

The Future of Banking

Citizens Bank Banking Experience Survey

July 29, 2020

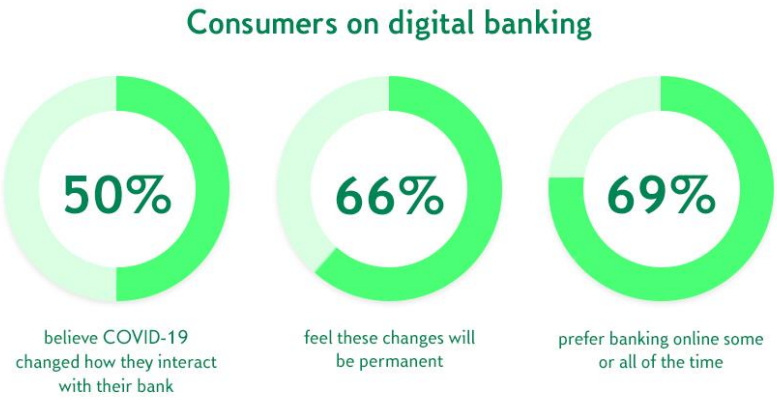
Introduction

All industries are closely following how the COVID-19 pandemic will affect consumer and business behavior and preference in the short, medium and long-term. Over the last few decades, advances in technology have rapidly changed the way that consumers and businesses interact, driving sweeping digital adoption and disruption. In the era of big data, retinal scans, AI and sophisticated technology, the banking sector has seen a significant shift in how its customers bank since the launch of online banking in the late 20th century. Will the pandemic rapidly accelerate the adoption of digital banking tools? How will smart banks meet the need for sophisticated financial advice while also ensuring that their customers have immediate access to what they need when they want it? To explore these themes, Citizens Financial Group, with the help of Mintel/Comperemedia, surveyed 1,091 consumers and 252 business leaders between early June and late July 2020. The survey delved into a range of topics about how customers currently interact with their financial institutions and how they hope to interact with them in the future.

Impact of COVID-19

A key finding is that the COVID-19 pandemic and widespread stay-at-home orders across the United States have led to an acceleration in mobile and online banking adoption. Many consumers and businesses began interacting with their financial institutions in new ways by increasing their use of online and mobile banking during the pandemic. Moreover, the survey found that this new interaction model is likely to become permanent for many customers.

Fifty percent of consumers and more than three-fourths (76%) of businesses said the COVID-19 pandemic changed the way they interact with their financial institution. Of these respondents, 66% of consumers and 73% of businesses feel that these changes will be permanent.



"The COVID-19 pandemic has accelerated and solidified a transition in how customers behave and interact with brands that was already well underway, posing significant questions around how companies can best serve customers going forward," said Beth Johnson, Chief Experience Officer at Citizens Bank. "Despite the shift to digital banking, it's clear that personal interaction remains important to customers so financial institutions must find ways to serve them seamlessly in their channel of choice."

The survey also found that while the pandemic is leading to a rapid acceleration of the adoption of digital banking tools, human expertise either in-person or virtual is essential when it comes to getting financial advice and for more complex transactions.

The Banking Tech Revolution Won't Replace the Need for Human Expertise

While consumers and businesses alike largely agree that technology is poised to reshape the way they bank, it is not expected – or even desired – to outright replace the need for human expertise in client/bank relationships.

While 69% of consumers already prefer banking online some or all of the time and 64% agree that technology will completely change banking as they know it, a similar number (65%) agree that they prefer human expertise when receiving financial advice.

Customers with investable assets of more than $2 million are significantly more likely than others to strongly agree that they need to be able to speak to an in-person representative in order to trust a business/organization.

Similarly, 71% of business leaders perform at least some banking activities online and 85% agree that technology will completely change banking as they know it. Still, 74% see at least some need for in-person banking.

The preference for in-person banking is especially seen amongst smaller companies (those with revenues under $25 million). Business leaders who do all of their banking in person cited safety/security, accuracy/accountability and personal service as the top reasons why they preferred to do so.

