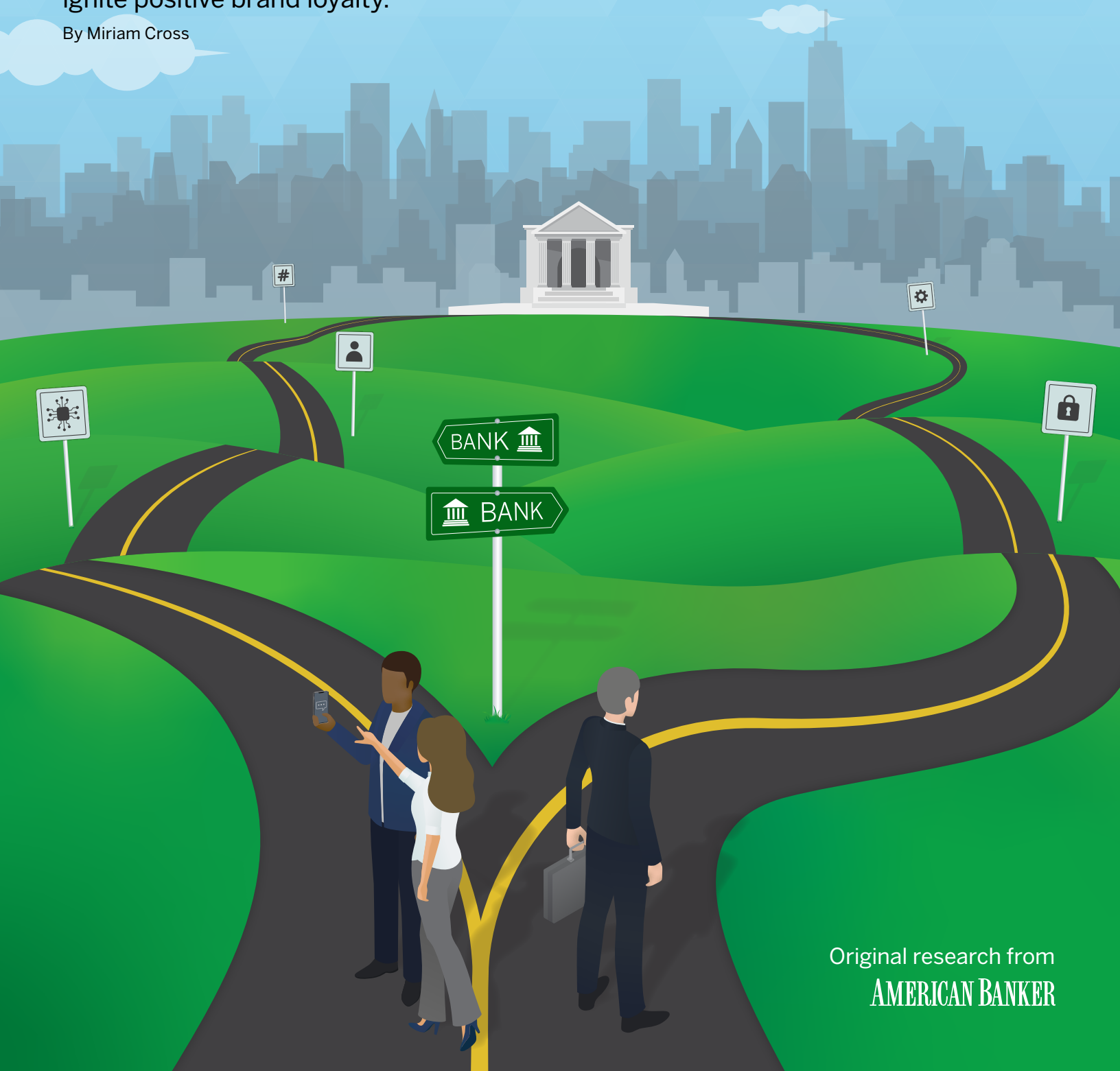
HUMANIZING THE BANK CUSTOMER EXPERIENCE 2023

# Staying on top: Managing the complex factors that drive the consumer/bank relationship

Banks looking to grow customer relationships can't be complacent about investing in the digital products and dedicated service that ignite positive brand loyalty.

By Miriam Cross




Original research from

AMERICAN BANKER

# Staying on top: Managing the complex factors that drive the consumer/bank relationship

## Introduction

For financial institutions, winning and keeping customer loyalty is an ever-evolving formula. The first challenge is getting customers in the door. Convenient locations, enticing promotions and rave reviews from family and friends all affect how people choose their financial institutions. But these motivations can vary based on the customer's age and the depth of the banking relationship they seek.

Earning loyalty doesn't stop once customers have opened an account, downloaded the mobile app and deposited funds. The weight that customers place on certain qualities within their financial institutions changes over time, whether because of changing economic conditions or changing customer service expectations due to digital advances in other industries. As a result, banks and credit unions cannot afford to become complacent when maneuvering the customer experience, especially when it comes to the four key drivers that "humanize" these interactions.



**Why read this report?**

This report uncovers the complex motivators behind people's decisions to choose and stay with a financial institution. Compiling three years of research data, American Banker and Monigle have analyzed key factors within these decisions, as well as which types of financial institutions perform best — or lag in surprising ways. With this data, banks can diagnose their weak spots and finesse their customer outreach where needed.

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## Key findings

- The paths that people take to find a new financial institution vary, influenced by whether the banking relationship is primary or secondary, the age of the customer and what products they are seeking. For example, younger generations tend to rely on recommendations when choosing any financial institution. Older groups gravitate toward convenient locations for their primary banking relationship and are swayed by promotional offers for the secondary relationships.

