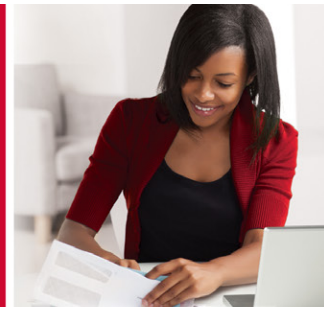


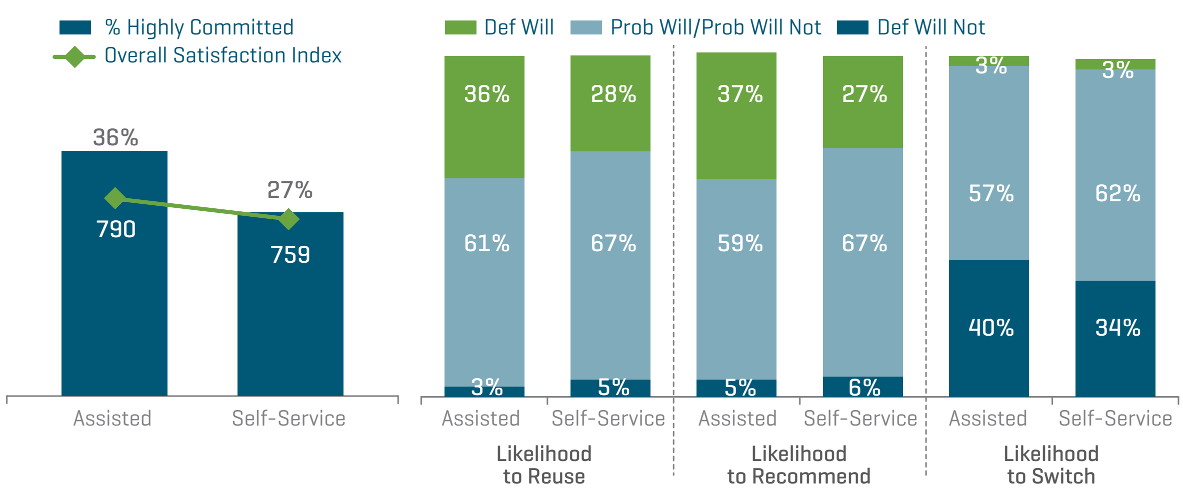
Understanding Self-Service Customers

With the increased functionality of such remote channels as mobile deposits, online chat, envelope-free deposits, and image-enabled ATM receipts, retail banking customers are able to fully manage their account without ever stepping into a branch or contacting the call center. While this can create significant cost savings by reducing branch traffic and decreasing the number of calls to the call center, there is a downside. Despite having similar demographics and product portfolios, self-service customers—those who have interacted only via remote channels during the past 12 months for routine transactions—are not only less satisfied with their banking experience, but are also less committed than are those who have visited a branch or called the call center during the past 12 months for routine transactions. Further, self-service customers tend to be less engaged and, in fact, are often indifferent toward their bank.

Banks that are able to elevate customer commitment levels[1] among self-service customers can benefit from improved overall financial performance. Specifically, banks that convert 2% of customers with low commitment and 5% of those with medium commitment into customers with high commitment stand to gain $1.68 million in interest revenue from greater deposits, investments, and loans per 100,000 customers.[2]

"Banks that are able to elevate customer commitment levels among self-service customers can benefit from improved overall financial performance."

COMPARISON OF SATISFACTION, COMMITMENT, AND LOYALTY METRICS



Source: J.D. Power 2014 U.S. Retail Banking Satisfaction Study℠—Waves 1 and 2

[1] High commitment is defined as providing combined ratings of 17-20 points based on responses to the four commitment statements; medium commitment is defined as providing combined ratings of 12-16 points based on responses to the four commitment statements; low commitment is defined as providing combined ratings of 11 points or less based on responses to the four commitment statements.

