A Forrester Consulting
Thought Leadership Paper
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# How To Become Your Customers' Favorite Bank (Even If You Can't Be Their Only One)

FORRESTER®

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# Executive Summary

Most people don't enjoy managing their finances. They see banking as a necessary, but time-consuming, part of their lives. On top of that, finding the right banking solutions can be confusing and difficult in a saturated banking environment in which similar products and services are being offered from various banking providers. This puts banks and other traditional financial providers in a tough spot as they seek to engage customers, improve customers' experiences, and win a greater share of their attention, trust, and money.

In September 2018, Equifax commissioned Forrester Consulting to evaluate the fragmenting value chain in the banking industry and to guide banks on how they can remain competitive amid growing competition and quickly changing consumer expectations. Forrester and Equifax hypothesized that banks can stave off disruption and achieve sustained growth by taking a more insights-driven approach to winning and engaging specific customer segments. Forrester conducted two surveys: 1) one for 250 banking decision makers at US-based financial services companies (e.g., banks, credit unions, etc.), and 2) one for 3,020 credit-active consumers across various demographics in the US. When comparing the survey responses, we found a mix of good news and bad news for bank executives: Banking providers are generally meeting consumers' needs, but too few are creating new value for customers or providing incentives to deepen the relationship. Banks have an opportunity to differentiate their brands by engaging both customers and prospects with personalization, relevance, and simplicity.

**KEY FINDINGS**

› Consumers have an array of banking relationships because they prioritize utility and getting the best deals.

› Gaps exist between banking providers' *perceived* understanding of customers' wants and needs compared to customers' actual needs.

› Banking providers can satisfy customers and increase engagement more effectively by making interactions more relevant. This is enabled through more effective utilization and analysis of customer data to extract customer insights.

# Consumers Seek Brands That Make Banking Easy For Them

Managing finances takes effort and consumers have long relied on financial service providers to make it easier to manage their money. Our survey found that 55% of consumers have relationships (i.e., products or services) with two or more financial service providers (inclusive of their primary bank). With each of those different relationships, consumers are utilizing an average of 1.8 products or services per banking provider. While this feels normal to consumers, for banking providers, this fragmentation of the customer value chain is a substantial adjustment from the traditional ways of doing business.

Seeing this shifting banking landscape led us to ask two questions of both banking providers and consumers: 1) “What drives a customer to have a multiproduct relationship with a financial services company?” and 2) “What drives a customer to use multiple banking providers for their banking and financial needs?” — we found that:

› **Consumers seek utility first and foremost as they look to manage their financial lives.** Strong financial relationships may develop over time, but those connections are built on top of countless everyday interactions where the customer is simply trying to achieve a specific, often utilitarian, task. According to consumers, the single-most important criteria on their minds when deciding on a new financial product or service is getting the best offer, rate, or deal (see Figure 1). Having a greater availability of options in order to get the best deals or offers was also cited as a primary reason for why consumers choose to engage with multiple banking providers. As well, 48% of consumers said simplifying their finances was a primary reason for using more services from a single brand. These two key motivations, the best deals and simplicity, show that consumers are primarily focused on the functional (i.e., utilitarian) aspects of their banking relationships. If a banking provider can’t provide the utility consumers need, chances are they’ll go to another provider that can. This isn’t to say that other factors, such as the banking provider’s reputation, existing relationships, customer service, aren’t important, they just come second to consumers’ desires for simple products and services with the best possible perks.

› **Customers don’t want “one bank to rule them all.”** When it comes to their banking needs, customers are not eager to consolidate their finances with one brand: Nearly 40% of consumers say they feel more secure in not having all their money in one place, and the result is an expanded number of banking relationships. However, when consumers were asked how they’d prefer to manage their money, 42% also said they’d still like to have one primary relationship with a single firm (while also using other banks). Consumers prefer the flexibility to leverage accessory products (such as budgeting apps, debt consolidation, loan refinancing, etc.) from wherever they can get the best offer or rates. As such, bank leaders should focus less on trying to be a customer’s *only* bank, and instead learn to create value in their effort to become a customer’s *favorite* bank.

