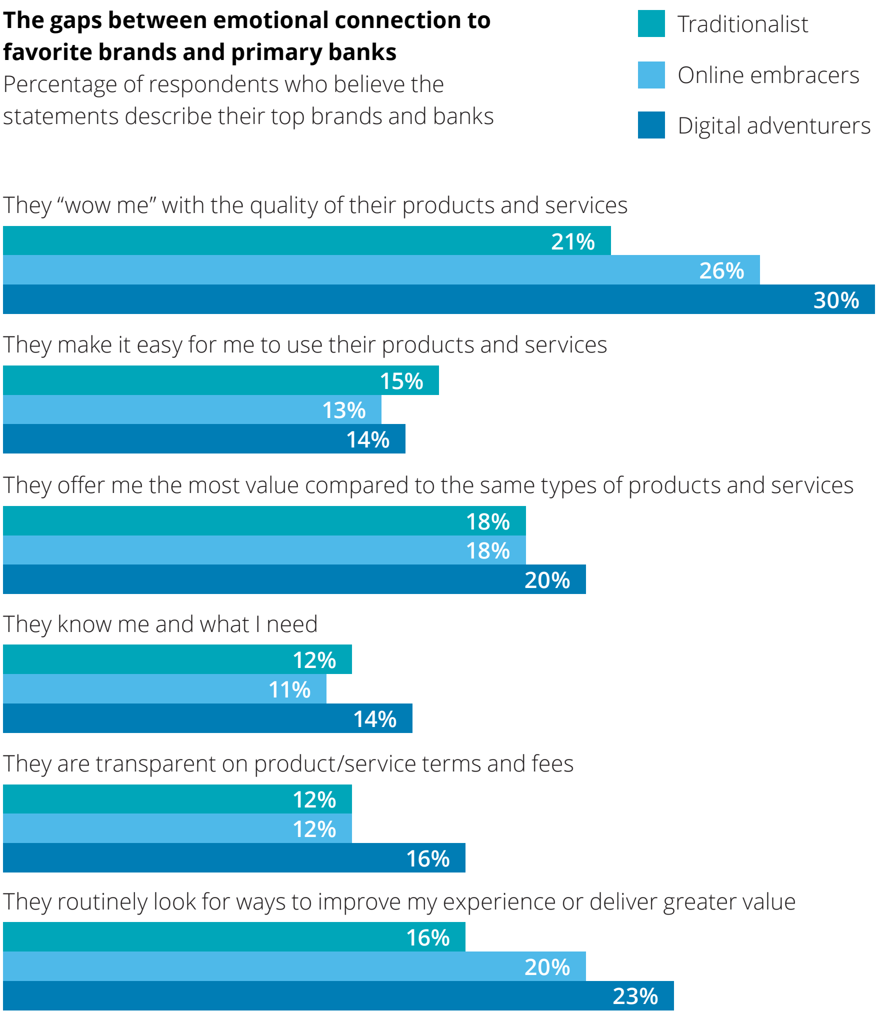
To understand how digital engagement varied across customer segments, we ran a cluster analysis of almost 14,000 global respondents which highlighted three distinct consumer segments.[6] We name these groups traditionalists, online embracers, and digital adventurers.

- Traditionalists (28 percent of our sample) are light digital users who do most of their banking in branches and through ATMs. Nearly one-quarter of traditionalists have never used online banking to access their primary bank and 44 percent have never used mobile apps to access their primary bank. Traditionalists also hold fewer products, such as debit and credit cards, than the other segments.
- Online embracers (43 percent) are more digitally engaged with their banks than traditionalists, but prefer online over the mobile app channel for types of transactions that banks have spent years perfecting online, such as balance and transaction inquiries, transferring funds, and paying bills. They have higher product holdings than traditionalists and transact with their banks more frequently, but not all the time; about 20 percent of online embracers accessed their bank online more than 10 times a month, and 25 percent accessed their mobile apps more than 10 times per month.
- Digital adventurers (28 percent) use mobile and online channels to inquire about their account, transfer funds, and pay bills. Over half of users of online and mobile banking in this segment have accessed these channels 10 or more times a month. A significant proportion of digital adventurers prefer to use online and mobile channels combined rather than visiting a branch to apply for simple products such as debit cards and checking accounts. Most tellingly, digital adventurers demonstrate the highest levels of satisfaction and are most likely to recommend their primary banks. They also generally express a deeper emotional engagement with their primary banks compared to online embracers and traditionalists, at least in absolute terms.

When looking at digital adventurers' emotional engagement with their banks compared to their favourite brands, an interesting twist emerges. Although digital adventurers are the most emotionally engaged banking consumers in absolute terms, the gap between engagement with their favourite brands and primary bank is higher for four of six parameters. This is where we ask ourselves, "Are banking consumer relationships truly sticky? If these favourite brands become financial services providers, then what?"

The gaps between emotional connection to favorite brands and primary banks

Percentage of respondents who believe the statements describe their top brands and banks



Source: Deloitte Center for Financial Services analysis.