- The bar has risen for good digital experiences. Painless and engaging online and mobile banking capabilities have a bigger impact on customer happiness than just one to two years ago. Consumers regularly interact with brands in other industries that provide a better online experience, including retail and social media, than their banks. However, financial institutions still impress consumers the most for data security and privacy protection.

- Year over year, credit unions continue to shine in most aspects of the customer experience, while online-only banks languish in satisfaction scores. Digital upstarts known as challenger banks have made gains — sometimes performing even better than credit unions — for attributes such as useful notifications and unique financial products.

- Financial institutions are adept at many aspects of behavioral interactions and intellectual benefits. The biggest opportunity for in these areas involves enhancing loyalty and rewards strategies. Where banks and their peers struggle the most is in delivering a fulfilling emotional experience, and they vary widely in fulfilling sensorial expectations.

## Methodology

American Banker and Monigle, a creative experience agency, conducted an online survey of 5,500 bank customers in March 2023. The research, now in its third year, explores what drives the best customer experiences in banking. In particular, this report is designed to assist financial institutions in humanizing the customer experience to drive a connection to, and action by, customers.

Respondents are consumers, all 18 years of age or older, and representative of the U.S. population on age, gender and region. They are either primary or shared financial service decision-makers in the household who currently own at least one financial product or service.

The findings present a prescriptive, data-driven framework based on the latest social science and customer experience thinking, and highlight the experience-driven actions needed to deepen customer relationships and move people to action. This year, American Banker has analyzed three new elements: what drives a consumer to choose a primary or secondary bank, how different demographic groups consider bank performance and how banking stacks up next to other industries in terms of the digital experience.

## Making choices: Selecting an institution and products

For the first time in its Humanizing the Bank Customer Experience research, American Banker has surveyed customers on what drives them to choose an entity as their primary or secondary financial institution. The reasons shift depending on what relationship the respondent is seeking. One-third of respondents say they select a primary financial institution based on convenient locations, while nearly another third (29%) rely on recommendations from family and friends. The third most popular way to choose a primary institution is to research and compare options to see which one floats to the top.

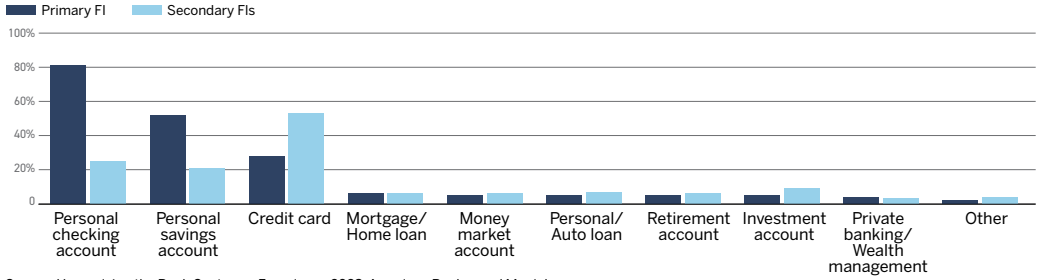
On the flipside, when seeking a secondary financial institution, 32% of respondents are tempted by an offer they receive or some other kind of marketing outreach. This may include points, discounts, cash back, high yields, 0% annual percentage rates or lower fees. Nearly a quarter of this cohort devote time to comparing their options, and only a small number care about a convenient location.

The reasons one would select a main bank or credit union also vary by type of financial institution. Retail bank customers most often choose a convenient location — a finding that makes sense considering that retail banks typically have larger geographic footprints than the other types of institutions included in the survey. Credit union members and challenger bank users most often rely on recommendations, which could result from an affinity for or community around credit unions or to assuage fears of trying a less-mainstream banking choice in challenger banks. Online-only bank users most often pick these brands after comparing different options.

Customers exhibit different patterns when choosing the products to open first at their primary and secondary institutions. Products that form the backbone of a banking relationship are the priority. People typically kick-start their primary banking relationship by opening a personal checking account, followed by a savings account (see Figure 1). In all, 81% of respondents say a personal checking account is among the first products they open at their main bank, compared with 25% who first open a checking account with their secondary financial institution. More than half of respondents prioritize a savings account when starting a relationship with their

### Figure 1: Consumers generally start their relationship with their primary FI by opening a checking account

Questions: Which products did you open at the start of your relationship with your main bank/financial institution? Which products did you open at the start of your relationship with the secondary bank(s)/financial institution(s) below?




Source: Humanizing the Bank Customer Experience 2023, American Banker and Monigle
Base: Total respondents n=5,500

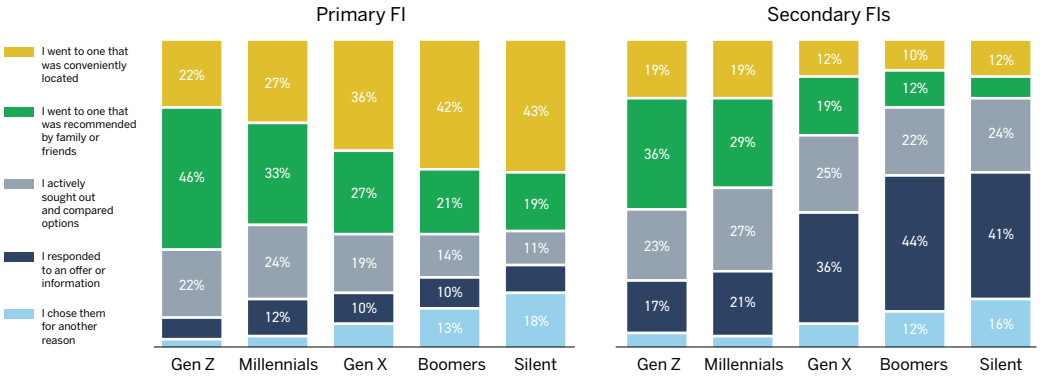
main financial institution, compared with 21% who do the same for secondary institutions. Credit cards, more of a "secondary" need behind deposit accounts, are popular for secondary banking relationships. More than half of respondents report that a credit card is the first product they secure at their secondary institution, compared with 28% who turn to their primary bank for this purpose. It seems that people are de-prioritizing convenient location as a reason for choosing their secondary institutions and instead are being drawn in by more attractive credit card offers — perhaps a sign-up bonus or limited-time 0% APR —than those offered at their primary bank. Financial institutions that see many new customers zeroing in on their credit cards, and only their credit cards, may have to emphasize other strengths if they want to widen and deepen their banking relationships.