The single-most important criteria on consumers’ minds when deciding on new financial products or services is getting the best offer, rate, or deal.

› **Bank execs are worried about the changing landscape — and they have reason to.** When asked how concerned banking providers were about customers using multiple service providers, nine out of 10 banks indicated some level of concern, with 40% indicating strong levels of concern (see Figure 2). Knowing that consumers don't want all of their eggs in one basket, banking providers must embrace this new reality and engage customers in more deliberate ways to achieve the sustained growth they desire. This adjustment will be one key component for how banking providers can prove their value and relevance to customers by delivering better customer experiences in order to ultimately expand financial relationships.

**Figure 1**

**"What is most important to you when deciding on a new financial product/service?"** (Top 5 responses shown)

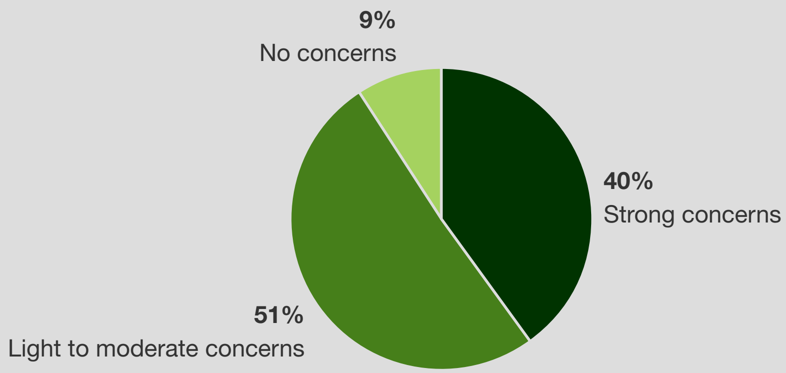

**Consumers' top 3 priorities for using multiple products from a single banking provider:**

- Simple to manage finances with one provider
- Trusted bank/customer relationship
- Easy to set up/add new options

Base: 2,586 US-based consumers who use more than one product from the same banking provider
Source: A commissioned study conducted by Forrester Consulting on behalf of Equifax, September 2018

**Figure 2**

**Banking providers are concerned about fragmented customer relationships**




Base: 251 US-based financial institutions
Source: A commissioned study conducted by Forrester Consulting on behalf of Equifax, September 2018

# Banks Need To Understand Consumers' Perceptions Of Them In Order To Drive Engagement

As banking executives face these new realities, their priorities must shift toward considering how they can win a greater share of consumer attention. Today, from a customer experience perspective, banks seem to be doing a good job of serving customers, as over 75% of consumers generally agree that banks do a good job of helping them with common tasks such as moving money between accounts, offering easy-to-use websites, and helping them complete banking tasks as quickly and easily as possible. This is both good and bad news for banking providers as customers seem content, but that satisfaction doesn't equate to loyalty, thus creating a business challenge.

At the core of the issue is the fact that many consumers see banking services as something akin to a technological commodity, in that consumers expect for all banking services to be universally offered, with 41% of consumers saying that all banks pretty much offer the same products and services. Despite this consumer perception, only 29% of banking providers see this perception as an issue, as 84% of banking providers believe their company is good at differentiating itself and its banking services apart from competitors. Whether the banks or consumers are right, the data reinforces the importance of banks differentiating themselves to compete in a highly saturated market.

**Banking as a commodity:** 41% of consumers feel that all banks are pretty much the same when it comes to the products and services they offer.

These differences highlight a clear disconnect between the way in which banking providers view themselves versus how consumers actually see them. By comparing survey responses from both consumers and banking providers, we discovered that banks are struggling to connect with consumers because their assumptions about consumer motivations are quite different from what consumers say they want. Here are a few examples:

› **Banks think multiproduct customers trust them by the products they provide, but it's more about convenience.** Seventy-one percent of surveyed banking providers said that consumers choose to use multiple products/services from them because of the trusted relationship they have together — a sentiment shared by only 37% of consumers. The bottom line is that consumers want simplicity and convenience, both of which are available by expanding their relationship with a single banking provider, rather than having to be onboarded as a new customer somewhere else.

