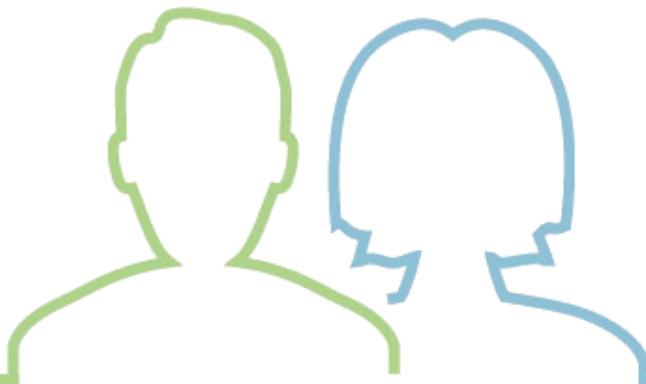


Digital Banking Exploration

September 2016



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Across the retail banking industry, a shift towards digital banking is starting to take hold. Digital banking is defined as banking activities without the assistance of face-to-face interaction; this can occur through an online portal or mobile application, as well as in branches using computer kiosks. Our retail banking clients need to understand the best approach so as not to alienate existing customers with this shift.

This research focused on exploring existing banking and digital banking perceptions beyond simple checking/savings activities so that retail banking clients can move forward with a digital offering in a way that is best received by both younger and older customers.

KEY QUESTION

How can retail banking clients establish digital banking offerings that will have mass appeal among both younger and older consumers?

RESEARCH OBJECTIVES

- Understand perceptions of current banking experience regarding advanced services (Loans/Mortgage, Credit, Insurance, Investing, Retirement, Wealth Management, etc.), including likes/dislikes, most common use cases, and opportunities for improvement
- Uncover what the term “digital banking services” means to consumers
- Evaluate reactions to a digital banking platform, including expectations, barriers, and concerns
- Explore ideas on necessary aspects of digital banking, including barriers to acceptance and desired features
- Evaluate perceptions of customer service for digital banking compared to in-person

Research Method	# of Groups	Total Respondents	Days in Field	Recruit to Report (in days)
Instant Research Group	2	47	2	5

This study was conducted via an online Instant Research Group™ where respondents answered open-ended questions and follow-ups posted by a trained moderator. This technology fosters a dynamic qualitative discussion where respondents are easily able to interact with others in the group.

AUDIENCE

	Group 1	Group 2
Age	21-34 25 respondents	35-55 22 respondents
Gender	Mix	
HHI	\$30,000 or above	
Ethnicity	Capture	
Education	Capture	
Banking Services	Have initiated one or more of the following services in the past 24 months: Loans/ Mortgage, Credit, Insurance, Investing, Retirement, Wealth Management	

Overall, most are satisfied with their in-person advanced banking service experiences

- People appreciated the personal connections, thorough and clear answers to complicated questions, and suggestions of unexpected solutions offered by in-person banking
- Drawbacks of in-person banking included pushy sales techniques, unclear jargon, long waits, and inconvenient branch locations and hours
- Credit is the most universally used advanced service, followed by loans and mortgages

Digital banking is already a part of many consumers' lives

- Many already rely on digital banking for day-to-day tracking and transactions in their checking and savings accounts, and appreciate the anytime access and personal control it offers them
- Some suggested, unaided, that current digital banking could be improved by adding advanced services
- Security was the top concern around digital banking, for both groups

Most were interested in some level of advanced services available in digital banking

- Some wanted to be able to do any and all non-cash transactions digitally, while others had reservations about security and making unaided financial choices
 - More were comfortable with digital maintenance (checking balances, making payments, even requesting new cards or reporting fraud) of existing advanced accounts than with opening new ones digitally
- Many said that live help would be necessary for an advanced services digital banking solution

Customer service means different things for in-person vs digital banking

- In-person focus was on personalization, friendliness, and help getting to the heart of financial matters
- Digital focus is on convenience, ease of use, 24/7 accessibility, and assurance of data security
- The more practical, digital type of customer service appeals more strongly to the 21-34 age group

Customers already use and expect digital banking for basic services, and most are open to the idea of expanding that to advanced services. At minimum, retail banks should allow digital access to simple banking tasks like checking balances and making payments for credit and loan/mortgage accounts.

The ease of using a digital banking app is an important aspect of its appeal. When adding access to more advanced accounts and services, care must be taken to provide a clear and easily understood process, along with basic FAQ-style help options for quick answers to advanced tasks.

