

EARNING CUSTOMER LOYALTY IN RETAIL BANKING POST-PANDEMIC

An Ipsos Point of View

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GAME CHANGERS



Key Findings:

- Customers have not radically changed their use of banking channels before and after the pandemic, but digital banking is here to stay. All age groups engage digitally at varying levels.
- Despite the prevalence of digital banking tools and applications, customers don't find it any easier to do business with their financial institution now than before the pandemic.
- Ease of doing business is critical to generating customer advocacy.

COVID-19 impacted the retail banking channel by limiting physical access to the bank environment and forced both consumers and banks to embrace the digital channel, perhaps faster than anyone ever anticipated.

Now, in the Post-COVID 19 era, which banking channels do consumers prefer? And does this vary by age cohort?

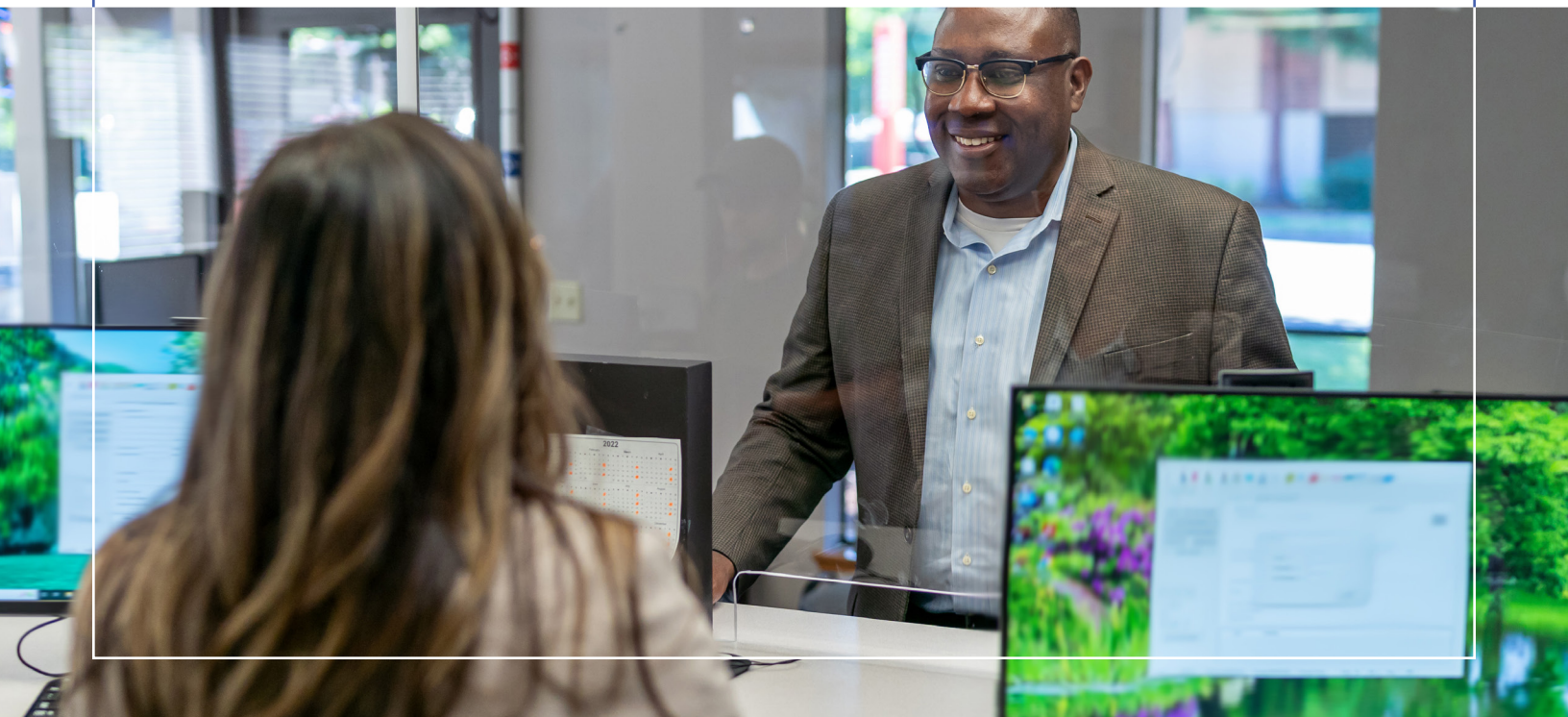
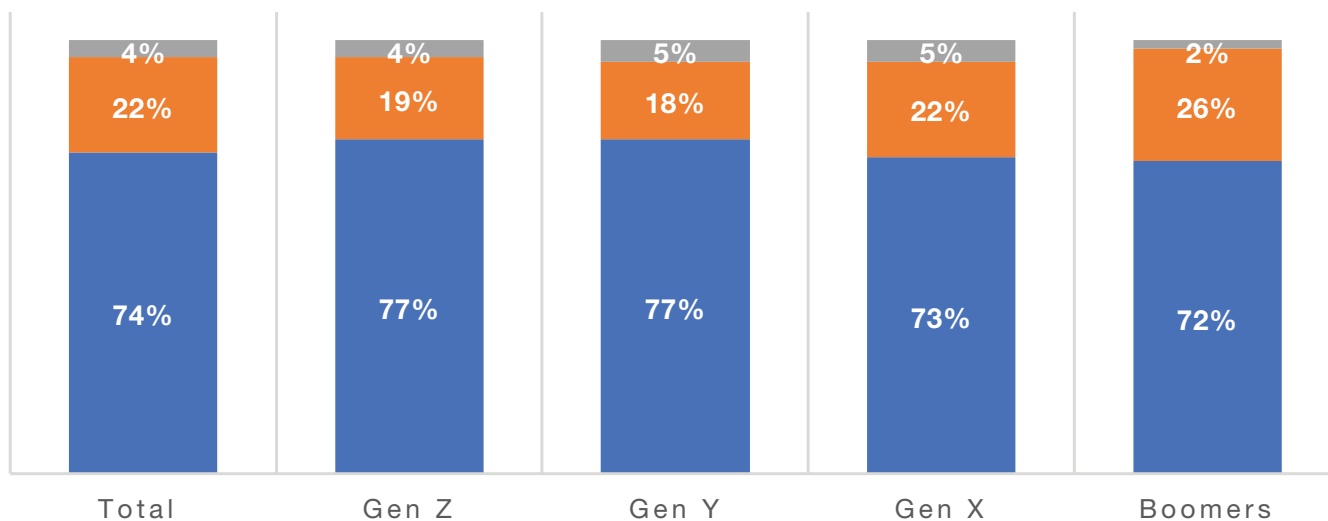
To explore this further, Ipsos recently surveyed a representative sample of approximately 1,000 adults across the U.S. to better understand their retail banking relationships.