› **Banks seem intent on ramping up communications, but customers want relevant messaging — not more.** Roughly three-fourths of consumers feel that the current level of communication from their primary banking provider is just right: that includes information about accounts, customer services, new product offers, educational content, etc. However, 45% of banks are planning to ramp up communication in those areas (see Figure 3).

- **Banks think customers need more help managing their money, but most customers don't think their finances are that complicated.** Banking providers recognize consumers' dependence on them and are continually making efforts to better serve them — 80% of banking providers believe that consumers need professional help with managing their money, and only 39% believe that consumers are knowledgeable about banking. But there's a big problem: 66% of surveyed consumers don't feel their finances are complicated or that they need further help.[1] As a result, banking providers believe that consumers will further engage with their institutions if they are able to build deeper relationships and demonstrate to customers a deeper level of understanding around individuals' financial needs and goals, but it's something that only 20% of consumers feel is important.

**Figure 3**

**Banking providers are not fully attuned to customers' communications preferences**


Base: 251 US-based financial institutions
Base: 2,586 US-based consumers who use more than one product from the same banking provider
Source: A commissioned study conducted by Forrester Consulting on behalf of Equifax, September 2018

# Growing Banks Will Differentiate With Relevance, Not Products

As banking providers become more aware of what consumers really want and expect from them, they must evolve the way they operate to make their brand more relevant in customers' lives. They need to be providing the right message to the right person at the right moment.[2] Over 50% of banking providers consider themselves to be ahead of the competition in relevance of messaging and personalization of products and services, but consumers are not seeing it. In fact, 47% of consumers don't feel their primary banking provider knows enough about them to only sell or promote products or services relevant to them, and 57% don't believe banking providers can create personalized experiences based on the consumer data provided to them. These challenges stem from the following:

- **Consumers' banking decisions are logically motivated, not emotionally.** Fifty-nine percent of banking providers said making customers feel understood as individuals, rather than as part of a mass audience, was a key way in which they were building customer loyalty. For consumers however, it's not as much about the emotional connection of being understood, as it is about having banking providers be more relevant in their communications and offers. For example, a consumer is more likely to be interested in an investment account, say, after taking a new job — or they might be interested in a travel reward program that is based on their purchase history or stated interest in travel.

  When asked what would motivate them to open more accounts with their primary bank, customers responded by saying that customer-exclusive offers and competitive-offer matching were at the top of their lists. Consumers want banking providers to recognize them as customers and reward them for it. Conversely, when asked how banking providers were promoting loyalty, the top actions were: making customers feel understood as individuals, making it easy for customers to bank with them, and showing customers that the bank understands their unique and personal financial needs — all of which were rated low by consumers as motivating factors. In the following chart we asked our two different survey groups, of consumers and bank stakeholders, two different questions – this was meant to solicit a response that had to do with one groups' perceptions of what drives loyalty for the other. The percentages of those responses were then cross-referenced for the purpose of understanding the gaps that exist between the expectations of both consumers and banks (see Figure 4).

Over 50% of banking providers consider themselves to be ahead of the competition in relevance of messaging and product/service personalization, but consumers do not agree.

**Figure 4**

**Banks and Consumers Have Different Opinions On What Drives Loyalty**

*"What are banks doing to promote customer loyalty? What would motivate consumers to enroll in more services with their primary bank?"*


Base: 251 US-based financial institutions
Base: 2,586 US-based consumers who use more than one product from the same banking provider
Source: A commissioned study conducted by Forrester Consulting on behalf of Equifax, September 2018

**Consumers' top 3 actions:**

- Exclusive savings/promotions for customers only
- Improving competitive offer/ matching offers from other banks
- Promise of greater security/privacy

**Banks' top 3 actions:**

- Making customers feel understood as individuals
- Making it easier for customers to bank with us (e.g., mobile banking)
- Improving quality of experiences at physical locations

