BANKING BRIEF

The Customer Experience Tipping Point

An Ipsos + Medallia study: U.S., UK, Germany, and France

Win Through Customer Experience

Customer Experience (CX) is a key battle-ground for companies in today's economy, but it is one on which many companies struggle to compete.

Today's customers have more choices, and more power over the brands they interact with, than ever before. Meanwhile, customer expectations have risen—especially among younger consumers—as technological innovations and a relentless focus on the customer have allowed leading brands to deliver superb experiences. As a result, it is no longer enough to simply provide a high-quality product or a competitive price. Instead, in "The Age Of The Customer," brands are built —or broken—on customer experience.

If these trends are any indication, the successful brands of the future will be those that stay ahead of the curve and look for ways to continually improve their customer experience.

To help companies better understand what they need to do, Medallia partnered with Ipsos to conduct a survey of 8,002 consumers in four countries across six industry sectors: online retail, offline retail, consumer banking, insurance, hotels, and mobile network providers.

Customers are banking on great CX—and mostly getting it

Across the countries we surveyed—the U.S., UK, France, and Germany—consumers have particularly high expectations of their banks, and the banking industry is mostly meeting them. With 76% of customers reporting that their expectations are being met, it may not seem like the pressure is on. However, only 9% of respondents say their expectations are being exceeded, suggesting that there's plenty of room for improvement, especially in terms of strategic differentiation efforts.

Here are some compelling insights we've gleaned about customers' attitudes toward the banking industry:

- Younger customers (those under 35 years of age) are about twice as likely as older customers to report that their expectations are being exceeded (15% vs. 7%).
- While 19% of U.S. banking customers say their expectations are being exceeded by their interactions with the sector, only 3% of French consumers say the same. France also has the highest share of consumers who say their expectations aren't being met, at 18%.
- Among customers who say their banking expectations have increased in the last two years, 35% claim it's because they have "always had great experiences with the sector." This places banking's reputation squarely in the middle between online retail, where 47% of respondents whose expectations have increased say they've always had positive experiences, and mobile network providers, where only 26% of respondents say the same.

- Yet customers are far more demanding of their banks than they are of retailers. The majority of customers expect an immediate response to complaints (71%), securely held personal data (76%), and consistent service across channels (64%). This shouldn't come as a surprise; while retailers may be the most beloved, banks are held the most accountable. After all, banks are responsible for safeguarding and handling customers' money, so stakes are high.

French banks aren't meeting customer expectations.

Respondents who claim their expectations are being met or exceeded

19% of American Customers Have Their Expectations Exceeded

3% of French Customers Have Their Expectations Exceeded

18% of French Customers Have Their Expectations Met

CX matters when it comes to banking

As we've seen, banks tend to meet customer expectations when it comes to regular transactions. But when issues arise, customers are largely dissatisfied with how their bank resolves them—similar to every other industry we surveyed. Financial issues tend to be more sensitive and urgent than issues in other sectors, but we are not seeing banks address them as might be expected.

In fact, the banking industry is falling short when it comes to handling customer issues. But how much does CX really matter? Quite a bit, according to our survey. It turns out that both positive and negative experiences incite some customers to act in ways that significantly affect the business.

Consumers will take actions that help their banks when they have a positive experience. Most notably, they:

- Tell friends & family (40%)
- Start to use the bank more (18%)
  a. Younger customers are more likely to do so, with those under 35 at a rate of 29% (versus 13% for people over 35)
  b. Men are more likely to start to use the bank more, at a rate of 22% vs. 15% for women
  c. Americans are twice as likely to say they use the bank more (30%)

Just as customers are eager to share with others when they have a good experience, bad experiences lead to negative word of mouth and can hurt your bottom line:

- After a negative experience with their bank, eight out of ten customers take some form of action. 35% tell friends, family or colleagues, 30% complain in person, and 16% start to use the company less. U.S. and French customers are more likely to reduce their patronage of the bank (21%) compared to their UK and German counterparts (11%).
- One in seven switch to a competitor. French customers are more likely (20%) to do so than their UK (13%), U.S. (9%) and German (6%) counterparts.

Positive and negative customer experiences don't just begin and end with an individual customer. They get shared with others, solidifying the bank's reputation in the eyes of potential customers—who can be swayed towards or away from the business depending on what they hear. No experience happens in a vacuum, and the bank's brand is always at stake.

Consumers will switch to a competitor, if expectations are not being met:

20%	13 %	9%	6%

Meeting, not exceeding customer expectations

While banks have a long way to go when it comes to effectively handling customer issues, the banking industry is largely meeting customer expectations overall—though there's definitely room for improvement:

- For the most part, bank customers feel that their experiences with the sector have remained about the same over the last year (72%), and slightly more say their experiences have improved (15%) than say they have gotten worse (11%) over this period.
- Customer expectations aren't changing dramatically, but 16% of respondents say they are higher than they were two years ago. Americans are the most likely to say their expectations are higher, at 27%—compared to 15% for France.
- Customers under 34 years of age are substantially more likely to say they hold higher expectations these days (24%) than respondents over 35 years of age (13%). As younger customers are the future drivers of the market, it's critical to listen to their desires.