The Future of Consumer Banking

Due to the rise of online and mobile banking, it is expected that bank branch traffic will continue to decline across the entire industry. Is technology going to lead customers to prefer to do all of their banking online? And how will banks deliver the level of sophisticated advice that customers need as they go through all of the important moments on their financial journey? Will it be in-person or virtual? The answer lies somewhere in the middle.

As such, successful banks will need to have a digital-first mindset that provides end-to-end digitization in customer journeys – while not neglecting the need of customers and clients to be able to engage with a human advisor for more complex transactions and sophisticated problems/concerns.

The survey shows that the majority of respondents already prefer banking online some or all of the time. However, slightly less than half (47%) agree that banking in the future will be done entirely online. While consumers have said that they prefer human expertise when receiving financial advice, 85% of those who prefer online banking agree that the ability to serve all their needs online has a positive impact on their impression of a bank or credit union.

While consumers overall agree that technology will completely change banking as we know it, smart banks are aggressively thinking about how best to ensure that the customer experience is seamless and consistent across all channels whether virtual or in person.

“As consumers get more comfortable digitally, the role of all channels are changing,” said Brendan Coughlin, head of Consumer Banking at Citizens Bank. “Branches are here to stay, but they’ll continue to take on new important roles as advice centers that serve customers in significant moments and help them achieve life’s goals.”

Data-Driven Personalization And Advice Are Key For Consumers, But They Want Control

As smart banks consider how they can best drive value-adds to their customer base, they should think about separating how they provide advice into two distinct categories: "insights" and "deeper advice."

- **Insights** include activities such as letting a consumer know when their spending is inefficient or helping to identify ways to save money more effectively. The survey showed that nearly half (42%) of consumers expect automated tools to support their financial wellness based on the insights that their bank has about them. Additionally, 52% of consumers are comfortable with using a chatbot or virtual assistant to perform banking activities. This suggests that for some routine transactions, it is likely that consumers are comfortable with never interacting with a human.

- **Deeper advice** is for the larger moments in one's life such as buying a home or planning for retirement. It is clear that human expertise is essential in the minds of the consumers surveyed. For example, 43% responded they will likely reach out to their financial institution for advice on purchasing a home and 38% of those planning for early retirement will likely reach out to their financial institution in the next 12 months.

As people largely have become more comfortable using video conferencing in their daily lives, it is becoming easier for customers to develop a personal relationship with a banker remotely. However, not every consumer will want to interact with their financial institutions through virtual/video channels. As such, it isn't a question of whether the future will be fully digital or in-person, but rather that banks need to meet consumers where and when they want in their channel of choice.

The findings back this up and show a disconnect between digital banking expectations and the need for human engagement. While 46% of consumers agree that banking will be done entirely online, and 63% said they're comfortable performing all banking online, 66% also prefer to have an in-person interaction when performing certain banking activities such as taking out a mortgage or having financial planning conversations.

The survey showed that 60% of consumers surveyed are comfortable sharing personal information with their bank so it can provide personalized solutions and better experiences. However, 41% are uncomfortable with their bank using data that they previously shared with third-party sources. And 49% believe that banks will use AI and big data to anticipate financial needs.

The Future of Commercial Banking

Business leaders still prefer to speak with their banker in person, especially when getting advice or executing complex transactions. However, the pandemic has forced a shift with 63% of business leaders now interacting virtually with their



bank, with only 44% who said they did so in the pre-COVID-19 environment.

The pandemic has driven conversations away from the golf course or ballgame venues and towards the phone or video conference platforms. Still, relationships matter for corporate clients with 74% of respondents seeing at least some need for in-person banking services and 73% preferring to have in-person interactions with experts when receiving financial advice.

That's not to say that business leaders don't recognize the potential of new technology to reshape banking – just as it is reshaping their own industries. Eighty-five percent agree that technology will completely change banking as they know it in the future. Seventy-one percent of business leaders reported doing at least some of their banking online now and they want the best solutions available: 82% expect their bank to leverage the latest technological tools to help their business compete; 85% are looking for more self-service technology options from their banks; and 66% said they need better mobile banking tools.

Of course, the quality of banking services is key and business leaders look to their banker for strategic and financial advice. Eighty-four percent of business leaders say it is important to work with a banker who can serve as a trusted advisor and 85% expressed a desire to work with a bank that can provide more than just loans.