Banks may dominate, but credit unions engender loyalty

Size doesn't drive customer engagement. When it comes to selecting a primary financial institution, three-fourths of respondents report that a bank is their primary financial institution. Just under one-quarter (22%) are using credit unions. Of those using a bank, most report using a national bank, rather than a regional operator (59% vs 23%), with local banks being used by far fewer (12%). Generationally, we see that the use of local banks and credit unions is more prevalent among the older cohorts — Gen X and Boomers.

Primary Firm Type

■ Bank ■ Credit Union ■ Other



Does loyalty vary by type of financial institution?

Despite their penetration, banks trail credit unions on a key measure of loyalty – the Net Promoter Score, or NPS.

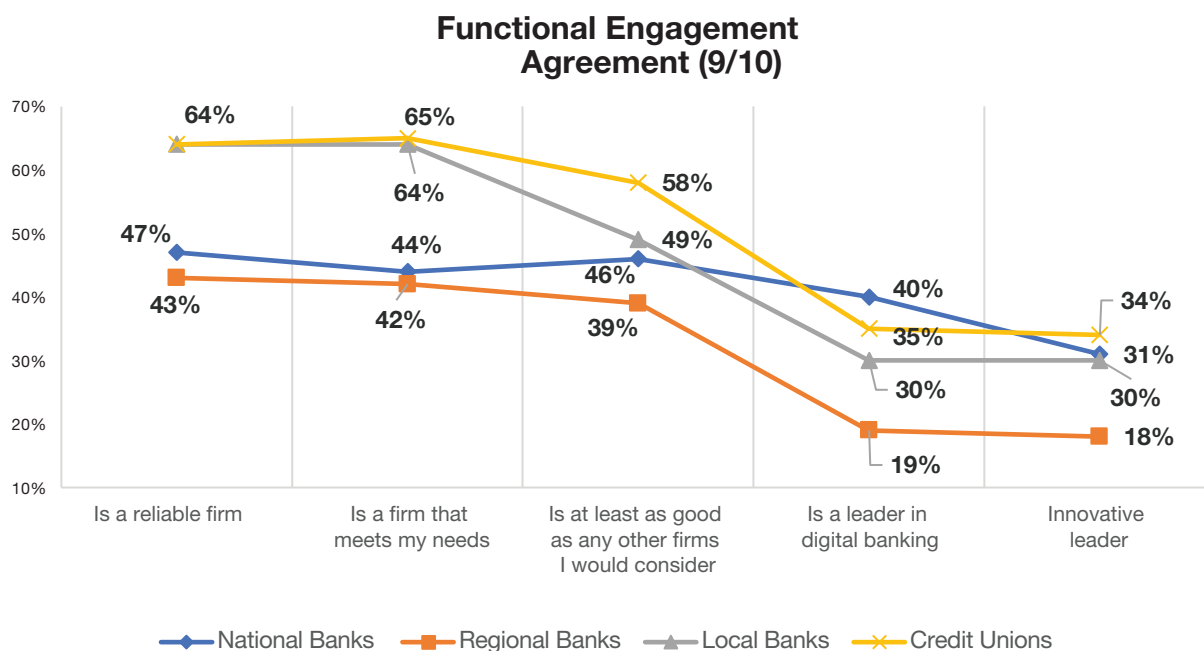
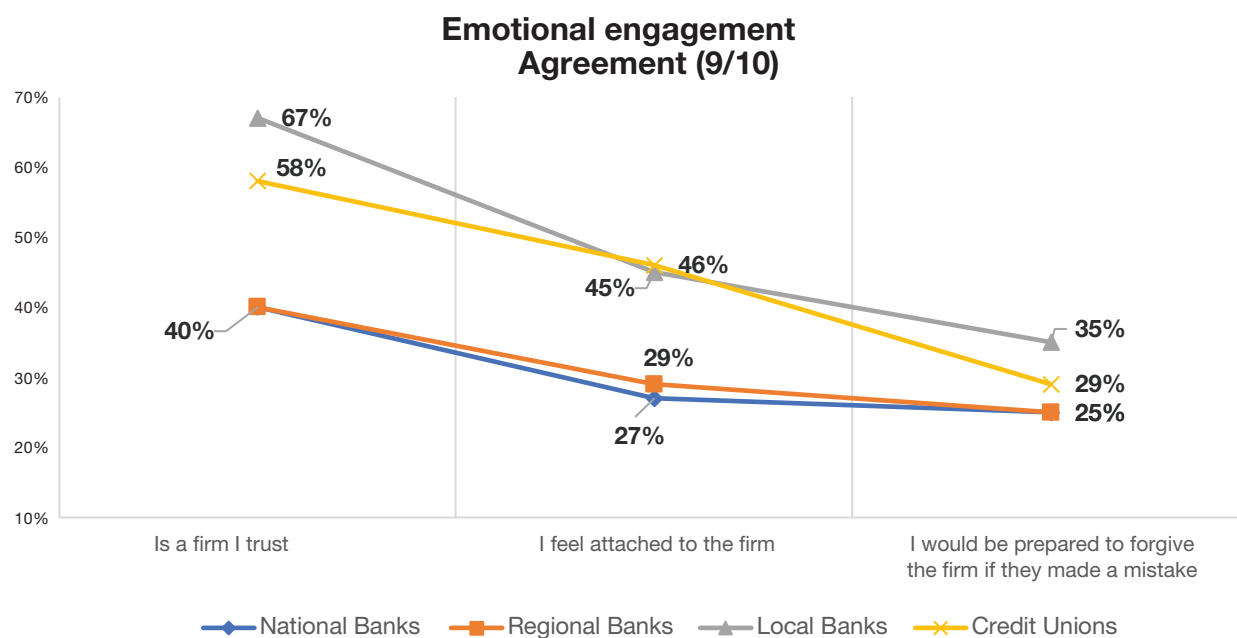
- National banks earn an NPS of 12, trailed only by regional banks at a dismal -6.
- Credit unions surpass all other types of banking institutions with an NPS of 35 and 54% of their customers classified as Promoters (a.k.a. Advocates).
- Interestingly, local banks have a level of Promoters that is on par with credit unions (50%), but their NPS is held back by a relatively high level of Detractors (35%).
- Customer comments reveal that personal interactions are distinct advantages of local banks and credit unions, but their geographic scope and range of services may be more limited.