6. For our cluster analysis, we included data for 13,912 respondents on channel usage behaviour.

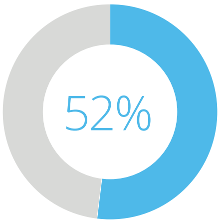
More real in digital and digital in real

According to our survey, consumers are more likely to increase use of digital channels (both online and mobile) if banks increase security, provide more real-time problem resolution, and allow for more regular banking transactions to be handled digitally.

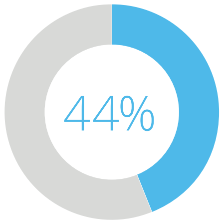
On the other side, adding digital self-service screens at brick-and-mortar locations, or being able to connect with a bank representative virtually will increase consumers' likelihood to use branches.

Consumers are likely to bank more on a mobile app if the following features are offered

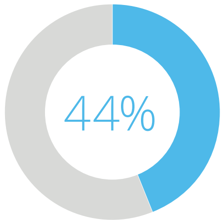
Percentage of respondents who replied 'likely' or 'very likely' to use mobile apps more



Stronger data security



Ability to do more of my regular banking transactions on the mobile app



More real-time problem resolution

52% Making the login/ authentication process easier

38% Offering access to a banking advisor through the mobile app

39% Allowing me to submit e-signatures and complete applications entirely on the mobile app

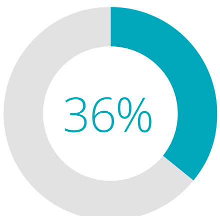
36% Prepopulating transaction forms wiht my information

33% Better integration with apps, devices, and other websites

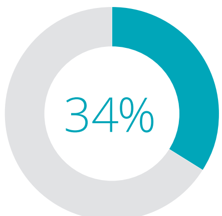
36% Additional features such as budgeting, tax preperation, etc.

Consumers are likely to bank more at a branch if the following features are offered

Percentage of respondents who replied 'likely' or 'very likely' to use a bank branch more



Extended service hours through virtual remote services with a representive



Digital screen self-service, with option to reach a representative

52% Ability to schedule a personal appointment for a virtual video meeting with a representative

36% Branch that resembles a café where you can plug in, hang out, and work

Source: Deloitte Center for Financial Services analysis.

Across all geographies, we noticed a common theme: There needs to be an evolution in how consumers interact with their banks, and customers expect that progression to begin now. As the progression unfolds, human interactions will likely remain important, especially for milestone decisions in consumers' financial journeys. However, digital will be at the heart of personalising consumers' day-to-day interactions to enhance their emotional connection to bank brands.

Perhaps the key takeaway is that customer satisfaction is relative. In the end, to capture the hearts, minds, and wallets of customers, banks will need to accelerate their digital transformation and reconfigure each channel to serve every need customers have. Only this level of transformation is likely to strengthen banks' emotional ties with consumers and earn them a top spot in the list of consumers' favourite brands.

Action points

Bolster security measures for all consumers.
Stronger digital security will increase the likelihood of customers using digital channels in the future. Bolstering security using tools such as biometrics is paramount. Banks should advertise such security features more prominently and differentiate messaging for different segments.

Emphasise the convenience of digital with traditionalists.
A big reason many traditionalists do not use digital channels is that they simply do not see their merit. Therefore, raising awareness around the convenience of banking on-the-go (mobile) or banking from anywhere (online) is pivotal.

Expand mobile apps' capabilities to simplify its user interface to engage online embracers.
A factor limiting embracers' mobile banking usage could be the app's limited functionalities compared to online banking portals. To increase online embracers' willingness to use mobile banking, banks should focus on making mobile apps more intuitive and more comprehensive.

Transform mobile as an experiential channel for digital adventurers.
Banks should use mobile as a differentiator to build sticky experiences. Here, banks could position chatbots as the go-to help tool or allow consumers directly connect to a bank representative in the mobile app. These are good starting points, as this segment expects more real-time problem resolution in digital banking channels. In fact, enthusiasm among adventurers could be dampened by apps that lack customer service avenues.[7] Moreover, banks can encourage digital adventurers to step up their use of digital channels by simply providing smarter account opening features. Options such as pre-populating forms on websites and apps, making authentication easier, and allowing e-signatures or fingerprint scanning will likely simplify and enrich consumers' product buying experiences.

Lastly, break the channel silos.
Branch, ATMs, online, mobile, and call centres all need to be connected, along with third-party digital assistants such as Google Home and Amazon Alexa. Consumers' fascination for omni-channel experiences is real. Seventy percent of consumers in our study consider a consistent experience across channels to be extremely important or very important in selecting their primary bank. Therefore, banks must have a seamless flow of data across all channels. Having a 360-degree view of consumer interactions across channels, products, and systems will pay off by building stickier emotional engagement.

7. Lisa Joyce, "What consumers love (and hate) about mobile banking apps," The Financial Brand, April 24, 2018.

"Most banks are making good progress in putting customer centricity at the forefront of their strategic agenda. Truly delivering on this agenda will require banks to restructure their organisations and operations to deliver a new flow of digital products and services that meet these needs. These products and services must continue to iteratively evolve as customer behaviours and wants emerge. Banks that evolve to agile digital organisations will be able to innovate faster than their competitors and stand to gain significant advantage in the market."

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