

Using Technology to Engage Retail Banking Customers

Why banks must carefully manage their digital touchpoints to create a seamless customer experience

by Gallup Consulting

Sponsored by Adobe Systems Incorporated

GALLUP CONSULTING®



Using Technology to Engage Retail Banking Customers

Why banks must carefully manage their digital touchpoints to create a seamless customer experience

by Gallup Consulting

Sponsored by Adobe Systems Incorporated

March 2008

EXECUTIVE SUMMARY

To investigate the role interactive technology plays in creating engagement among retail banking customers, Gallup Consulting conducted a survey of more than 2,100 people in six countries. The survey found:

- Extremely satisfied Web site users are seven times more likely to be engaged with their bank when compared to less satisfied Web site users. Extremely satisfied mobile banking users are 15 times more likely to be engaged with their bank when compared to less satisfied mobile banking users.
- Customers tend to be more engaged with their bank when they use many of their bank's Web site features, use certain features that have an especially strong connection with engagement, and/or interact with their bank across many different touchpoints (both digital and non-digital).
- In most cases the overall level of engagement of customers who use their bank's Web site is not substantially different than the engagement of those who do not. However, customer satisfaction with a bank's Web site is strongly related to overall engagement with the bank.
- More than half of the retail banking customers in many countries visit their bank's Web site, and approximately 1 in 10 use a mobile device to conduct transactions with their bank.

Based on the results of this study, Gallup believes it is extremely important for retail banks to actively manage their digital touchpoints by creating highly engaging Web sites and mobile banking offerings that function as a seamless part of the overall customer experience. Banks that succeed in this effort will have an important advantage over those that fail.

The Gallup study is part a series of reports sponsored by Adobe Systems Incorporated investigating the importance of engaging customers as the new business mandate and the significance of technology in creating engagement. For more information, please visit: www.adobe.com/engagement.



INTRODUCTION

Financial institutions occupy a special place in the business landscape. Banks, in particular, represent one of the most common – and often most important – business relationships in a typical customer’s life. For most customers, banking relationships reach much deeper than the execution of routine financial transactions. A customer’s commitment to a financial institution can be driven more by feelings of trust and confidence than practical issues such as account fees or the convenience of branch locations. As a result, banks are constantly challenged to engage their customers on both an emotional and a rational level. Recent advances in technology provide banks with new tools that can help meet that challenge, but the way in which banks manage and leverage those tools will determine whether they succeed.

Never before have retail banks offered their customers so many different ways to interact. Fifty years ago, most banks provided only two interaction points: customers could either visit a branch in person or call their bank on the telephone. Not until the 1970s did retail banks begin the large-scale introduction of ATMs, which provided customers with a third way to access their banks’ services.

In the past 10 years, however, two entirely new touchpoints have emerged. Most retail banks now have a Web site that gives customers the ability to perform common tasks such as checking account balances, transferring funds, and paying bills over the Internet. And more recently banks have started offering mobile banking services, giving customers the ability to conduct transactions with their bank using a mobile device, usually a cell phone.

With the emergence of these new digital touchpoints, the relationship between retail banks and their customers is more complex and varied than ever. Like most market evolutions, this change presents both challenges and opportunities. Retail banks find themselves asking difficult questions about the best way to handle their entire range of customer interactions. How important are the new digital touchpoints? To what extent do these digital touchpoints enhance or detract from the overall engagement of the bank’s customers? How can the entire range of touchpoints be managed to best engage multi-channel customers?

THE APPROACH

To explore these questions, Gallup Consulting conducted a study of retail banking customers, with a particular emphasis on the impact of various customer touchpoints. The financial services industry, often an early adopter of new technologies, can be a bellwether for broader changes. Across many industries, the number of interaction options available to customers has expanded. While some aspects of retail banking relationships and interactions are unique, many of the lessons we can learn from them are relevant to other industries facing similar challenges and opportunities. This is especially true for retail companies, where the importance of e-commerce continues to grow. In financial services and other industries, customers increasingly expect to be able to interact with a company through whatever

channel is most convenient for them at the time, whether that channel is traditional or digital. Companies that fail to meet these expectations may be placing themselves at risk.