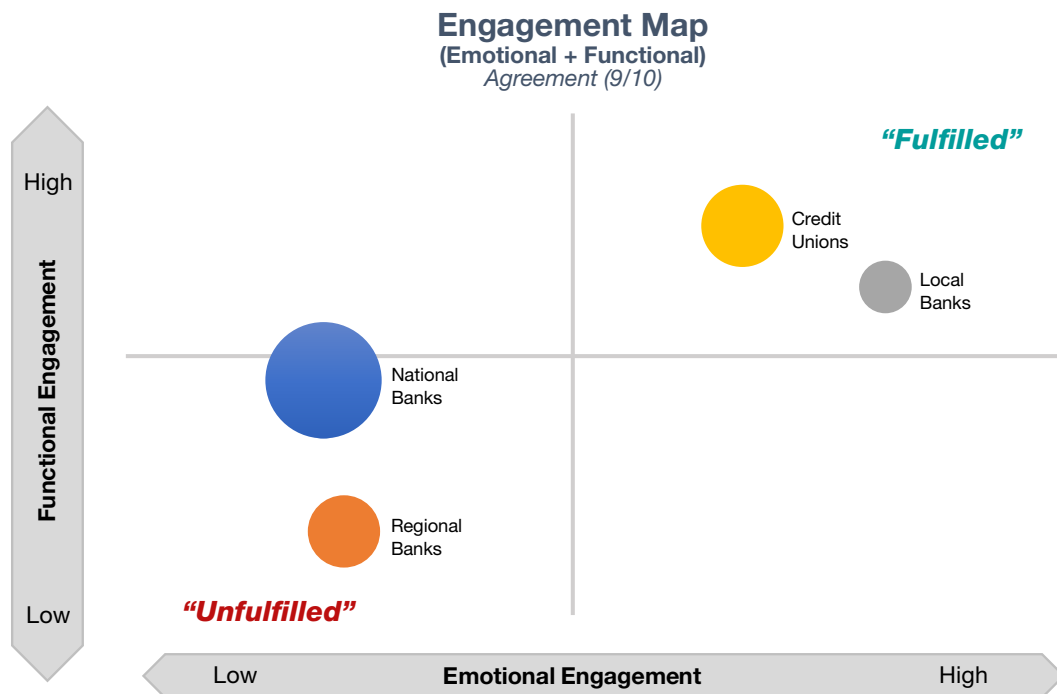
NPS	National Banks (9/10)	Regional Banks (9/10)	Local Banks (9/10)	Credit Unions (9/10)
NPS	12	-6	15	35
% Promoters	37%	30%	50%	54%
% Detractors	25%	36%	35%	19%

Promoters	Detractors
<p><i>“Their customer service is top notch, there are branches and ATMs everywhere, and their overall user interface is quite amazing compared to others I’ve tried in the past.”</i></p> <p>- National Bank</p> <p><i>“Our bank has many locations, conveniently located, and provides consistently good service.”</i></p> <p>- Regional Bank</p> <p><i>“They provide awesome customer service and a personal experience.”</i></p> <p>- Local Bank</p> <p><i>“My credit union is great. They are easy to deal with and are very friendly and personable when interacting with them.”</i></p> <p>- Credit Union</p>	<p><i>“My current bank provides an average banking experience. Nothing more, nor less.”</i></p> <p>- National Bank</p> <p><i>“They only care about new customers. They are just average to their current customers.”</i></p> <p>- Regional Bank</p> <p><i>“Limited in scope when traveling out of the immediate area.”</i></p> <p>- Local Bank</p> <p><i>“It’s very local and does not integrate well with other institutions. I can’t deposit check online, and lately have been unable to do any wire transfers.”</i></p> <p>- Credit Union</p>

How engaged are customers with their primary firm?

True engagement requires that the customer experience move beyond the transactional. Ipsos has identified the building blocks of emotional attachment and relationship strength – the Forces of CX: Status, Belonging, Enjoyment, Certainty, Fair Treatment and Control. There is tremendous synergy between the Forces and Emotional Engagement. Utilizing Ipsos’s Emotional Engagement framework, national and regional banks distantly trail local banks and credit unions on both Trust and Attachment, but with less of a gap on Forgiveness.