## Where age comes into play

The thought process behind choosing a financial institution also varies by generation. By diving into these differences, banks and credit unions can tweak their messaging or the features they emphasize if they want to better target certain age groups. Looking at the data breakouts for Generation Z (Gen Z), millennials, Generation X (Gen X), baby boomers and the Silent Generation as to why they choose a primary or secondary financial institution, some clear differences emerge (see Figure 2). The older generations, particularly baby boomers and the Silent Generation, prefer a convenient location for their primary institution. Indeed, 42% of baby boomers and 43% of the Silent Generation prioritize location, compared with 22% of Gen Z and 27% of millennials. In contrast, the two younger age groups are mainly influenced by recommendations from family and friends when picking a primary bank or credit union. This is particularly true with Gen Z, where 46% report relying on recommendations.

### Figure 2: Older generations choose primary FIs for convenience, secondary FIs by offers

Questions: Which one of the following statements most closely describes how you became a customer of your main bank/financial institution? Which one of the following statements most closely describes how you became a customer of your secondary bank(s)/financial institution(s)?




*Percentages lower than 10 are not marked

Source: Humanizing the Bank Customer Experience 2023, American Banker and Monigle
Base: Gen Z n=680; Millennial n=1,422; Gen X n=1,301; Boomer n=1,546; Silent n=129

However, the older groups do not prioritize convenience when forming a relationship with another institution. Instead, older age groups, particularly baby boomers, are most often swayed by offers when choosing a secondary bank or credit union. For Gen Z and millennials, recommendations are again the critical factor in choosing a second financial institution. This suggests that keeping current customers satisfied — and thus excited to spread the word about their bank — could pay dividends when attracting new customers in their 20s, 30s and early 40s.

## What matters after a selection is made

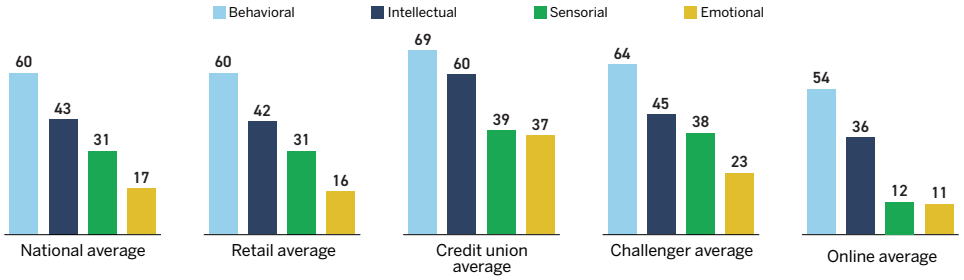
Thoughts, interactions, feelings and senses all impact the customer experience. Regardless of how customers get in the door, financial institutions must deliver on these attributes to keep them happy.

The research identifies four core drivers of the humanized customer experience: behavioral, intellectual, emotional and sensorial. Respondents were asked how their primary bank performs on a number of attributes within each dimension. Results from this modeling show which aspects matter most to the customer experience at financial institutions. Individual attributes represent specific areas that banks and credit unions can address to improve the overall experience. These drivers are defined as follows:

- **Behavioral** refers to the physical, intentional ways that people interact with brands, from navigating a bank's website to enrolling in new financial products.
- **Intellectual** is the way people think about the brand and its benefits, such as how well the institution keeps customer money safe or personalizes its products and services to meet individual needs.
- **Emotional** refers to the feelings bubbling up when people think about the brand, from stress to confidence and excitement.
- **Sensorial** includes visual, auditory and olfactory brand cues, whether that means hearing positive buzz or appreciating beautiful aesthetics.

Overall, customer ratings suggest banks are doing the best job of delivering on the behavioral and intellectual drivers of the customer experience (see Figure 3). Financial institutions of all stripes have work to do to improve the emotional experience, though credit unions consistently lead the pack for performance on this driver. Challenger banks come in a surprising second in all categories, perhaps reflecting the sector's growing maturity.