As a first step in investigating these issues, Gallup conducted a survey of more than 2,100 retail banking customers in six countries: the United States, Canada, the United Kingdom, France, Germany, and Japan. We randomly selected adult customers of large retail banks known to offer common online interaction features, including bill payment, customer support, financial calculators, statement delivery, fund transfers, account updates, and – in most cases – mobile banking. The interviews were conducted over the telephone in late 2007. *(For more details on the survey methodology, please refer to the Appendix.)*

The primary objective of our survey was to understand the relationship between digital touchpoints and a bank's ability to engage its customers. Gallup has found that to truly engage customers, companies must establish a meaningful bond that is grounded in both rational and emotional connectedness. This bond, whether in business-to-consumer or business-to-business relationships, encompasses both attitudinal loyalty and emotional attachment. A company's ability to establish that bond has a powerful and typically enduring impact on business performance. According to Gallup's cross-industry research, fully engaged customers deliver a 23% premium over other customers in share of wallet, profitability, revenue, and relationship growth. Actively disengaged customers, on the other hand, represent a 13% discount on the same measures. The bottom line is clear: companies that engage their customers outperform companies that do not.

To measure customer engagement quantitatively, Gallup uses a metric called CE¹¹. This metric, developed through an extensive research and development effort, includes three questions that assess attitudinal loyalty and eight questions that assess emotional attachment. Our retail banking survey used these 11 questions to assess each customer's overall engagement with his or her bank. The survey also gathered a profile of the ways in which customers interact with their bank, their satisfaction with those interactions, their demographic profile, and a variety of other measures about their relationship with their bank. Using the resulting data, we were able to quantify many of the connections between digital touchpoints and customer engagement.

Engagement Groups

The combination of attitudinal loyalty and emotional attachment yields four distinct levels of Customer Engagement. These levels have a direct relationship with a company's business performance.

- **Fully Engaged:** Loyal and strongly attached. These are your company's most valuable customers.
- **Engaged:** Less strongly connected, with somewhat lower attachment and loyalty.
- **Not Engaged:** Emotionally and attitudinally neutral. No emotional connection.
- **Actively Disengaged:** Active emotional detachment and even antagonism to your company.

Gallup's cross-industry research has shown that fully engaged customers deliver a 23% premium over other customers in share of wallet, profitability, revenue, and relationship growth.

Gallup's CE¹¹ Questions

1. Taking into account all the products and services you receive from them, how satisfied are you with <COMPANY> overall? Please use a five-point scale, where 5 means you are extremely satisfied and 1 means you are not at all satisfied.
2. How likely are you to continue to use <COMPANY> in the future? Please use a five-point scale, where 5 means you are extremely likely and 1 means you are not at all likely.
3. How likely are you to recommend <COMPANY> to a friend or associate? Please use a five-point scale, where 5 means you are extremely likely and 1 means you are not at all likely.

Now I am going to read a list of statements about <COMPANY>. Using a five-point scale, where 5 means you strongly agree and 1 means you strongly disagree, please indicate how much you agree or disagree with each statement as it applies to <COMPANY>.

4. <COMPANY> is a name I can always trust.
5. <COMPANY> always delivers on what they promise.
6. <COMPANY> always treats me fairly.
7. If a problem arises, I can always count on <COMPANY> to reach a fair and satisfactory resolution.
8. I feel proud to be a <COMPANY> customer.
9. <COMPANY> always treats me with respect.
10. <COMPANY> is the perfect company for people like me.
11. I can't imagine a world without <COMPANY>.

