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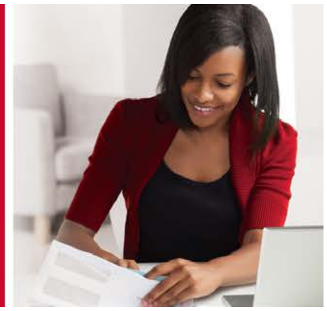
Insights

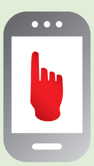


Channel Usage Trends

The channels used by customers to interact with their financial institution are evolving. During the past several years, usage of such traditional interaction channels as the call center and branch have declined, as customers continue to adapt to digital self-service channels. Within the retail banking industry, the percentage of customers indicating they have used mobile banking apps has more than doubled over the past two years (17% in 2013 vs. 6% in 2011), while website remains the most commonly used channel for conducting routine banking transactions (88% usage). Among credit card customers, the migration toward mobile banking apps is also growing (6% in 2013 vs. 4% in 2012), and the website is the most-frequently used interaction channel (79% usage).

> "The channels used by customers to interact with their financial institution are evolving."

RETAIL BANKING AND CREDIT CARD CHANNEL USAGE TRENDS

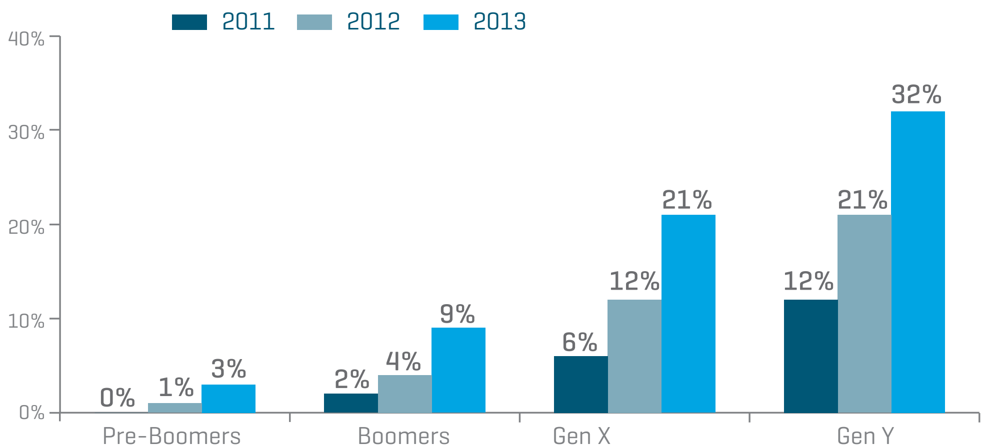
		Retail Banking		Credit Card	
Channel	Usage	2011	2013	2012	2013
	Used (% yes)	87%	88%	80%	79%
	Number of times used (mean)	89.0	87.7	39.9	34.3
	Used (% yes)	6%	17%	4%	6%
	Number of times used (mean)	39.2	54.5	20.6	22.4

Sources: J.D. Power U.S. Retail Banking Satisfaction Study,℠ 2011–2013
J.D. Power Credit Card Satisfaction Study,℠ 2012–2013

The migration toward self-service channels within the financial services industry has been driven by younger customer segments. Nearly one-third (32%) of retail banking customers in Gen Y[1] have used mobile banking apps, compared with only 3% of Pre-Boomer retail banking customers. However, it is important to note that usage of mobile banking apps has been increasing across all age segments.

1 J.D. Power defines generational groups as Pre-Boomers (born before 1946); Boomers (1946-1964); Gen X (1965-1976); and Gen Y (1977-1994).