[2] Assumes a 3% interest margin

Improving Customer Commitment among Self-Service Customers

Raising the Bar on Providing a Superior Customer Experience

It is important for banks to focus on the levers that not only affect the majority of self-service customers, but also have the greatest impact on satisfaction. J.D. Power has identified five key areas for banks to focus on in order to better service these customers:

1. **Provide clear and concise account information**

   Reviewing account information is one of the most common transactions that customers complete. An increasingly large number of customers are relying on real-time account information to make financial decisions. In fact, only 9% of self-service customers indicate using a mailed statement to review their account information. Regardless of the method customers use to view their account information, it is imperative that the information be provided in a clear and concise manner. Satisfaction declines by a significant 115 points (on a 1,000-point scale) when customers perceive that the account information provided isn't "very clear." Specifically, banks should ensure the use of clear and concise language in displaying and explaining more complex items, such as fee disclosures and application of interest rates.

CLARITY OF ACCOUNT INFORMATION AMONG SELF-SERVICE CUSTOMERS

	% Very Clear	% Somewhat Clear	% Not Very or Not at all Clear
Account activity (deposits and withdrawals)	79%	17%	4%
Account balances	83%	14%	3%
Bank contact information	63%	31%	6%
Interest rate information	53%	38%	9%
Fees charged on account	56%	34%	10%
Fee/Account disclosure information	52%	37%	12%
Rewards balances	61%	31%	8%
Information regarding bank products/services	54%	38%	8%

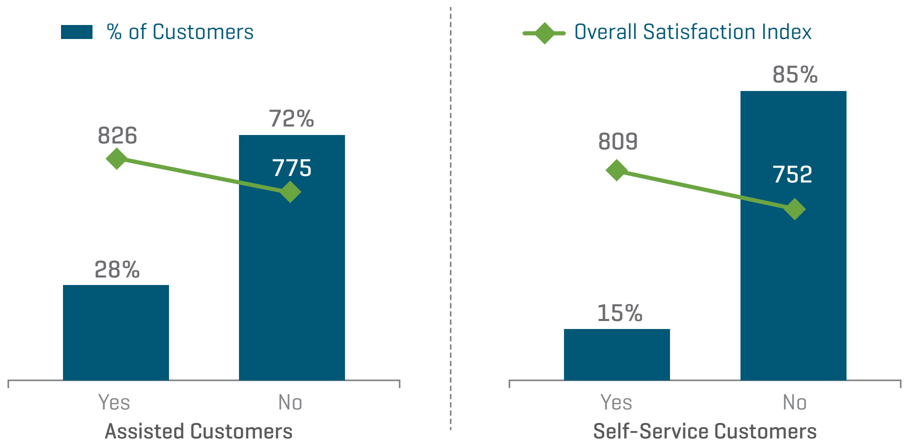
*Source: J.D. Power 2014 U.S. Retail Banking Satisfaction Study*SM—Waves 1 and 2

2. **Provide customers with financial advice**

   Providing financial advice to self-service customers is another opportunity to improve overall satisfaction, as satisfaction increases by 57 points when they receive financial advice. Additionally, when self-service customers receive financial advice, product penetration improves (3.7 products vs. 2.7 products, respectively) and these customers also have a higher share of investable assets with their primary bank (47% vs. 30%, respectively), compared with when self-service customers do not receive financial advice.

   It is important to note that providing financial advice to all customers is an opportunity for banks; however, the percentage of self-service customers who receive financial advice is approximately half that of assisted customers (15% vs. 28%, respectively). Since self-service customers generally do not visit their branch, it is critical for financial institutions to use other methods to contact these customers and provide advice as necessary. Personalized emails or outbound phone calls may help initiate such conversations.

RECEIVING FINANCIAL ADVICE



Source: J.D. Power 2014 U.S. Retail Banking Satisfaction Study[SM]—Waves 1 and 2

3. Ensure website features are easy to use

Self-service customers are visiting their banks website about 6 times per month on average. These customers are much more likely to turn to their bank's website for both routine and non-routine transactions, compared with assisted customers. In addition to using the website for checking balances, transferring funds, and reviewing account information, self-service customers are more likely to interact online to ask questions, report lost/stolen cards, order checks, make account changes, and apply for new products than are assisted customers.

> "Self-service customers are visiting their banks website about 6 times per month on average."

Satisfaction declines significantly not only when online features are not easy to use (-108 points), but also when bank websites offer limited features (-52 points when self-service customers have access to fewer than four online features). Therefore, it is important for banks to ensure their websites offer customers a wide range of features, and even more critical that the features are easy to use.