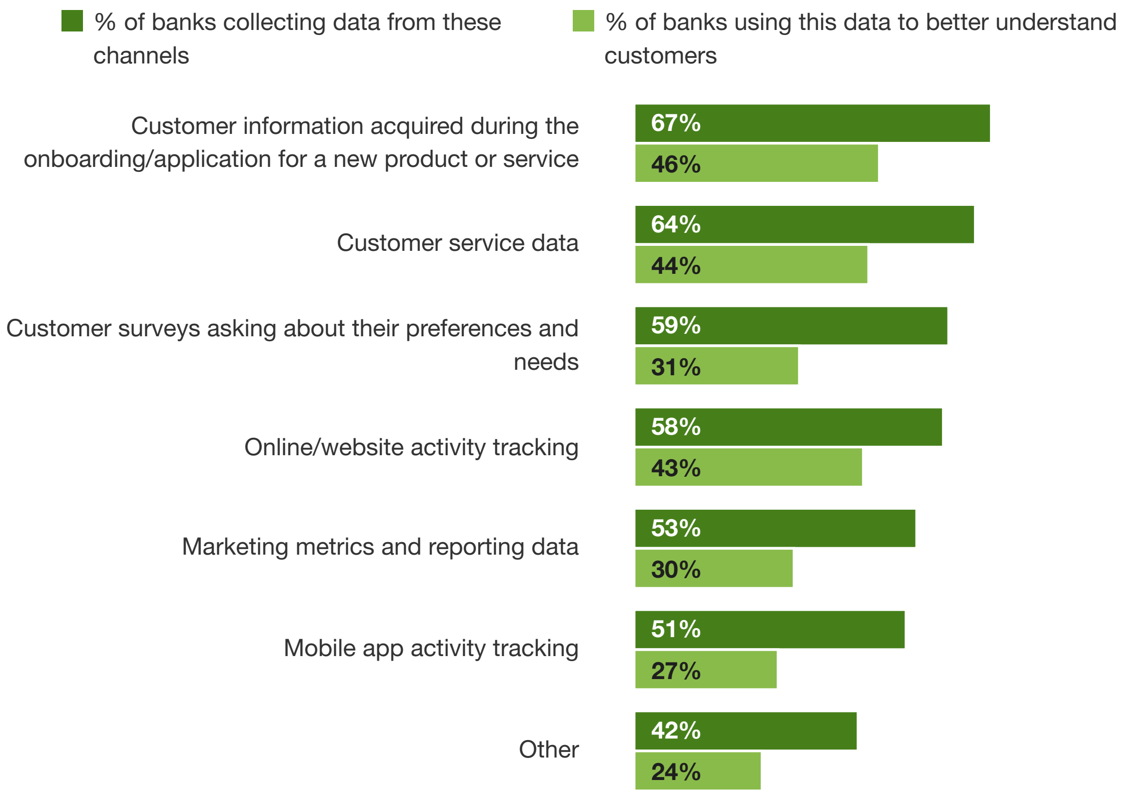
› **Most marketing efforts remain broad and nonsegmented.** Only 25% of surveyed banking providers said they have a deep enough understanding of consumers to profile and target specific segments. Instead, the majority of surveyed companies (62%) take a more mass marketing approach, with some semi-targeted audiences.

› **Customer data is underutilized.** Roughly one-third (and for certain data types, up to half) of companies are not collecting customer data from common engagement channels, such as general transaction history, customer service data, or online banking activity. This represents a huge missed opportunity for many companies to collect data from an already captive audience. To make the situation worse, less than 50% of banking providers are actually using this data to better understand customers and create more relevant experiences (see Figure 5). Collecting the data is of little value if companies are not leveraging it to drive improvements to marketing and targeting efforts.

Going forward, banks must improve the ways they collect (and utilize) data in order to design and build better customer experiences that are relevant and rewarding. Financial services consumers don't just want warm feelings of being understood and appreciated, they want to be tangibly rewarded for continuing to be a customer.