When asked to name the capabilities that they found important in evaluating a banking partner, the most important factor – cited by 90% of respondents as being either somewhat or very important – was the ability of a bank to support their business throughout its lifecycle with the capabilities that it needs at key points in time. This outweighed all other variables, including "the ability to provide the lowest-cost financing." Business leaders want a bank that will serve as a strategic partner and, especially in times like these, will engage in the difficult conversations that they sometimes need to have to help their business get to the other side of a crisis.

Businesses are Looking for Long-term Banking Partners

Businesses leaders know – and perhaps even expect – that their information will be shared by banks and third parties, and generally don't mind if this is done to tailor customized solutions, advice and a better banking experience. Nearly three-quarters (73%) of respondents said their bank should be recommending specific products/solutions based on the information they have about their business.

The majority of business leaders (64%) mix in-person and online/mobile banking services with just 7% relying only on online/mobile banking. Twenty-nine percent conduct their banking entirely in person and 77% need to be able to speak to an in-person representative in order to fully trust a business or organization.

Survey respondents who do all of their banking in person were asked to name the top reasons why they preferred to do so. They cited safety/security, accuracy/accountability and personal service as the core reasons behind their preference for in-person banking. Banks looking to build out online/mobile/virtual services would do well to focus on these factors to ensure customer buy-in.

While having a physical presence in the community via brick and mortar locations was noted as having a positive impact by 79% of business respondents, a greater number (89%) stated that the ability to serve all of their banking needs via online and mobile platforms had a positive impact. Business leaders want to have all possible banking channels available even if only a small percentage rely solely on online/mobile banking now. Seventy-nine percent of business leaders expressed confidence that banking online will be more secure in the future, which underscores a concern some may still have with current technology.

When asked what solutions they expect their bank to provide in the future, the three most popular choices from business leaders were:

- virtual assistants to help manage company finances (60%),
- secure mobile-optimized treasury management platforms (54%),
- and secure online treasury management platforms (52%).

While most business leaders are open to using virtual assistants, security and mobility are priorities. They want a bank that provides the best platform for everyday transactional business and they also want their bank to leverage the latest technology that could provide insights to give their business a competitive edge.

"Commercial bankers are using video conferencing tools to stay connected with clients during what for many of them is one of the most challenging periods of their business lifecycle," said Don McCree, Vice Chairman and Head of Citizens Commercial Banking. "Many Commercial clients had to shift to doing their transactional banking remotely due to the pandemic, so it is important to make sure they have a secure cash management platform that allows them to do everything they need. Our business is really based on relationships, though, and serving as a trusted advisor to our clients. We are all looking forward to being able to spend time with our clients in person again."

Individual and -- even more so business -- customers of banks have changed how they interact with their financial institutions due to the pandemic and most of those customers say they will continue to use more virtual, digital banking options going forward.

While individuals are more likely to do most of their banking using online or mobile tools, both individuals and businesses still want to meet with their banker in person for advice and milestone transactions.

Individual and business customers expect their bank to provide the latest technological tools so they can get the most out of their money and they want a bank that fits seamlessly into their life with the right mix of digital and human interaction.

Methodology

The Banking Experience survey was conducted by Mintel/Comperemedia (www.mintel.com) among 1,091 consumers and 252 business leaders, between June 2 and June 17, 2020 for the consumer survey and June 2 and June 15, 2020 for the business survey, using an email invitation and an online survey.

Results of any sample are subject to sampling variation. The magnitude of the variation is measurable and is affected by the number of interviews and the level of the percentages expressing the results. For the interviews conducted in the consumer survey, the chances are 95 in 100 that a survey result does not vary, plus or minus, by more than 3.1 percentage points from the result that would be obtained if interviews had been conducted with all persons in the universe represented by the sample. For the business leader survey, the chances are 95 in 100 that a survey result does not vary, plus or minus, by more than 6.2 percentage points from the result that would be obtained if interviews had been conducted with all persons in the universe represented by the sample.

Disclosure: *Citizens Bank and Citizens Commercial Banking are brand names of Citizens Bank, N.A. Member FDIC.*