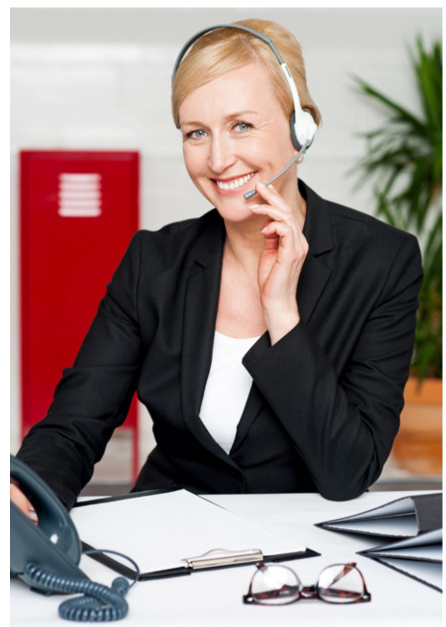
Banks have opportunities to add new online features—such as the ability to download data onto financial software, personal finance tools, and expense tracking—but must ensure such offerings are intuitive and easy to use. While demos and tutorials can help increase customers' knowledge of how to use these tools, banks should also gather customer opinions and recommendations after these new tools are made available. Just because a tool is functioning the way it was intended doesn't mean customers will find it user friendly.

AVAILABILITY AND EASE OF USING ONLINE FEATURES AMONG SELF-SERVICE CUSTOMERS

	% Available	% Very Easy
Online chat	37%	68%
Email customer service	65%	68%
Expense tracking	27%	68%
Ability to download into financial software	25%	65%
Online bill pay	84%	80%
Transfer funds between accounts	75%	85%
Personal financial management tools	26%	67%
Person-to-person electronic payment	33%	72%

*Source: J.D. Power 2014 U.S. Retail Banking Satisfaction Study*SM—Waves 1 and 2

4. Ensure understanding of product offerings



Ensuring that customers fully understand their banking products is critical to their overall satisfaction. Among self-service customers, satisfaction declines 95 points when they do not "completely" understand the features and benefits associated with their products. Product understanding is closely related to fees. Fees satisfaction among customers who don't "completely" understand their products is significantly lower than among those who do "completely" understand (584 vs. 716, respectively). Moreover, customers who don't "completely" understand their product offerings are also less likely to fully understand fee structures, compared with those who "completely" understand their product offerings (13% vs. 61%, respectively), and they experience more problems (14% vs. 10%, respectively).

Expectedly, communication is the leading driver of higher levels of customer understanding. To increase product understanding among self-service customers, banks need to create marketing and communication strategies specific to the interaction habits and needs of these customers. It is important to remind customers of the features associated with their account and, if possible, tailor this information to their needs.

For self-service customers, communications and alerts should be sent via email and mobile apps whenever possible. ATMs can also be effective in delivering content to customers. Messaging should limit directing customers to the branch or call center for more information, and instead direct them to the website or provide an email address they can use to contact the bank. Further, data from the J.*D. Power 2013 Credit Card Website Evaluation Study*SM finds that pop-up marketing messages on bank websites can be an effective means of communication with customers. However, it is important that pop-ups are not overused and that the information/offering is tailored to the customer's specific needs.

DRIVING GREATER UNDERSTANDING AMONG SELF-SERVICE CUSTOMERS

	Completely Understand	Partially or Do Not at All Understand
Contacted about current product/services/features	43%	34%
Contacted about new products/services/features	54%	47%
Information provided tailored to your needs	57%	45%
Information regarding bank products/services provided with account information	79%	63%
Clarity of information regarding bank products/services (% very clear)	69%	40%
Clarity of information provided online (mean)	8.61	7.70

*Source: J.D. Power 2014 U.S. Retail Banking Satisfaction Study*SM—Waves 1 and 2

5. Reduce the frequency of customer problems

Problem prevention needs to be a high priority for all financial institutions, given the impact problems have on satisfaction and retention. It is important to note that self-service customers tend to be more sensitive to the occurrence of problems than assisted customers. The negative impact on satisfaction when self-service customers experience a problem is 25 points greater than when assisted customers experience a problem (-152 and -127 points, respectively).