## Figure 3: Overall scores for the four customer experience dimensions show strengths and weaknesses of banking sectors

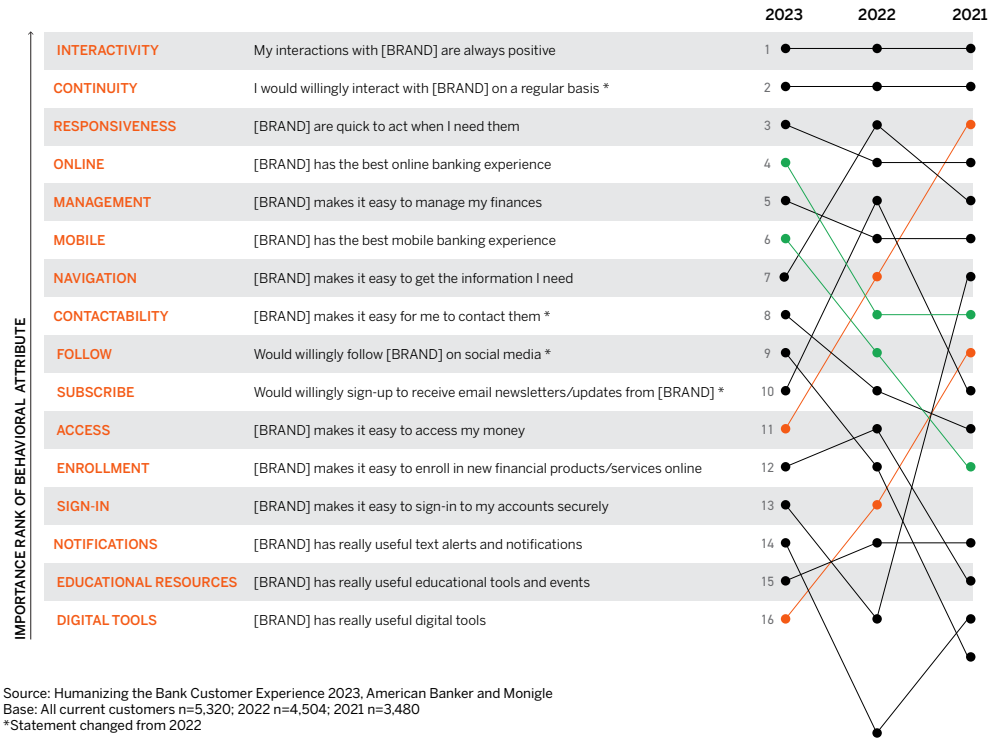



Source: Humanizing the Bank Customer Experience 2023, American Banker and Monigle
Base: All current customers n=5,320; Retail n=3,953; Credit Union n=207; Challenger n=768; Online Only n=392

### Behavioral: Digital interactions matter more

Compared with the previous two years of data, the biggest change for behavioral attributes in 2023 is that digital banking has become even more critical to the customer experience. When customers were asked to rate their bank's ability to deliver on key behavioral attributes, "best online banking experience" and "best mobile banking experience" increased in importance compared with the previous two waves of research (see Figure 4). Meanwhile, the statement "[Brand] makes it easy to access my money" has steadily declined in importance year over year relative to other behavioral aspects of the customer experience. For banks, the growing importance of online and mobile banking underscores the importance of continuing to evolve and advance these capabilities to drive customer satisfaction and loyalty.

## Figure 4: Online and mobile attributes have become more important to FI performance across the past two years

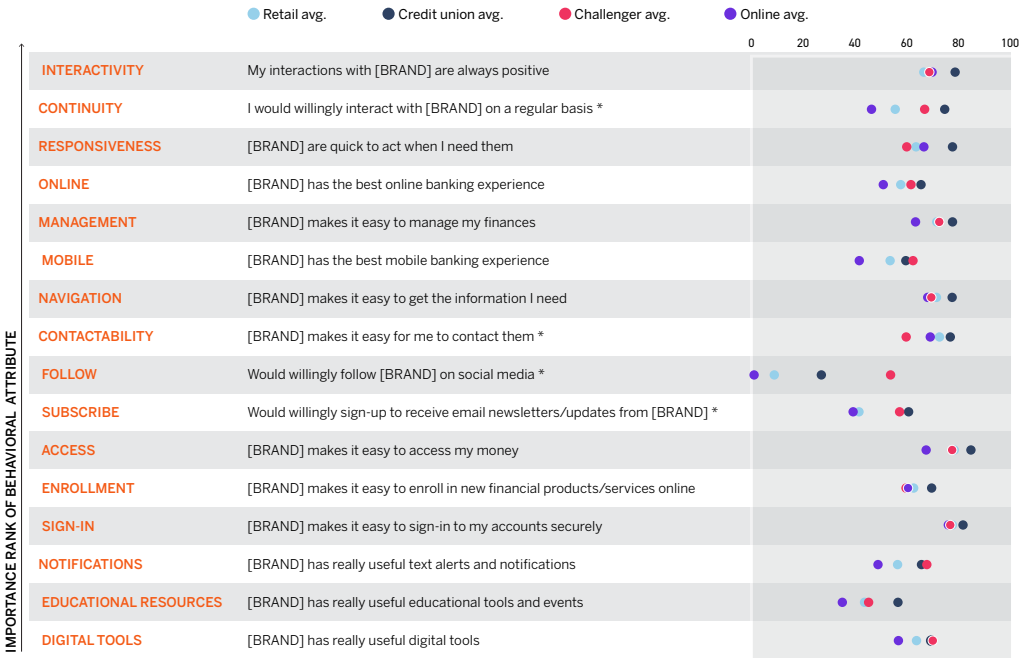



Source: Humanizing the Bank Customer Experience 2023, American Banker and Monigle
Base: All current customers n=5,320; 2022 n=4,504; 2021 n=3,480
*Statement changed from 2022

Although banks may not have websites and apps that are as navigable or attractive as retail brands (see section, "How Banking Compares to Other Industries"), many customers are generally satisfied with these capabilities. Note, however, that these results do vary when broken down by age group, suggesting that younger generations are more likely to see their financial institutions as delivering on online and mobile banking experiences, while other generations don't see them delivering these as consistently.

Beyond mobile and online banking, financial institutions perform best at interactions relating to ease of use (see Figure 5). These include making it easy for customers to manage their finances, get information, initiate contact, access their money and sign into their accounts securely. However, customers are least enthused by the idea of following their institution on social media. But that finding suggests that banks and credit unions don't need to devote many resources to improving their social media presence.