**Figure 5**

**Banks are underutilizing data to design and build better experiences**




## Only 25% of surveyed banking providers said they have a deep enough understanding of consumers to very specifically profile and target certain segments.

Base: 251 US-based financial institutions
Source: A commissioned study conducted by Forrester Consulting on behalf of Equifax, September 2018

# Key Recommendations

The next steps for banking providers to improve their market relevance is clear: they must find a way to differentiate themselves in a crowded market in order to win greater mind- and wallet-share from consumers. In order to establish their relevance in consumers' and customers' minds, banking providers must do the following:

**Decide where you want to fit into customers' lives.** Banks have spent decades playing a leading role in how consumers think about their money, acting as a kind of one-stop shop for people's financial needs. However, fragmentation of the financial services value chain is not reversing (at least not anytime soon), so bank executives need to lead their organizations through the difficult process of identifying where their brands will fit into people's lives. This will not be a one-and-done decision, but rather the process of exploring a bank's relationship model (and where its brand fits into the market) should start immediately.

**Double down on data-driven services and capabilities.** These days, data is essential to the success of any firm in any industry. But in banking, the value of data-driven strategies and tactics is even more pronounced. What's more is that customers' financial data needs to be treated as some of the most important and valuable data in existence — and consumers still trust in their favorite banks to help control and manage that information, more so than they do other firms. For some traditional banks, their data strategy will essentially be their business strategy, as they use APIs, AI systems, and other emerging technologies to turn themselves from decent holders of data to best-in-class utilizers of data to improve customers' lives and business outcomes.

**Move beyond segmentations to true personalization.** Banks have used segmentation models for decades, but leading firms outside of financial services are evolving from broad-based segmentation strategies to context-driven personalization. This will be impossible without taking the following steps to integrate systems: 1) ensure data isn't sitting in siloes and 2) connect all parts of the bank's organization to have access to the personalization engine or system.

**Don't bank on emotional attachment.** Demonstrate relevance by focusing on utility and convenience. Over the long haul, banking relationships can become more emotionally-driven: A customer will come to trust that their banking provider will keep their money and data safe, and that the brand will act in their best interests. However, this takes time — the emotional connection is built on thousands of specific interactions where the customer is simply trying to achieve a specific goal, like paying a bill or disputing a transaction. In everyday interactions with customers, bank executives and their teams must recognize that banking has a utilitarian quality, and that their most important near-term job is helping customers conveniently complete specific tasks.

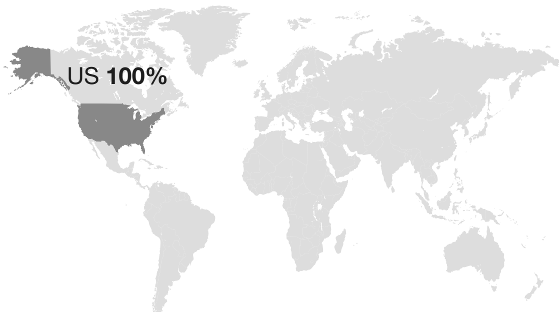
**Show customers the value of money management tools by removing barriers.** Customers aren't convinced that they need the so-called "advanced" money management tools, so it falls to bank executives and their teams to use customer journey mapping, design thinking, and iterative processes to remove the barriers and friction that currently prevents or inhibits a customer's ability to achieve their objectives when interacting with a bank. Organizations will need to obsess over task-flow efficiency and UX design to demonstrate to customers the value of better money management capabilities.

# Appendix A: Methodology

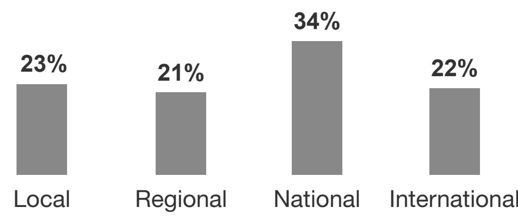
In this study, Forrester interviewed 3,020 US-based consumers and 251 US-based financial services institutions. Respondents from the financial services companies had to be responsible for the company's spending decisions. Consumers had to be in good credit standing and at least 18 years of age. Questions provided to consumers asked about their banking habits and attitudes toward their current product and provider mix; questions posed to companies asked about their offerings and how they met customer needs. All respondents surveyed were from the United States. The study was completed in September 2018.