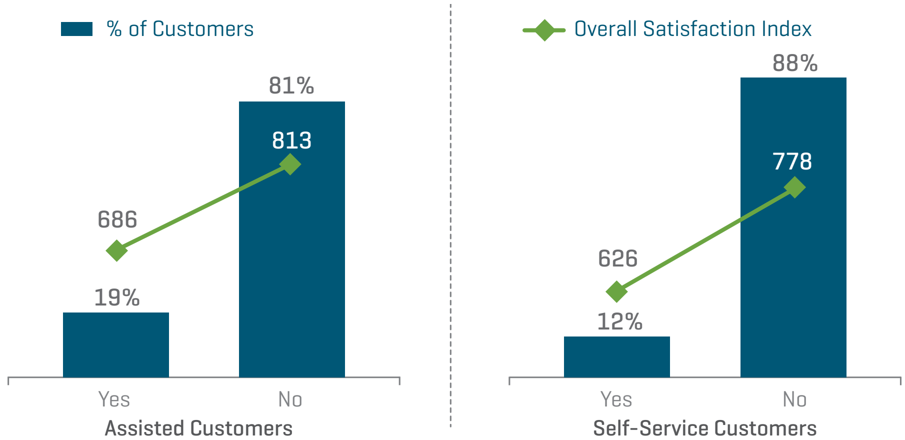
The types of problems self-service customers experience most frequently are related to fees (45%), ATMs (17%), and customer service (17%). Following are recommendations that can help banks reduce the incidence of these problems.

— **Fee Problems:** Effective communication and explanation of fees can help improve awareness and reduce fee problems. Reducing fee problems may also help minimize customer service problems, as customer service problems tend to materialize as a result of poor handling of problems.

— **ATM Problems:** Branch representatives should ensure that ATMs are stocked and fully operational. When representatives notice an issue with an ATM (e.g., scratched or cracked screen), it should be immediately escalated for resolution.

— **Customer Service Problems:** The number of customer service problems may be reduced by ensuring that all customer-facing employees are respectful, courteous, and knowledgeable. Representatives responsible for participating in online chat or responding to emails need to be trained to follow similar customer service best practices to those used in the branch or call center: calling the customer by name; offering further assistance; and thanking them for their business after completion of the transaction.

PROBLEM INCIDENCE AND IMPACT ON SATISFACTION



Source: J.D. Power 2014 U.S. Retail Banking Satisfaction Study℠—Waves 1 and 2

Banks will never be able to eliminate problems altogether; therefore, the ability to effectively resolve problems is vital in preventing further erosion in satisfaction levels. More than one-third (36%) of self-service customers who experience a problem contact their bank via remote channels for resolution, compared with 24% of assisted customers. There is an important opportunity for banks to improve the problem resolution experience through their remote channels by ensuring they are operating as effectively and efficiently as possible. Further illustrating this point are findings from the *2013 U.S. Credit Card Satisfaction Study*, which shows that the majority of customers (64%) who try to resolve a problem online must contact their credit card issuer by another channel in order to achieve a resolution.

Improving Brand Perceptions

Brand Image is the second component of improving customer commitment. Overall, self-service customers have lower perceptions of their primary bank's brand, compared with assisted customers. Self-service customers tend to rate their bank lowest in *Customer driven* vs. *Profit driven*.

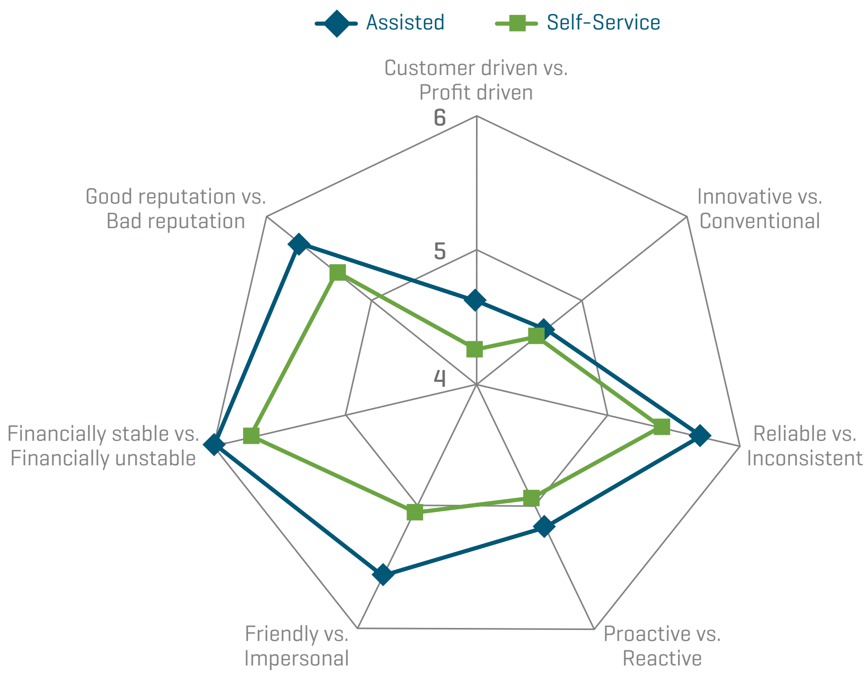
Since self-service customers rarely experience personal interactions with their bank, opportunities for financial institutions to provide these customers with a superior service experience are few and far between. As a result, many self-service customers perceive the lack of being customer driven to be directly related to monetary concerns, such as fees and rates.