## Figure 5: Credit unions generally outperform other FI types on behavioral driver attributes



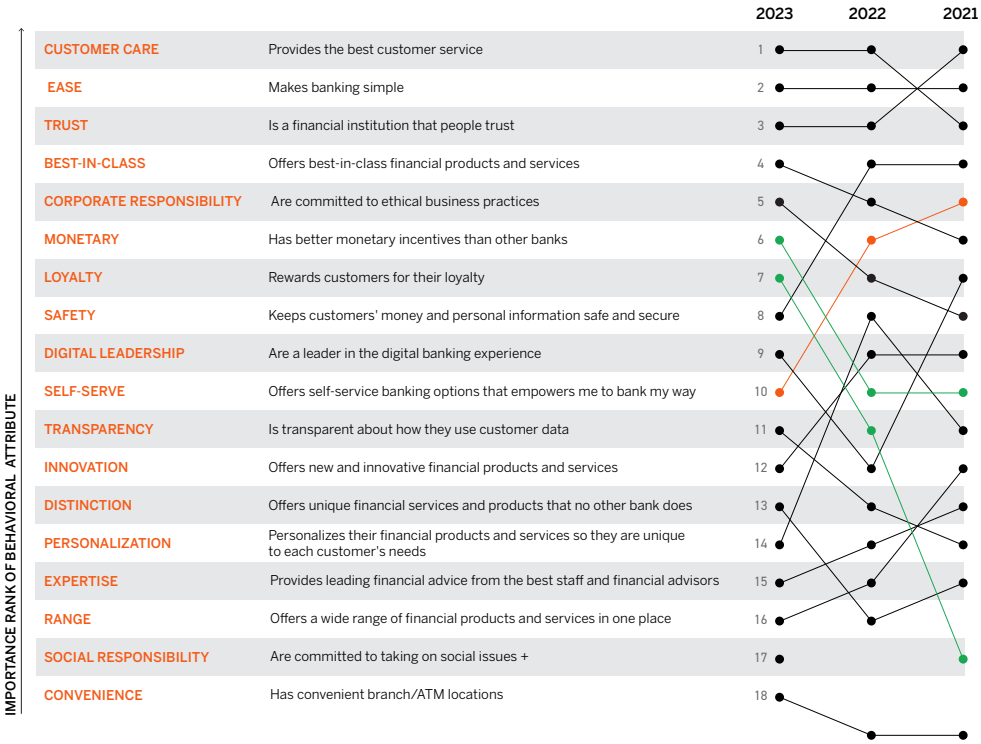

Source: Humanizing the Bank Customer Experience 2023, American Banker and Monigle
Base: All current customers n=5,320; Retail n=3,953; Credit Union n=207; Challenger n=768; Online Only n=392
*Statement changed from 2022

Credit unions largely outperform the other types of financial institutions in the survey on the behavioral aspects of the customer experience. Challenger banks outshine the others in a few areas, particularly a slick mobile banking experience — which makes sense, considering these entities were born out of mobile — as well as an engaging social media presence, useful notifications and practical digital tools. Surprisingly, online banks trail in most categories, suggesting that customers are not enamored with those brands' digital tools, interactions and financial management capabilities.

## Intellectual: Rewards for loyalty matter

Customers want something back from the financial institutions they are loyal to. The most notable change in 2023 within the intellectual driver is the rising importance of monetary incentives and rewards. The assertions "Has better monetary incentives than other banks" and "Rewards customers for their loyalty" each increased in importance year over year compared to other intellectual considerations for customers (see Figure 6). (Customers were asked to rate banks' performance on 18 statements within the intellectual driver.) One theory is that economic uncertainty, outsized mortgage rates and high inflation over the past year have made bank customers extra conscious of saving money and getting the most bang for their buck.

### Figure 6: Monetary incentives and rewards are more important this year than ever before



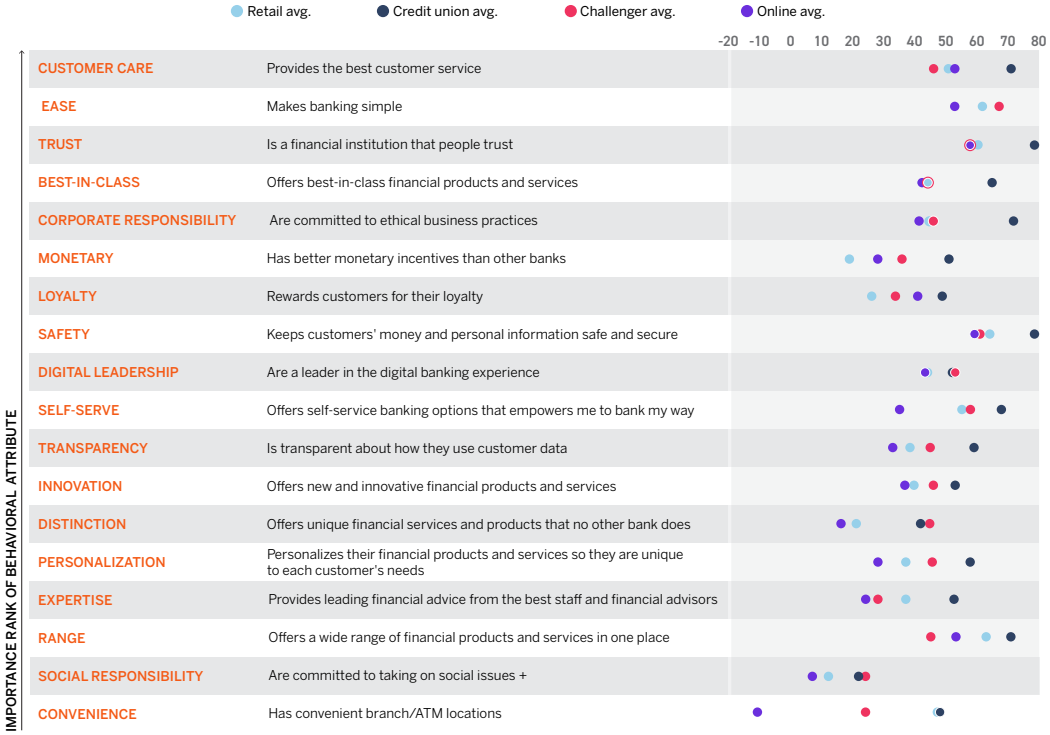

Source: Humanizing the Bank Customer Experience 2023, American Banker and Monigle
Base: All current customers n=5,320; 2022 n=4,504; 2021 n=3,480
+New attribute added in 2023

Notably, financial institutions are not meeting customer expectations for incentives and rewards. In fact, these are two areas of underperformance for all types of financial institutions indicating there is a real opportunity for banks of all flavors to improve these aspects of the customer experience to effect positive change (see Figure 7).