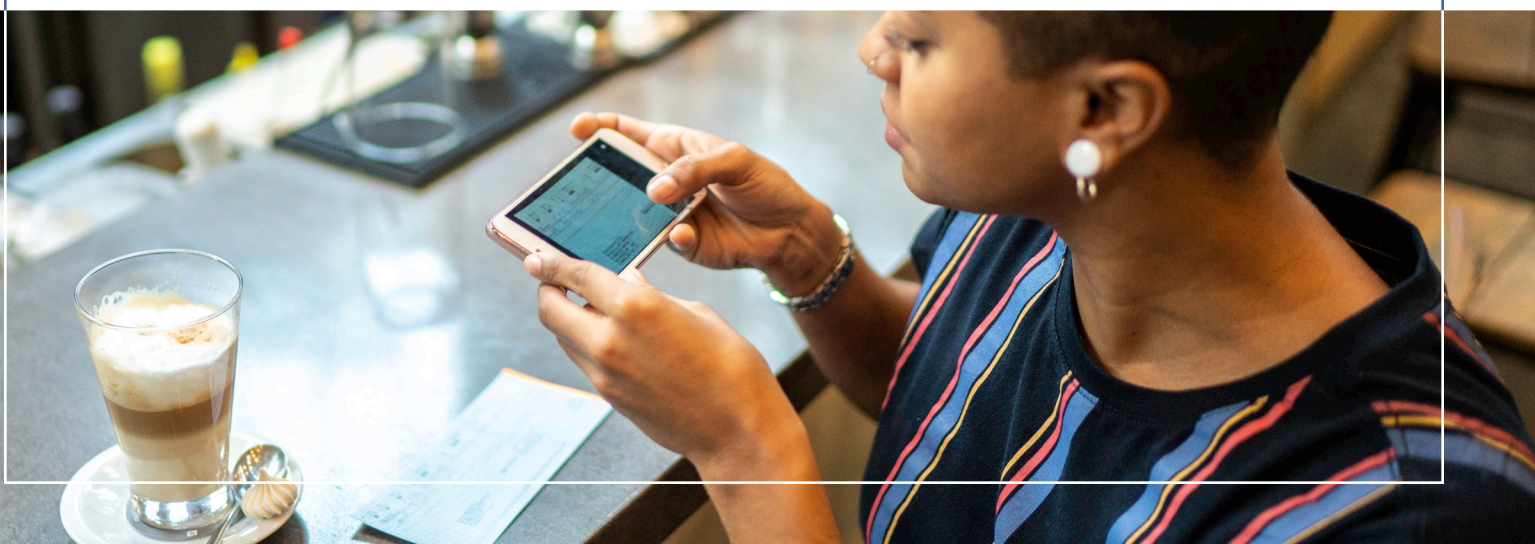




The diagram above displays the relative degree of emotional and functional engagement that customers have with their primary financial services firm. When customers exhibit high levels of emotional and functional engagement, they are “Fulfilled.” Local bank and credit union customers reside in the “Fulfilled” quadrant, implying that both their functional and emotional needs are being met relatively well.

Conversely, Regional and National Bank customers reside primarily in the “Unfulfilled” quadrant, where the degree of functional and emotional engagement is not particularly high. Regional banks perform rather poorly, followed by National banks, which exhibit a higher degree of functional attachment due to their better digital leadership and innovation.

These results align with NPS Advocacy results (“Promoters”) and suggest that customer loyalty in this category is achieved by not only superior digital delivery of services, but by also building the emotional bonds of trust, attachment, and forgiveness. Firms must expand their view beyond merely transactional efficiency and deliver personalized service that makes an emotional connection with customers. *Note: Bubble size represents usage/penetration of firm type.*



What else could be driving the NPS and engagement results?

One possibility is that the banking channels used by customers pre/post-COVID-19 have influenced their attitudes. Next, our study examines banking channels utilized and customers' feelings around ease of doing business before and after the pandemic.

Modes of interaction have changed only marginally since the pandemic?

How are customers choosing to do business with their primary financial institution?

Local bank customers demonstrate a much higher likelihood to use traditional methods of doing business, namely in the bank lobby or via the drive through. Whereas national bank customers are much more likely to engage digitally, either via PC or smart phone. Notably, digital engagement is prominent across all audiences. In fact, a staggering 77% of all national bank customers also report using a digital channel most often. Although 37% of local bank customers say in-person is their most used channel — the highest across all firm types — another 50% are using a digital channel most often. Generationally, digital interaction is also prominent “across the board,” but we see that Boomers are nearly twice as likely to use the lobby or drive through versus their younger peers (29% vs. 16/14/15%).