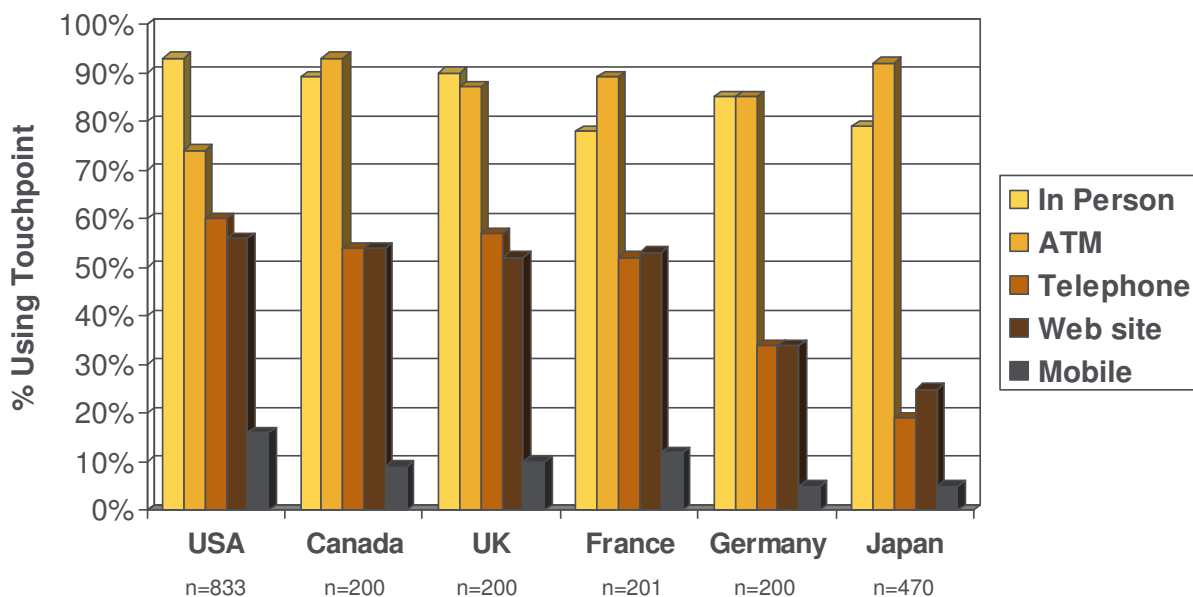
Copyright © 1994-2000 Gallup, Inc. All rights reserved.

DIGITAL TOUCHPOINTS

While in-person branch visits and the use of ATMs are still the most common ways for customers to interact with their banks, the growth in the popularity of digital touchpoints has been remarkable. Fifteen years ago, the Internet as we know it did not exist. Today, more than half of the retail banking customers in many countries visit their bank's Web site, and approximately 1 in 10 use a mobile device to conduct transactions with their bank. As the use of Web sites and mobile banking continues to grow, banks are also expanding the range of features customers are able to access through those touchpoints. Many banks now offer Rich Internet Applications such as online financial calculators, PDF-based statement delivery, and the ability to access and change account information instantly.

There is no sign that the adoption of digital touchpoints is slowing down. Forrester Research expects online banking adoption in the U.S. to increase by 55% over the next five years, bringing the total to roughly 72 million households. Forrester also predicts that the largest growth in online adoption will come from members of Generation Y (those born from 1980-1995), with 85% of that generation banking online by 2011. (Source: *US Online Banking: Five Year Forecast*, Forrester Research Report, 2007.) Consistent with these projections, our survey found that younger customers (age 18-44) are more likely than older customers to embrace digital touchpoints as a way to interact with their bank.

Use of Retail Banking Touchpoints (by Country)



Use of a bank's Web site is more common for customers in the U.S., Canada, UK, and France than it is in Germany and Japan.

The explosive growth of digital touchpoint adoption has been impressive, but has it improved customer engagement? Are customers who use their banks' Web sites more engaged than customers who do not? Our survey found that the issue is more complex than whether or not customers use digital touchpoints.

In most of the countries we surveyed, the overall engagement of Web site users is not substantially different than the engagement of non-users. Simply providing customers with a Web site or a mobile banking option is not enough to build an engaged customer relationship. But there is more to the story: creating a *high-quality experience* with those digital touchpoints is critical.