# Appendix B: Demographics

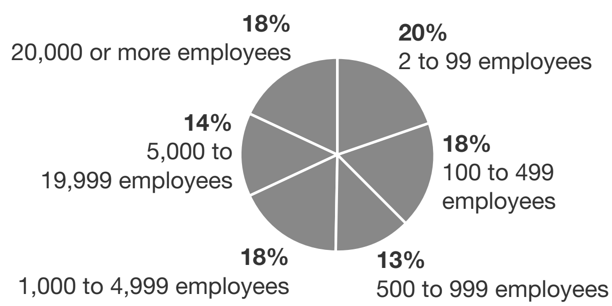
## BANKING-PROVIDER DEMOGRAPHICS



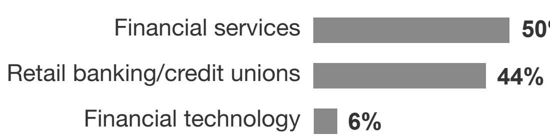

### GEOGRAPHY



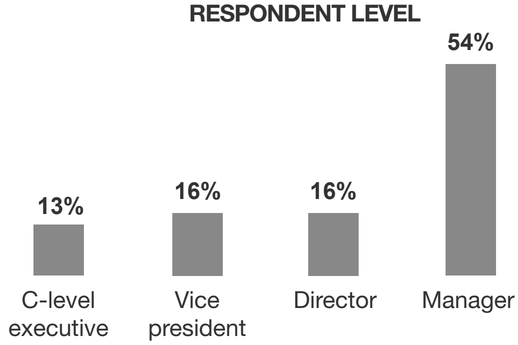

### COMPANY SIZE



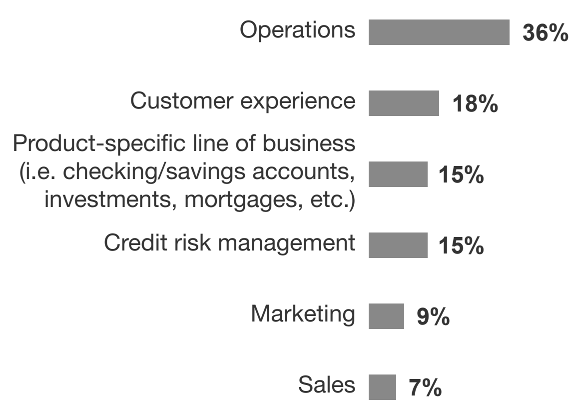

### INDUSTRY



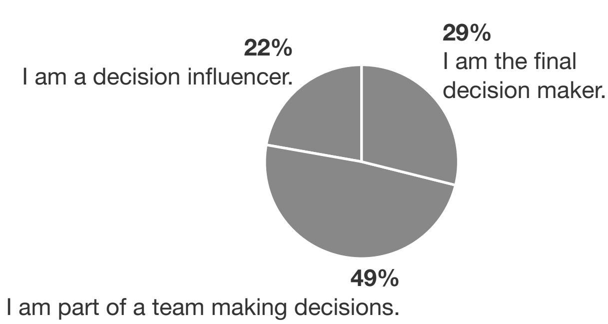

### RESPONDENT LEVEL




### POSITION/DEPARTMENT



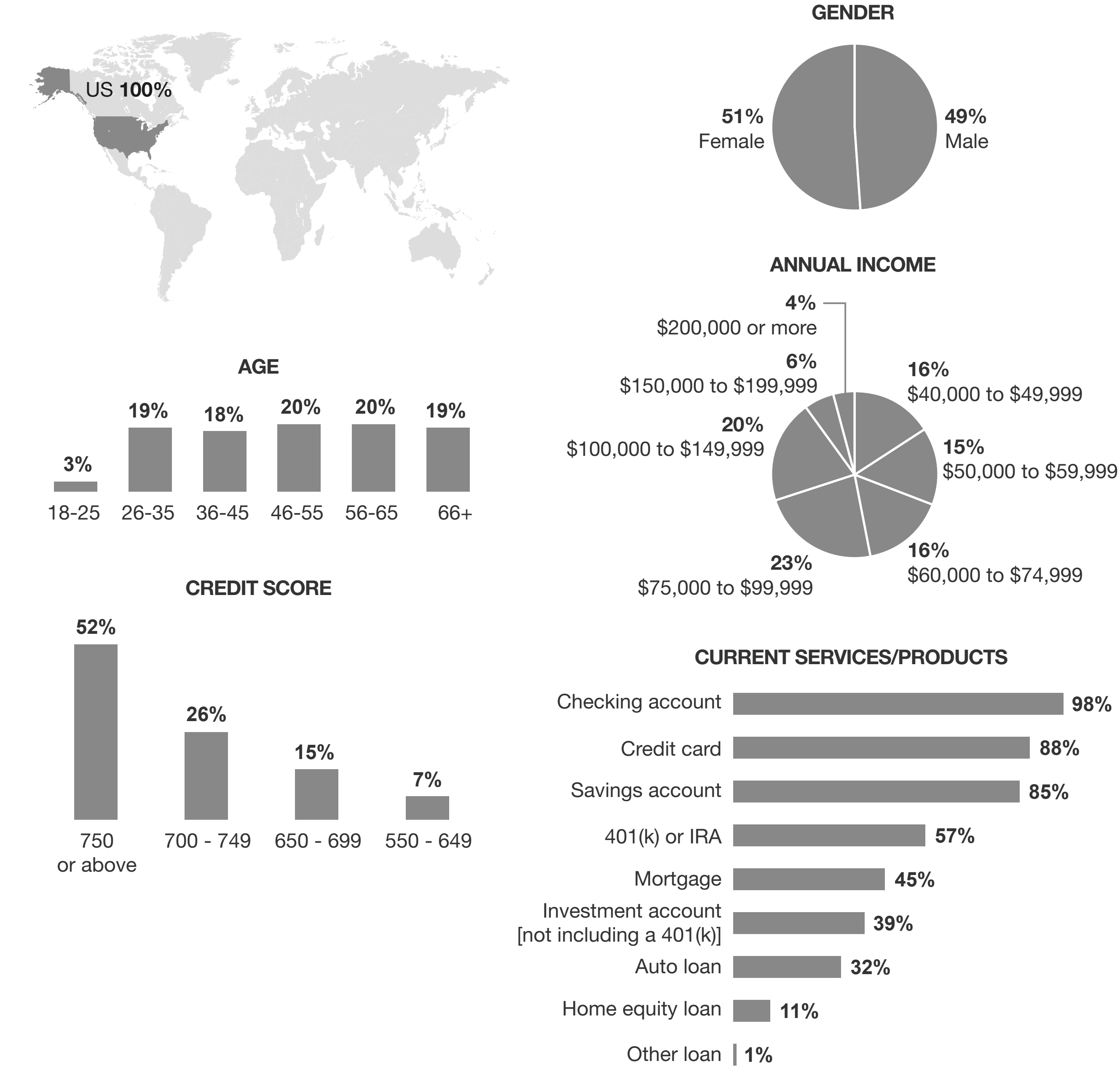

### RESPONSIBILITY




Base: 251 US-based financial institution

Source: A commissioned study conducted by Forrester Consulting on behalf of Equifax, September 2018

## CONSUMER DEMOGRAPHICS




Base: 3,020 US-based consumers

Source: A commissioned study conducted by Forrester Consulting on behalf of Equifax, September 2018

# Appendix C: Endnotes

[1] While consumers may not fully realize how complicated their finances are — or how banks could help — it is crucial for bank executives to recognize the perception on the part of their customers: Complexity of finances is not a major concern for a large share of bank customers.

[2] Source: "Content Intelligence: Algorithms Assign Meaning And Value To Content," Forrester Research, Inc., March 23, 2017.