There are also differences in opinion between generations. Older customers, namely Gen X, baby boomers and the Silent Generation, rate their primary financial institutions' ability to deliver better monetary incentives than other banks quite poorly, suggesting that they don't feel their institutions' incentives are anything special. This is also the group that considers offers so key when selecting a secondary financial institution, again highlighting the potential gains for banks that can successfully adjust this part of their offering.

Intellectual attributes that financial institutions do perform well on across the board include making banking simple, generating trust, keeping both money and personal information secure and offering a range of products and services in one place. Customers are unimpressed by their financial institution's ability to offer unique products, but this area is comparatively less important for customers than other attributes in this driver.

## Figure 7: Overall, FIs, particularly retail banks, are weak on rewards and incentives




Source: Humanizing the Bank Customer Experience 2023, American Banker and Monigle
Base: All current customers n=5,320; Retail n=3,953; Credit Union n=207; Challenger n=768; Online Only n=392
+New attribute added in 2023

On the intellectual driver, credit unions tend to score best on most of these points, although challenger banks have a slight edge in demonstrating leadership in digital banking, committing to social issues and offering unique financial products. The creativity in the challenger bank market backs up these findings. Aspiration is one of the first challenger banks to advocate for climate action. Stash, a banking and investment app, has patented its Stock-Back debit card, which earns rewards in the form of stock of companies from which the customer is making purchases. Current, among others, lets customers buy and sell cryptocurrency.

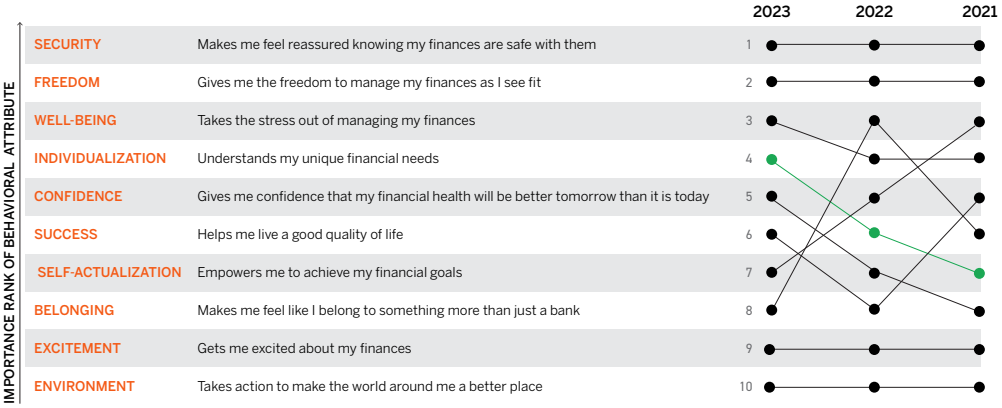
Retail banks win by a long shot for having convenient branches and ATM locations but perform the worst when it comes to monetary incentives and rewards — a clear area for improvement. Online-only banks trail in most other categories.

## Emotional: Customers want to be understood

Bank customers aren't getting the boost of confidence or the feeling of understanding they want from their banks, even though these two emotional aspects of the customer experience are increasingly meaningful.

In rating 10 statements considered important to bank customers, respondents have ranked the statement "Understands my unique financial needs" fourth, two spots higher than in 2022 (see Figure 8). The statement "Gives me confidence that my financial health will be better tomorrow than it is today" ranks fifth, also moving up two spots over 2022. These findings could indicate that customers need and expect greater support from their banks to feel financially healthy in an uncertain economic environment. Ideally, financial institutions would go beyond budgeting tools and backward-looking insights. This could mean ratcheting up proactive alerts and suggestions, such as steps for how to reduce debt, or automated actions, such as setting up money transfers to a savings account to align with the customer's goals.

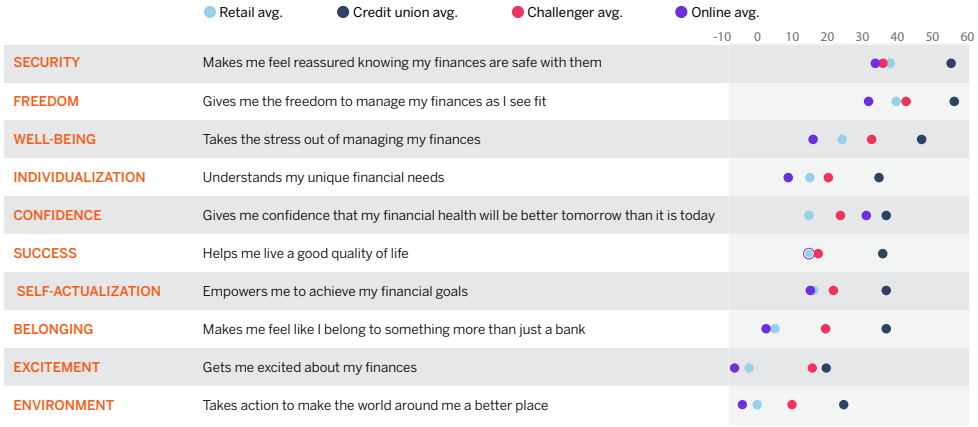
### Figure 8: Individualization and confidence have become more important across the past two years