Digital banking lacks the in-depth assistance and hand-holding aspects of in-person banking. Providing live help options in digital banking tools will help address this, whether through simple text chatting (most commonly suggested) or something more intensive like webcam or video communication.

Further research can help define the best ways to talk about security precautions and measures in order to reassure customers. This is especially needed in the 35-55 age group regarding the safety of digital banking, particularly for advanced services like loan applications. Similarly, being upfront about procedures in place to handle compromised accounts can help make customers more comfortable banking digitally.

DETAILED FINDINGS



Overall, most were satisfied with their in-person advanced banking service experiences

- In-person banking for advanced services allowed for building personal connections with banking staff, and for in-depth conversations about financial concerns
- Face-to-face interactions with bankers also provided the opportunity for staff to make personalized suggestions about ways to resolve or improve financial matters
- On the flip side, in-person banking sometimes seemed to foster pushy sales techniques for unneeded products or industry jargon that was confusing
- Many in both groups mentioned that standard banking hours and locations weren't convenient for them, and long wait times to speak with banking staff didn't help
- Credit was the most universally used advanced service, followed by loans and mortgages
 - Of the other services polled, the 21-34 group had slightly more investing service use and slightly less retirement service use than the 35-55 group

“

We didn't really go in expecting to even open a new credit card. Once they started talking to us about it, we were actually kind of skeptical. I find that a lot of banks have a very intrusive and pushy way of getting you to use their services. But after talking to our bank assistant we were pleasantly surprised that we could actually use our card for rewards as opposed to just having a card that earned us nothing. They were upfront about having to do a credit check and the fees associated which was a pleasant surprise. They weren't pushy at all.
- Female, 30, Virginia

“

I liked that not only did they ask a lot of questions to help get me started on the right track (they asked all the right questions), but they treated me like I was their only customer. They answered any questions I had right then!
- Male, 47, Tennessee

Digital banking was already a part of many customers' lives

- About two-thirds of the 21-34 group, and half of the 35-55 group, say they primarily use digital banking services
 - Times they switched to in-person banking mostly involved cash handling, followed by complicated questions and applying for new services
- Most who used digital banking relied on it for day-to-day tracking and transactions in their checking and savings accounts
- Some suggested, unaided, that current digital banking would be improved by adding advanced services
- A few in the 35-55 group distinguished between banking via a website on their home computers vs. an app on their mobile devices, feeling security was better on a computer than a phone



Digital banking would refer to deposits, trades, transfers and anything else banking related made more simple and accessible because the customers control it 100% by using their various electronic devices, such as cellphones, tablets, computers, smart watches, things of that nature.

- Female, 34, Kentucky



I would make everything available for people to do online. This way people do not have to come in or call. It needs to be straightforward with everything outlined for people to apply for what they want in just a few clicks with it still being secure.

- Female, 24, Wisconsin



In this day and age I think digital banking has become a real necessity. Everyone wants everything fast. I think doing banking on my laptop is great, but I do not feel comfortable using my smartphone or my bank's app for anything. I don't trust the security on my phone.

- Female, 49, Florida

Digital banking's superior convenience and anytime account access appealed most



Digital banking gives me easy access to my account without the hassle of making a trip to the bank or having to make a call. I can check my account and transactions over and over any time of the day. This makes my life easier.

- Female, 35, Texas



I use digital banking to manage and keep track of my checking and savings account for the most part. I use it to pay bills. I use it regularly as far as my use of banking goes. I rather not go to a bank if I can help it so I go digital 95% of the time.

- Male, 22, New York



I use online services except for cash withdrawal. I love the freedom of doing what I want when I want it on whatever device I want.

- Male, 36, Florida



I feel its a time saver. I feel like it really cuts down on the physical traffic at the bank, and helps those people who DO physically bank as they aren't as busy there now with all the things that can be done online.

- Male, 33, Florida



Let's be real, unless you are sitting on a bed of wealth, you aren't investing every day. You are doing basic transactions like transfers, payments, etc. I love online chat, I love being able to sit at my desk at work and get something done without having to make a special trip just to transfer money or pay a bill or sign some paperwork. It is convenient and very useful.