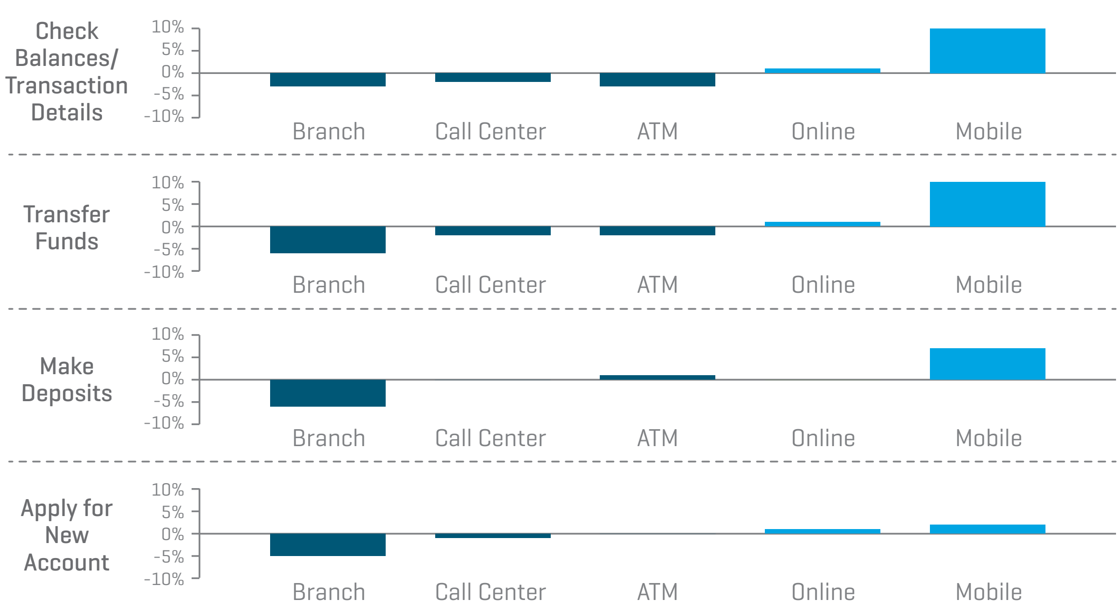
USAGE OF MOBILE BANKING APPS AMONG RETAIL BANKING CUSTOMERS



Source: J.D. Power U.S. Retail Banking Satisfaction Study,SM 2011–2013

Customers have adapted to digital self-service channels for routine transactions more quickly than for other types of transactions, with the percentage of customers using a mobile banking device to transfer funds and make deposits increasing considerably since 2010. Conversely, more complex transactions, such as account initiation, have been slower to migrate to digital channels. Among retail banking customers who opened a new account in the past 12 months, 82% opened the account in person at a branch, while only 14% opened the account online.

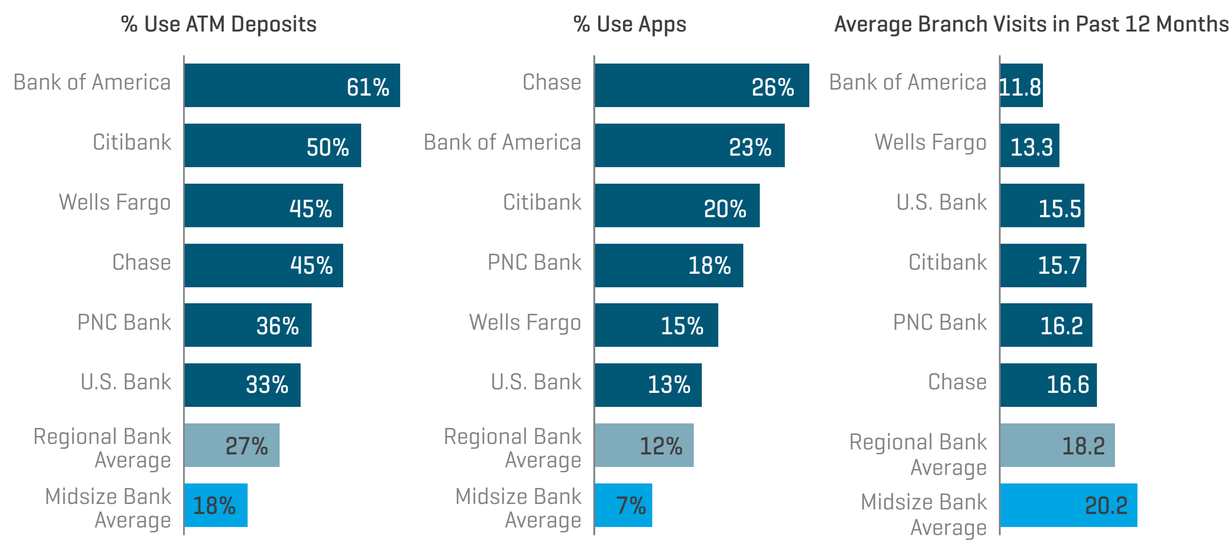
2010–2013 RETAIL BANKING CHANNEL USAGE TRENDS BY TRANSACTION TYPE



Source: J.D. Power U.S. Retail Banking Satisfaction Study,SM 2010–2013

Technology advancements within the financial services industry are often driven by large financial institutions, such as Bank of America and Chase. Among retail banking customers, usage of mobile banking apps is highest at Chase (26%), while usage of ATMs for depositing checks is highest at Bank of America (61%). One of the benefits of moving customers toward self-service channels is a reduction in branch traffic, which presents potential cost-savings opportunities for financial institutions. For example, Big Bank[2] customers visit branches less frequently than customers of Regional Banks or Midsize Banks, driven by higher usage of digital channels among Big Bank customers.