ENGAGEMENT AND ONLINE BANKING

If we do not account for the quality of a customer’s experience, the use of a bank’s Web site does not appear to influence engagement, either positively or negatively. A closer look at the nature of the customer’s experience, however, shows that the way in which a bank presents and manages its digital touchpoints can have a dramatic impact on engagement.

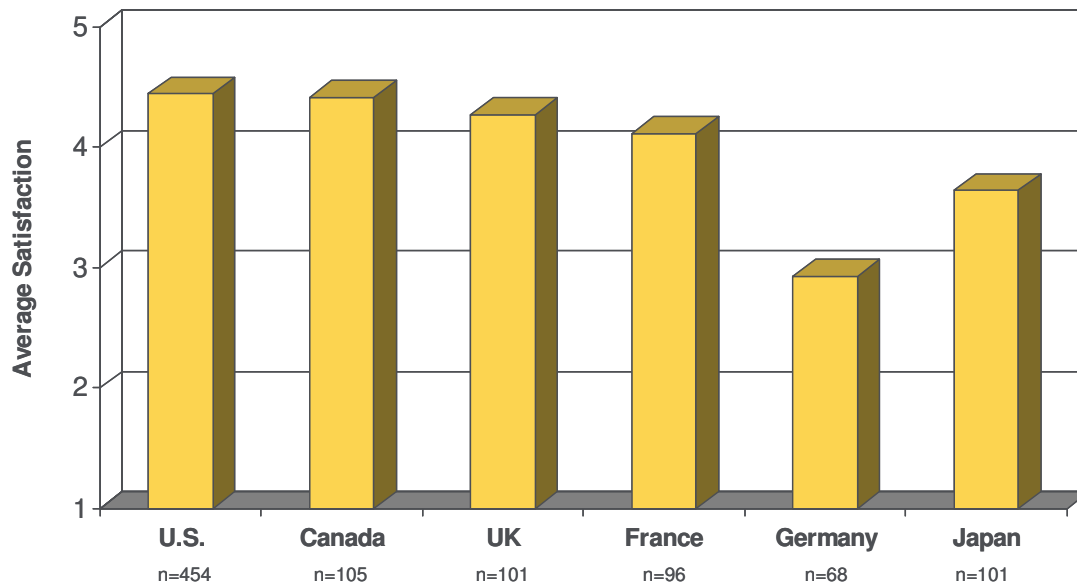
A simple comparison of customer engagement levels among Web site users and non-users does not account for the fact that some banks do an excellent job of providing engaging online experiences, while other banks offer Web sites that are difficult to use and lack important features. This is a critical distinction. According to the results of our survey, a customer’s satisfaction with a bank’s Web site is strongly connected to his or her overall engagement with the bank. Customers who use their bank’s Web site *and* are extremely satisfied with the features they use tend to be strongly engaged with their bank. More specifically, extremely satisfied Web site users are seven times more likely to be engaged with their bank when compared to less satisfied Web site users. And extremely satisfied Web site users are five times more likely to be engaged with their bank when compared to customers who do not use their bank’s Web site.

Customer Engagement by Banking Web Site Use and Satisfaction

		% Engaged or Fully Engaged	
Web Site	Web site users who are extremely satisfied with the features they use	71%	n = 285
	Web site users who are <i>not</i> extremely satisfied with the features they use	27%	n = 627
	Customers who do not use the Web site	32%	n = 1,117

Satisfaction with a bank’s Web site varied significantly across the countries covered by our survey. Customers who used their bank’s Web site were asked to rate their satisfaction with each feature they used, on a 1 to 5 scale where 1 = Not at all satisfied and 5 = Extremely satisfied. Average Web site satisfaction was found to be relatively high in the U.S. (4.4) and Canada (4.4), and relatively low in Japan (3.6) and Germany (2.9).