Source: Humanizing the Bank Customer Experience 2023, American Banker and Monigle
Base: All current customers n=5,320; 2022 n=4,504; 2021 n=3,480

Yet customers have given financial institutions poor grades for how well they execute on these emotional aspects of the customer experience (see Figure 9). In fact, customers have scored banks' performance on all emotional attributes significantly lower than any statement in the behavioral and intellectual drivers. This result signifies that consumers do not think their bank is consistently delivering on any aspect of a financial institution's emotional savvy. The highest score from the national average is a middling 40 points for the statement "Gives me the freedom to manage my finances as I see fit." The most important aspect of emotional performance, the feeling of reassurance that finances are safe with the bank, scored 38 points. Credit unions have earned the most goodwill for all aspects of emotional performance.

## Figure 9: Credit unions soar above other FIs in the delivery of emotional attributes



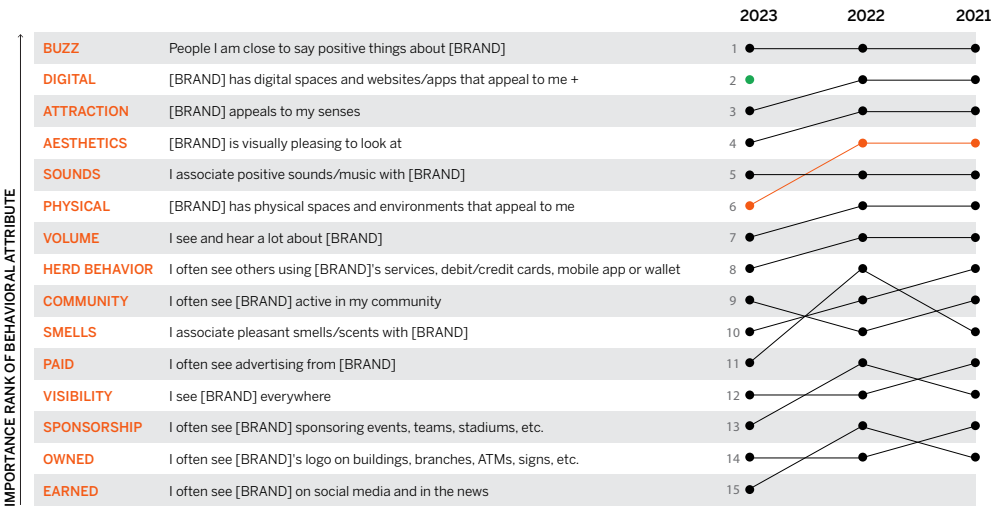

Source: Humanizing the Bank Customer Experience 2023, American Banker and Monigle
Base: All current customers n=5,320; Retail n=3,953; Credit Union n=207; Challenger n=768; Online Only n=392

Challenger banks are a close second in generating excitement about finances, perhaps because these apps tend to use accessible language and jazzy features, and emphasize their so-called claims to being more consumer friendly than big banks. Online-only banks trail in all aspects of emotional performance.

### Sensorial: Enticing digital spaces are the next big thing

Customer satisfaction with the sensorial driver — what people hear about financial institutions, the visuals they see, the ubiquity of the brand and more — is all over the map. American Banker posed a new attribute this year for consumers to rank: "[Brand] has digital spaces and websites/apps that appeal to me." This notion came in second in terms of importance, suggesting a ripe opportunity for banks to excel at sensorial experiences with beautiful visual designs and an intuitive user experience (see Figure 10). This finding also lines up with the significance of digital in the behavioral section of the survey. It's an area in which financial institutions are doing reasonably well, with customers scoring banks' performance the highest on this statement out of the 15 attributes in the sensorial category.

## Figure 10: The appeal of digital spaces is a key element in driving good customer experiences

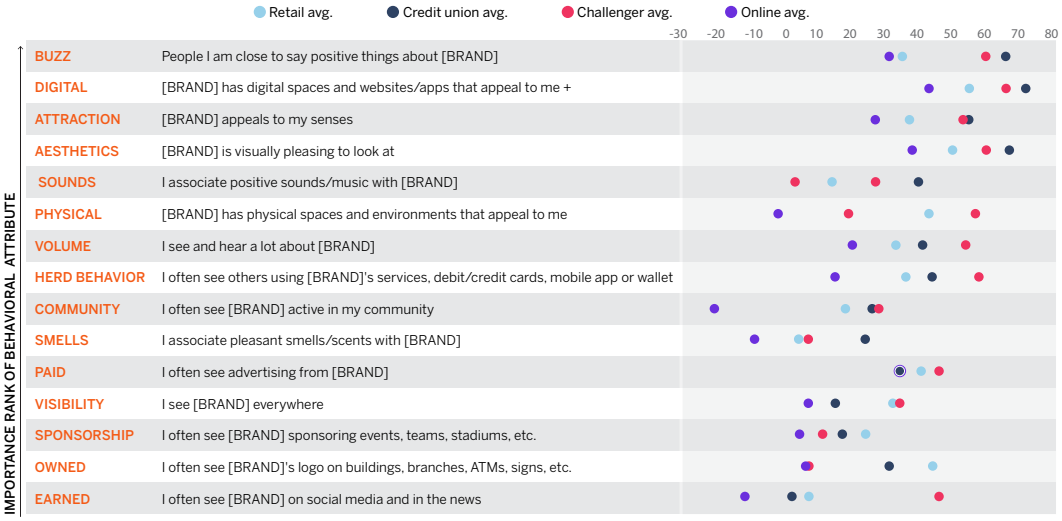



Source: Humanizing the Bank Customer Experience 2023, American Banker and Monigle
+New attribute added in 2023

Physical spaces have less impact now on customer happiness, perhaps because people have gravitated toward digital banking over the course of the pandemic. The statement "[Brand] has physical spaces and environments that appeal to me" dropped from fourth place to sixth between 2022 and 2023.