Banking Channels Utilized <i>Most Often</i>	National Banks (9/10)	Regional Banks (9/10)	Local Banks (9/10)	Credit Unions (9/10)
NET Any Digital Interaction	77%	67%	50%	68%
Online/digitally via mobile app	50%	39%	25%	37%
Online/digitally via PC	27%	28%	25%	31%
In person (lobby/drive through)	16%	25%	37%	20%

Banking Channels Utilized <i>Most Often by Generations</i>	Gen Z	Gen Y	Gen X	Boomers
NET Any Digital Interaction	75%	73%	72%	63%
Online/digitally via mobile app	60%	60%	40%	22%
Online/digitally via PC	15%	13%	32%	41%
In person (lobby/drive through)	15%	14%	16%	29%

(Note: Not shown were telephone banking, call center or ‘some other way’)



But which channel do customers prefer?

Preferred Banking Channel tracks quite closely to channel used most often, with nearly ¾ of national bank customers choosing digital—more than any other firm type.

Despite the prevalent use of lobbies and drive-throughs among local bank customers, it's nearly an even split with 48% preferring digital and 43% preferring in person. Generationally, we once again see Boomers with a stronger preference for the lobby and drive through relative to their younger peers (37% vs. 19/16/17%), yet more than half (57%) prefer a digital interaction.

When asked to identify their preferred banking channel prior to the COVID 19 pandemic, the overall usage pattern is similar, but with some lifts in today's preference for digital options.

Comparing preferences "Today" vs. "Prior," we see directional increases in today's digital banking preferences among regional and local bank customers (+4pp, +5pp), but a more substantial lift among those using credit unions (+10pp). Generationally, we see Gen X with the largest increase in today's digital bank preference (+10pp) vs. prior to the pandemic.

What accounts for this lift? One theory is that the pandemic has made customers much more comfortable with using digital channels for their regular banking than they were earlier; another is that the digital technology has improved, driven by the circumstances of the pandemic. Plus, it may take some time for customers' attitudes to synch up with their actual digital usage behaviors, as the degree of acclimation with the channel improves.

Banking Channels Preferred (Today)	National Banks (9/10)	Regional Banks (9/10)	Local Banks (9/10)	Credit Unions (9/10)
NET Any Digital Interaction	73%	59%	48%	65%
Online/digitally via mobile app	47%	39%	25%	35%
Online/digitally via PC	26%	20%	23%	31%
In person (lobby/drive through)	18%	33%	43%	24%

Banking Channels Preferred (Today) By Generations	Gen Z	Gen Y	Gen X	Boomers
NET Any Digital Interaction	72%	71%	69%	57%
Online/digitally via mobile app	59%	57%	40%	19%
Online/digitally via PC	13%	14%	29%	38%
In person (lobby/drive through)	17%	16%	19%	37%

(Note: Not shown were telephone banking, call center or 'some other way')

Banking Channels Preferred <i>Prior to Pandemic</i>	National Banks	Regional Banks	Local Banks	Credit Unions
NET Any Digital Interaction	70%	55%	43%	55%
Online/digitally via mobile app	43%	34%	25%	30%
Online/digitally via PC	28%	21%	18%	25%
In person (lobby/drive through)	24%	36%	43%	33%

Banking Channels Preferred <i>Prior to Pandemic by Generations</i>	Gen Z	Gen Y	Gen X	Boomers
NET Any Digital Interaction	69%	70%	59%	52%
Online/digitally via mobile app	55%	55%	32%	17%
Online/digitally via PC	14%	15%	27%	36%
In person (lobby/drive through)	19%	20%	31%	39%