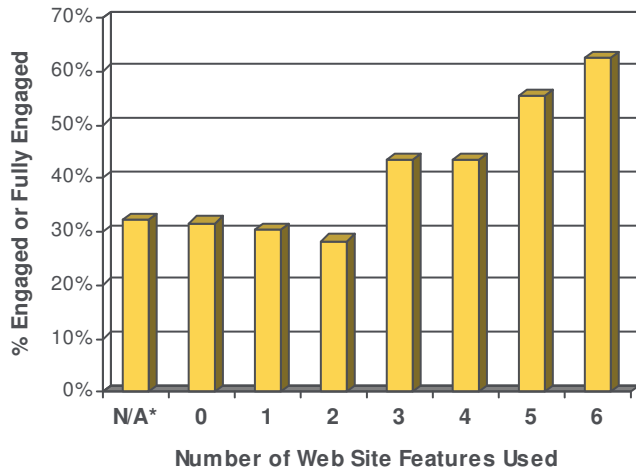
Banking Web Site Satisfaction by Country



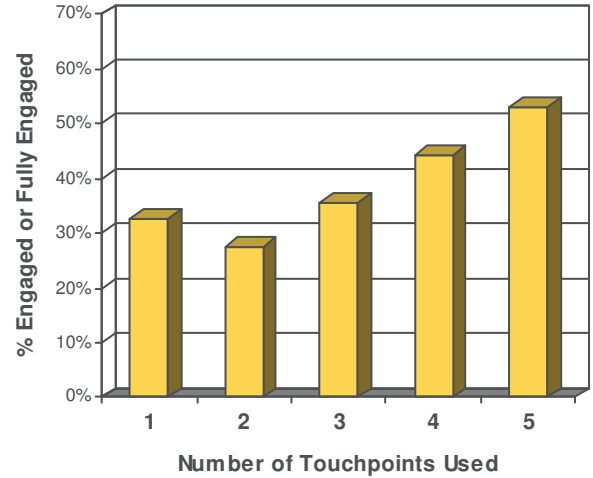
Our survey revealed that several factors – above and beyond satisfaction – can indicate whether a retail bank is successfully using digital touchpoints to create engagement. These include:

- **Use of many Web site features.** Our survey assessed six common Web site features: bill payment, customer support, financial calculators, statement delivery, fund transfers, and the ability to edit account information. In general, customers who use three or more of those features tend to be more engaged than those who use fewer features or do not use the Web site at all.
- **Use of highly engaging Web site features.** Some of the specific Web site features included in our study were shown to have a stronger connection with engagement than others. Web site users with the very highest level of engagement were those who use online customer support and are extremely satisfied with that feature. Similarly, online financial calculators have a stronger connection to engagement than other Web site features.
- **Interactions across many touchpoints.** The growing importance of digital touchpoints should not overshadow the continued importance of in-person retail banking interactions. Customer engagement is connected to both online *and* off-line experiences. In general, customers whose touchpoint usage profile includes in-person interaction tend to be more engaged than customers who never stop by a branch. Our research also found that customers tend to be more engaged when they interact with their bank through a variety of touchpoints. Customers who use three or more touchpoints, for example, are almost twice as likely to be engaged as customers who use fewer than three.

Engagement by # of Web Site Features Used



Engagement by Total # of Touchpoints Used



* Customers who did not use the Web site at all

ENGAGEMENT AND MOBILE BANKING

Customers who use a mobile device to conduct transactions with their bank and are extremely satisfied with that experience show a particularly high degree of engagement. Our survey found that extremely satisfied mobile banking users are 15 times more likely to be engaged with their bank when compared to less satisfied mobile banking users. And extremely satisfied mobile banking users are 10 times more likely to be engaged with their bank when compared to customers who do not use a mobile device to interact with their bank.

Customer Engagement by Mobile Banking Use and Satisfaction

		% Engaged or Fully Engaged	
Mobile Banking	Mobile banking users who are extremely satisfied with that offering	84%	n = 81
	Mobile banking users who are <i>not</i> extremely satisfied with that offering	26%	n = 150
	Customers who do not use mobile banking	34%	n = 1,866

CONCLUSION

Over the past 10 years, digital touchpoints have become extremely important components of the overall banking experience, and they promise to grow even more important in the future. However, simply providing a Web site or a mobile banking offering is not enough to build customer engagement. To fully engage customers, retail banks must actively manage their digital touchpoints by creating highly engaging Web sites and mobile banking offerings that function as a seamless part of a positive overall customer experience. This becomes even more critical in an environment where a customer's definition of what constitutes an engaging online experience is constantly influenced by exposure to feature-rich Web sites such as YouTube, eBay and MySpace.