Many of the drivers of improved satisfaction can also have a positive impact on brand perceptions. The data shows that banks can influence self-service customers' brand perceptions by delivering a superior account opening experience, in which representatives fully identify customers' needs and provide solutions to meet those needs. Representatives should take this opportunity to offer advice regarding future financial planning, as appropriate.

Further, self-service customers perceive product offerings to be an important component of the value proposition with their banks. Therefore, it is critical that customers not only fully understand any fees associated with their products, how and when they will be charged, but that they are also aware of the benefits and services available with their products.

Lastly, minimizing customer problems can also have a positive impact on Brand Image ratings for *Customer driven* vs. *Profit driven*.

COMPARISON OF BRAND IMAGE PERFORMANCE



Note: The *2014 U.S. Retail Banking Satisfaction Study* measures Brand Image on a 7-point scale across seven attribute pairs.

*Source: J.D. Power 2014 U.S. Retail Banking Satisfaction Study*SM—Waves 1 and 2

Conclusion

With the technological advancements made in the retail banking industry over the last decade, the way customers interact with their bank continues to change. Customers are able to complete more transactions thru the website, mobile apps and ATMs than they have ever before which allows customers to never have to go to a branch. While movement of customers to self-service channels will likely benefit financial institutions and reduce the cost to service, banks shouldn't force customers into self-service channels. It is important to allow customers to decide what makes the most sense for their needs and lifestyle. Although encouraging customers to use digital channels can be mutually beneficial, channel usage will never be a one-size-fits-all approach. In fact, banks need to be careful about discouraging branch/call center usage because self-service customers are less satisfied, less loyal, and less committed than assisted customers.

Self-service customers have different priorities and needs than assisted customers, which makes it essential for financial institutions to adjust their strategy in servicing these customers. Recommendations for additional areas of focus include:

- **If you got it, flaunt it; if you don't got it, get it.** Channel features are important to this segment, and while banks often do offer the features customers want, many are unaware of them, so it is important to ensure features/services are fully marketed. Furthermore, banks should continually look to add features to meet the changing needs of customers and, in turn, to remain competitive.
- **If it's broken, fix it.** It is critical for banks to minimize the occurrence of problems. To achieve this, banks should focus on reducing the problems that not only have the greatest impact on satisfaction and retention, but also those that occur most frequently. Banks need to collect and analyze customer and employee data to determine root causes of problems and revise processes that are ineffective or problematic.

  Furthermore, banks have an opportunity to improve their rates of problem resolution via remote channels. The level of service that is provided via all channels needs to be optimum; however, banks need to pay close attention to service levels by remote channels (email/online chat) ensuring consistent and effective resolution of issues. Additionally, banks need to understand which problems can't be fully resolved using a remote channel and revisit policies and procedures to improve the effectiveness of these channels.
- **Be proactive, not reactive.** Self-service customers place great importance on product offerings and tend to be critical of their bank's value proposition; therefore, financial institutions need to proactively communicate with these customers and ensure they are aware of all product features/services and fully understand how and when fees will be incurred. Moreover, banks should consider implementing programs in which bank representatives and advisors proactively reach out to self-service customers to provide advice related to their financial needs.

For more information about the many ways J.D. Power can help your organization measure, understand and improve, contact:

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