- Female, 34, Iowa

Most were interested in some level of advanced services available in digital banking

- Most in both groups were comfortable with adding advanced account access to digital banking for maintenance-type tasks, such as checking credit balances and making loan payments, or even requesting a new card or reporting fraud
- Opinion was more split in both groups on being able to do any and all non-cash transactions digitally, from research to application to maintenance of accounts
 - Some felt this was a logical progression from current basic digital banking and looked forward to the convenience it would offer
 - Others were concerned that accessing more advanced services through digital banking would open the door for more unauthorized access, especially to their social security number
- Both groups focused first on including credit accounts in digital banking, followed by loan/mortgage accounts and investing
- More than two thirds of each group said they'd be very likely to use some level of advanced service digital banking



Transfers, loan payments, balance inquiries and checks, bill pay options, set up automatic payments, change address, change name, change signers, mortgage payments, apply for a loan. I think these are the basic things that NEED to be included.
- Female, 34, Iowa



With today's web services and digital infrastructure, I feel that almost anything except cash withdrawal should be available online and likely already is. I use digital for pure convenience sake. I want to do what I want to do when and where I want it.
- Male, 36, Florida



Unless there is data that proves/ shows its truly secure, I would exclude anything requiring a social security number if using a phone app. So certain parts of loan applications etc I would exclude. I think everything else, besides physical cash deposits, should be able to be handled electronically.
- Male, 33, Florida

Security was the top concern for both groups when considering digital banking

- The most-mentioned drawback in both groups was the perception of higher risk to account security as a result of digital banking, which could increase with more complex and advanced tasks being made available
 - Along with higher risk, adding access to additional accounts seemed likely to increase their overall risk, should their digital banking access be compromised
 - Some in the 21-34 group asserted that financial info is all digital now anyway, regardless of how they access their accounts, so they didn't see a large increase in risk
- Some also mentioned feeling that they might be more prone to making mistakes in their advanced services without the supervision and advice offered by in-person banking



Safety is always a concern when doing anything online. Hacking is a threat. Also lack of knowledge on certain accounts is a drawback. I see things being hacked all the time and that makes me worried for my personal accounts. My comfort of the language on the more advanced accounts isn't great and I don't trust myself to not make a mistake.
- Male, 22, New York



The only drawbacks I would see is having a bank representative there with you in case you had questions, etc., but still think that with technology these days, it's always easy to use a live chat session, etc. to overcome that hurdle.
- Female, 49, Virginia



The drawback is that you are putting more and more personal info out there for someone to potentially access. The more information that is out there about you, the riskier it can get in the event that security is compromised. It's one thing to close a checking or savings account, or a credit card. It's another to have to redo an entire portfolio because security was compromised.
- Female, 34, Iowa

Live help, easy interface, and protection of consolidated accounts were suggested for advanced digital banking



I think the perfect digital banking service would need to offer lots of option for interaction: be able to interact with a teller in some fashion, whether it's through a voice call or some sort of direct interaction, such as a video conference. I think if I had that, I would use a digital banking app or website for everything. It also needs a virtual reality interface so that you would feel like you're actually at the physical location and not just on a computer, tablet or smartphone.

- Male, 36, South Carolina



It would be great if there were protections put in place by banks that guaranteed identity protection to their clients, a reimbursement strategy if a person's account has been compromised, and help with credit management in the event someone's identity is stolen.

- Female, 30, Virginia

- Live help was seen as a must-have by many in both groups
 - Most envisioned a text chat option
 - Some suggested voice or video chatting, or even a virtual reality option
- Many mentioned that the interface of a digital banking app was extremely important, and would only be more important as more complicated accounts and tasks were added
- Some in the 21-34 group brought up the idea of a digital banking app not only protecting their information, but also coming with clear assurances and services already in place for if and when their accounts are compromised
- A few mentioned that they'd love an app that provided consolidated access to all of their financial accounts, regardless of type or provider

Customer service meant different things for in-person vs digital banking

- For in-person banking, it meant friendliness, personalized service, and knowledgeable people who could help customers understand and get to the heart of their finances
- For digital banking, good customer service meant being able to access accounts any time day or night, convenience of anywhere access, ease of finding information and completing tasks, and assurance of data security
- By far most of the 21-34 age group said digital banking would provide just as good or better overall customer service than in-person banking, while the 35-55 group was evenly split on whether digital service would be better or worse than in-person
 - The more practical, digital type of customer service appealed more strongly to the 21-34 age group, but many in both groups liked this more streamlined and self-serve approach



I actually like the "customer service" of digital transactions or the lack thereof. It allows transactions to go quicker because they are "cold". It's really depends on the ease of use of the digital program. If it is good, the experience often is much much better than a live one; however if the interface is bad it could be far far worse than a face-to-face interaction.