Customers today expect to be able to interact with their retail bank in whatever way they find most convenient, whether that is an in-person visit to a branch or ATM, a phone call, or through a digital touchpoint. Most customers eventually interact with their bank through two or more of these interaction points, choosing the one that best meets their specific need at the time. A failure at any one touchpoint can dramatically drop a customer's overall engagement, even if that customer has experienced several positive interactions through other touchpoints. Inconsistent performances across touchpoints will jeopardize the overall customer relationship. To establish a meaningful bond with today's multi-channel, digitally connected customers, banks must ensure that each of their customer interactions offers a highly engaging experience in a way that is consistent with every other touchpoint. In short, it is not the touchpoint itself that matters. Rather, it is the quality of the experience at each touchpoint that creates truly engaged customers.

APPENDIX – SURVEY METHODOLOGY

Gallup conducted a quantitative survey designed to explore the role interactive/digital technologies play in creating engagement with retail banking customers. The survey was fielded over the telephone between November 1 and December 19, 2007. We gathered opinions from 2,178 total respondents, with 859 in the United States, 200 in Canada, 201 in the United Kingdom, 202 in France, 217 in Germany, and 499 in Japan. Small financial incentives (valued at approximately \$6 U.S. dollars) were offered in Japan. Native language speakers were used in each country. Gallup was identified as the organization conducting the survey, but Adobe's involvement was not revealed to survey participants.

In every country, sample was drawn from nationally representative Random Digital Dial (RDD) telephone lists. The survey consisted of approximately 50 questions. To qualify for the survey, a potential respondent was required to be an adult (at least 18 years old) with a personal checking or savings account at a bank known to offer common online interaction features (bill payment, customer support, financial calculators, statement delivery, fund transfers, and account editing). The approved banks for each country were:

- **United States.** Bank of America (B of A), Chase, Citibank, Fifth Third, First National, HSBC, KeyBank, National City, PNC Bank, Regions, SunTrust, US Bank, Wachovia, Washington Mutual (WaMu), and Wells Fargo.
- **Canada.** Bank of Montreal (BMO), Bank of Nova Scotia (Scotiabank), Canadian Imperial Bank of Commerce (CIBC), Desjardins, HSBC, National Bank of Canada, Royal Bank of Canada (RBC), and Toronto Dominion Bank (TD Canada Trust).
- **United Kingdom.** Abbey, Alliance & Leicester, Bank of Scotland, Barclays, Clydesdale Bank, Halifax, HSBC, Lloyds TSB, Nationwide, Royal Bank of Scotland (RBS), and Yorkshire Bank.
- **France.** Banque Postale, BNP Paribas, Caisse Nationale des Groupes d'Epargne (CNCE), Crédit Agricole, Credit Mutuel-CIC, Groupe Banque Populaire, HSBC France, Société Générale, and Union Européenne de CIC.
- **Germany.** Citibank Deutschland, Commerzbank, Deutsche Bank, Deutsche Postbank, Deutsche Sparkassen, Dresdner Bank, DZ Bank, HypoVereinsbank (HVB), and Sparda-Banken.
- **Japan.** Bank of Tokyo-Mitsubishi UFJ, Bank of Yokohama, Chiba Bank, Jyo Bank, Mizuho Bank, Resona Bank, Shinsei Bank, Shizuoka Bank, and Sumitomo Mitsui Banking Corporation.

For questions asked of all respondents in all countries, the margin of error (at a 95% confidence level, assuming a 50/50 proportion) is +/-3%. For questions asked of all respondents in a specific country, the margins of error are +/-4% for the United States, +/-7% for Canada, the United Kingdom, France, and Germany, and +/-5% for Japan.

Gallup® and CE11® are trademarks of Gallup, Inc.