Ease of doing business is unchanged, yet critical to advocacy

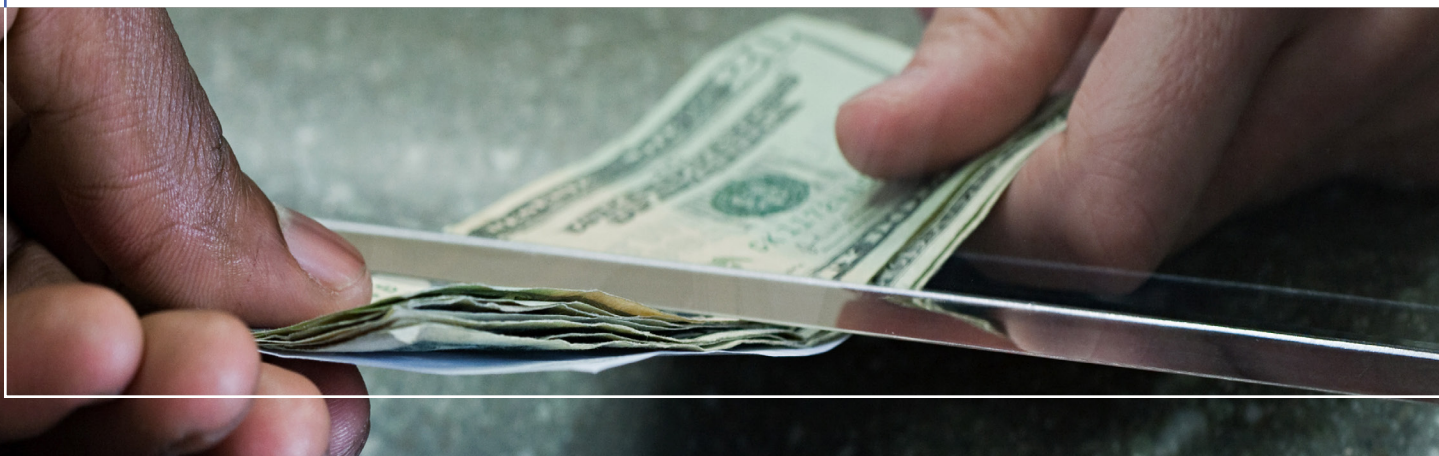
Despite the increased adoption of digital tools and applications, customers of all types of firms unflinchingly report that they see no difference in the ease of doing business with their bank now versus pre-COVID-19. One bright spot is among customers of national banks and credit unions, where nearly one in four customers feel it's easier to do business now. Generationally, we see that Gen Z and Gen Y are more likely than their peers to say that it's easier to do business now than before, perhaps due to their affinity for digital interfaces.

Those who find it easier to do business now point to the increase in online tools, apps, and mobile functionalities (online, app, mobile, options). Conversely, those who found it easier to do business before the pandemic cite reduced banking hours and less face-to-face interaction (people, hours, closed, employees). Firms will continue to invest in digital and mobile technologies — it's necessary. However, other more traditional banking channels are still worthy of attention given consumers' desire for personal interaction and the need of the firm to establish emotional engagement. From robust CRM systems and clientelling apps to leveraging Generative AI to accelerate workflows, banks must also invest in tools that enable their frontline employees.

Ease of Doing Business Now vs. Prior to the Pandemic	National Banks	Regional Banks	Local Banks	Credit Unions
Easier now	23%	19%	14%	24%
Easier before	12%	19%	13%	13%
No difference	65%	62%	73%	63%

Ease of Doing Business Now vs. Prior to the Pandemic by Generations	Gen Z	Gen Y	Gen X	Boomers
Easier now	31%	30%	21%	8%
Easier before	26%	15%	6%	13%
No difference	43%	55%	73%	79%

(Note: Not shown were telephone banking, call center or 'some other way')



What's Next

There is no question that we are living in the era of digital banking — overwhelming majorities of customers are using this channel; however, it's not a total replacement for personal engagement. There is still a substantial portion of customers who value personal connections, particularly among older age cohorts who may seek out banking advice and guidance.

Digital applications may improve transactional efficiency, but they may be less effective at building a trusting, warm relationship with customers, thereby deepening engagement and driving advocacy. While digital tools and applications have the potential to enhance the Ease of Doing Business, they are largely functional and extra steps may have to be taken to ensure that emotional bonds with customers are being established and maintained.

The Digital Experience (DX) must be personalized across channels as it is essential to building customer advocacy and engagement. Blending research, technology, analytics, and advisory solutions, Ipsos CX works with many of the world's leading financial institutions.

We help them retain customers, grow share of spend, increase advocacy, and increase operational efficiency to deliver a Return on the Customer Experience Investment (ROCXI) in both traditional and digital environments. To learn more about how we can help ensure experiences across channels are building customer loyalty and engagement, get in touch with us — CustomerExperience@ipsos.com.



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