- Male, 33, Texas



Although digital banking doesn't get it 100 percent right all of the time, I do prefer their customer service over in-person banking. I usually have pretty simple questions when it comes to my banking needs, so having a no nonsense answer to my question is ideal. There is no sales pitch involved, no waiting, no rudeness or perceived notions about someone before speaking with them.

- Female, 30, Virginia



I think that digital banking provides worse customer service because you don't have that interaction with a physical person. When you have in-person interactions, they can listen more to what it is you need and can provide useful feedback, digital transactions are a one and done sort of deal, it is more difficult to resolve issues and get a straight answer when you are not dealing with a person.

- Male, 36, South Carolina

APPENDIX



Appendix A: Respondent Profile

Household Income				
	<i>Group:</i>	21-34	35-55	TOTAL
\$30,000 to \$39,999		2	2	4
\$40,000 to \$49,999		1	4	5
\$50,000 to \$59,999		5	4	9
\$60,000 to \$69,999		2	2	4
\$70,000 to \$79,999		2	0	2
\$80,000 to \$89,999		2	3	5
\$90,000 to \$99,999		2	1	3
\$100,000 to \$109,999		2	2	4
\$110,000 to \$119,999		2	2	4
\$120,000 to \$129,999		2	2	4
\$130,000 to \$139,999		0	0	0
\$140,000 to \$149,999		1	0	1
\$150,000 to \$249,999		1	0	1
\$250,000+		1	0	1

Gender				
	<i>Group:</i>	21-34	35-55	TOTAL
Female		19	9	28
Male		6	13	19

Age			
	<i>Group:</i>	21-34	35-55
21-24		3	--
25-29		8	--
30-34		14	--
35-39		--	5
40-44		--	4
45-49		--	10
50-55		--	3

Appendix A: Respondent Profile, Cont.

Banking Services Initiated, Past 2 Years

<i>Group:</i>	21-34	35-55	TOTAL
Credit	22	14	36
Checking Account	22	13	35
Savings Account	21	12	33
Loans/Mortgage	17	9	26
Insurance	15	8	23
Investing	12	7	19
Wealth Management	8	5	13
Retirement	8	4	12
None of the above	--	--	--

Ethnicity

<i>Group:</i>	21-34	35-55	TOTAL
Caucasian	17	16	33
Hispanic / Latino	7	0	7
African American	5	4	9
Asian	1	2	3
Other	1	0	1

Education

<i>Group:</i>	21-34	35-55	TOTAL
High school graduate	1	5	6
Some college	6	2	8
Associate degree	3	4	7
Bachelor degree	9	7	16
Advanced degree	6	4	10

(Q2) Common Use - Advanced Services

Let's talk about any and all banking services you have used in the past outside of checking and savings accounts. Please think specifically about in-person experiences, and select the services you have ever used.

Group:	21-34	35-55	TOTAL
Credit	19	14	33
Loans/Mortgage	15	10	25
Investing	10	6	16
Insurance	8	6	14
Retirement	5	9	14
Wealth Management	4	4	8
Other advanced banking service (explain)	1	3	4

(Q10) Digital banking frequency of use

Select the answer that best describes how often you use digital banking services.

Group:	21-34	35-55	TOTAL
I primarily use digital banking services	16	12	28
I sometimes use digital banking services	7	4	11
I rarely use digital banking services	1	5	6
I never use digital banking services	1	1	2

(Q14) Digital banking services to include

Please select the banking services you would consider utilizing through a digital banking platform.

Group:	21-34	35-55	TOTAL
Credit	20	19	39
Loans/Mortgage	17	15	32
Investing	16	14	30
Wealth Management	14	10	24
Retirement	13	13	26
Insurance	12	12	24
Other advanced banking service (explain)	4	3	7

(Q15) Advanced digital services - potential use

How likely would you be to use digital banking for advanced banking services?

Group:	21-34	35-55	TOTAL
Very likely	17	14	31
Somewhat likely	7	4	11
Neither likely nor unlikely	0	2	2
Somewhat unlikely	1	1	2
Very unlikely	0	1	1

(Q19) Customer service perception

Continuing to look at customer service for advanced banking, please select the choice below that best describes how you feel digital banking interactions compare to in-person interactions.

	Group:	21-34	35-55	TOTAL
Digital banking provides much better customer experience		10	7	17
Digital banking provides somewhat better customer service		4	1	5
Digital banking provides the same level of customer service		6	5	11
Digital banking provides somewhat worse service		5	6	11
Digital banking provides much worse customer service		0	3	3