Credit unions typically perform best at sensorial factors, but challenger banks have decent scores regarding customers hearing about the brand, noticing others using their brand's services and seeing the brand on social media or the news (see Figure 11). Retail banks are the most ubiquitous when it comes to sponsorship and logo visibility on buildings, branches and more — but these factors are also comparatively less important to consumers.

## Figure 11: Challenger banks are breaking the FI mold




Source: Humanizing the Bank Customer Experience 2023, American Banker and Monigle
Base: All current customers n=5,320; Retail n=3,953; Credit Union n=207; Challenger n=768; Online Only n=39
+New attribute added in 2023

Sensorial is the driver in which older and younger generations have the starkest gaps. Gen Z and millennial customers are significantly sunnier on the sensorial aspects of their banking experience compared to Gen X, baby boomers and the Silent Generation.

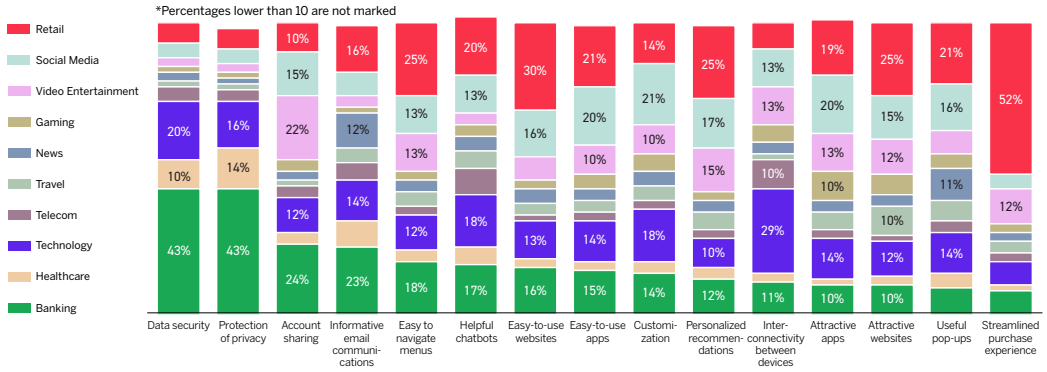
## How banking compares to other industries

By and large, customers are pleased with their financial institution's digital banking experiences. Yet banks have room for improvement when compared to other industries, including retail and social media. Those industries' outperformance in certain aspects of digital may shape customer expectations for banks.

For the first time in its Humanizing the Bank Customer Experience research, American Banker/ Monigle asked respondents how they perceive the digital experience in different industries and where strengths and weaknesses lie. Banks are the clear leader when it comes to data security and privacy protection (see Figure 12). They also score best with informative email communications and edge out video entertainment companies for account sharing. Banks are second to retail companies with easy-to-navigate menus.

### Figure 12: Banking is clear leader in data security and privacy protection

Question: Which of the following industries offers the best version of the digital experience below?




Source: Humanizing the Bank Customer Experience 2023, American Banker and Monigle
Base: All respondents n=5,500

Retail wins when it comes to most other aspects of the digital experience, including easy-to-use websites, easy-to-navigate menus, personalized recommendations and attractive websites. Social media brands are deemed to have the most attractive apps and best customization. Technology companies excel at interconnectivity between devices.

This all points to room for improvement for banks — especially considering that online and mobile banking experiences are so weighty in the behavioral driver, that feelings of security are key in the emotional driver and that having an appealing digital space is among the top aspects of the sensorial driver.

## Conclusions

- The elements that help someone choose a bank are different from those that compel people to stay with a bank. Thus, banks must invest in both to secure customer loyalty. In the area of customer incentives, these two stages align nicely: Promotional offers are key to attracting people to secondary financial institutions, while monetary incentives and rewards are a significant contributor to a positive intellectual experience. Investing in this area should reap benefits for both finding and keeping customers.

- Online-only banks make a poor showing across all four drivers of the customer experience, including aspects related to digital — an area in which these banks presumably have a fundamental advantage. These institutions have the most to do to improve their customer experience. Retail banks tie with online-only banks' poor scores or come out only slightly ahead in many aspects of the four drivers, suggesting they may want to emulate credit unions and challenger banks in the areas where they are lagging. Credit unions have historically enjoyed a favorable reputation for low fees, personal service, a member-centric model and strong community ties. This reputation is reflected in their consistently high scores. The most surprising success is from challenger banks, which often keep pace with credit unions and sometimes even lead the pack. Their strengths, including a first-class mobile experience and the ability to excite their users about finances, point to a redefinition of what it means to be a bank.

- The retail industry does several things well that bank customers prize most in 2023: Design easily navigable and visually appealing websites, deliver personalized recommendations and ensure apps are easy to use as well. Banks can also turn to social media and technology companies for inspiration.

- Financial institutions have the most work to do with emotional performance. The highest score awarded to any attribute is 40 points. Most attributes are rated on par with, or below, the lowest scores awarded in the behavioral and intellectual drivers. Sensorial scores also fall way short of the top scores awarded in the behavioral and intellectual drivers.

- Younger customers, that is Generation Z and millennials, are heavily influenced by recommendations when establishing any financial relationship. This makes the findings from the four drivers of customer experience particularly useful for banks targeting this age group, in hopes that satisfied users spread the word. Already, these demographic groups are almost always keener on banks' performance in the four drivers than Generation X, baby boomers and the Silent Generation.



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