Three key strategies to meet and exceed banking customer expectations

1. Get the right balance between the human and digital customer experience

Banks should prioritize providing a consistent level of service across both human and digital channels. Customers are not ready for an exclusively digital banking experience. In fact, the majority of customers expect the option to chat face-to-face with an agent or representative (62%), and for their complaints to receive an immediate response. More than half (55%) of customers demand a frictionless flow of information between channels. Digital and online banking services are vital to add convenience and provide basic levels of support, while human interaction is important for more complex inquiries. Customers will always need a banking service, but when one of the biggest sources of competition is digital-only banks, the branch should be considered an opportunity for differentiation.

2. Provide personalized experiences and reward loyalty

Perhaps contrary to common perception, banking customers today claim to be somewhat more loyal than they were two years ago. This presents a huge opportunity for banks to earn the long-term loyalty of their customers. When asked what would be more likely to earn their loyalty, a third (32%) mention a loyalty program that allows them to accumulate points for freebies or rewards. Banks could be wise to learn from best practices established by the retail industry, a sector that has achieved a superior reputation for great customer experience. The most innovative loyalty programs allow users to accumulate and redeem rewards on all possible channels. But such efforts can only succeed if the company already has a strong track record of listening to their customers and innovating their products, services and processes based on their feedback.

3. Take immediate action when customer issues arise

Despite banks' best efforts, sometimes problems do arise in the customer journey. While customers know that mistakes can happen, they also expect companies to fix the problem and to treat them with respect in the process. Concerningly, about half (49%) of consumers that had a significant problem or issue in the last year say they made more effort than the company to resolve the problem; while only about 35% say they and the bank made about the same amount of effort, and about 17% say the bank put in more effort.

Customers are also disappointed with how their banks treat them when they experience difficulties. An alarmingly small minority (27%) report that the problem is resolved at all. Here are the notable responses to the question, "Which apply to how the company dealt with your issue?"

- 26% report being treated with respect, with German and American consumers reporting higher levels of respect than their French and British counterparts
- 25% received a detailed explanation of why it happened and what they were planning to do

- 18% received an apology, though Americans and British consumers were three times more likely to say they got an apology (30%) than French and German ones (10%)
- 17% were kept informed

Conclusion

To gain a competitive advantage and support an increasingly diverse customer base, banks should focus on exceeding customer experience expectations. Customers will remain loyal to banks that solve issues quickly and painlessly and can put systems in place that recognize each customer at an individual level. They also have an opportunity to empower customer service agents with the right information, so they, too, can effectively resolve issues as they arise, and provide the quick and personal experience that consumers demand.

About Medallia

Medallia, the leader in Experience Management cloud technology, ranked #15 in the most recent Forbes Cloud 100 list. Medallia's vision is simple: to create a world where companies are loved by customers and employees alike. Hundreds of the world's largest companies and organizations trust Medallia's cloud platform to help them capture customer and employee feedback everywhere they are, understand it in real-time, and deliver insights and action everywhere—from the C-suite to the frontline—to improve business performance. Medallia has offices worldwide, including Silicon Valley, New York, Washington DC, Austin, London, Buenos Aires, Paris, Sydney, and Tel Aviv. Learn more at www.medallia.com.

About Ipsos

Ipsos is an independent market research company controlled and managed by research professionals. Founded in France in 1975, Ipsos has grown into a worldwide research group with a strong presence in all key markets. Ipsos ranks third in the global research industry.

At Ipsos we are passionately curious about people, markets, brands and society. We make our changing world easier and faster to navigate and inspire clients to make smarter decisions. We deliver with security, simplicity, speed and substance. We are Game Changers.

Ipsos is the global leader in designing, managing and delivering value from CX Management programs. We turn our clients' customer strategies into a clear CXM action plan and deliver the insights, technology and change-management services to achieve their vision.

Download a Copy of the Full Study

Explore More Resources on The CX Tipping Point Study

Further Reading

To learn more about how CX makes or breaks a company, and how to provide a positive experience across the entire customer journey, read the Ipsos and Medallia study.

Methodology

Medallia partnered with Ipsos to conduct a panel survey of 8,002 consumers from four countries—U.S. (2,002), UK (2,000), France (2,000), and Germany (2,000)—across six industry sectors: online retail (2,583), offline retail (2,574), banking, insurance, mobile network providers, and hotels. The collected sample was approximately matched to the census of each country on age and gender.

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