CHANNEL USAGE BY FINANCIAL INSTITUTION



Source: J.D. Power 2013 U.S. Retail Banking Satisfaction Study[SM]

While moving customers toward self-service channels may provide financial institutions with cost-savings opportunities through decreased usage of the branch and call center, data shows that satisfaction and loyalty metrics tend to be lower among retail banking customers who use only remote channels. Less than one-fourth (24%) of customers who only interact with their bank through digital channels say they "definitely will" reuse the institution, compared with 31% of those who have some form of live interaction with their bank. Financial institutions may be able to help mitigate lower loyalty and satisfaction among their remote customers by providing a highly satisfying account initiation process and an effective communications strategy designed to improve customer awareness of products and pricing.

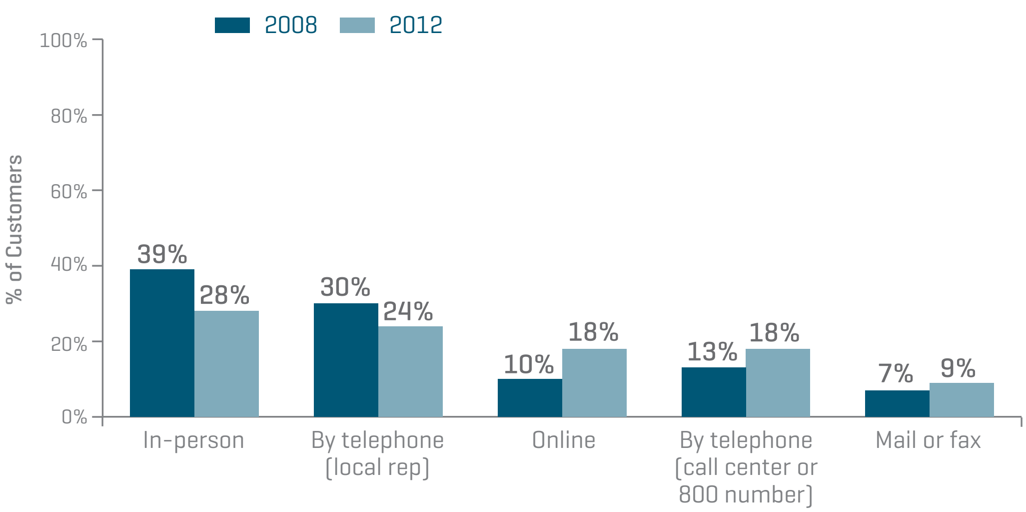
2 Big Banks are defined as the six largest financial institutions based on total deposits ($180 billion or more) as reported by the FDIC; Regional Banks are defined as those with $33 billion-$180 billion in deposits; Midsize Banks are defined as those with $2 billion-$33 billion in deposits.

	Had Live Interaction	Remote-Only Customers	Difference
Overall Satisfaction	769	744	-25
Definitely will reuse	31%	24%	-7%
Definitely will recommend	33%	25%	-8%
Definitely will not switch	38%	34%	-4%

Source: J.D. Power 2013 U.S. Retail Banking Satisfaction Study,SM

The migration toward digital self-service channels is also evident in other areas of the financial services industry, such as mortgage origination. Since 2008, the percentage of customers initiating their mortgage application online has increased significantly (18% in 2012 vs. 10% in 2008). Conversely, the percentages of customers initiating their application in person or via the call center have declined.

METHOD OF STARTING MORTGAGE APPLICATION



Source: J.D. Power U.S. Retail Banking Satisfaction Study,SM 2008–2012

Quicken Loans, the highest-ranked brand for mortgage origination, has embraced the use of digital channels and excels at providing their customers with a highly satisfactory digital interaction experience. When compared with industry average, Quicken Loans customers are significantly more likely to use the website for submitting origination documents, receiving status updates, and electronically signing application documents.

CUSTOMER AWARENESS AND USAGE OF AVAILABLE SERVICES

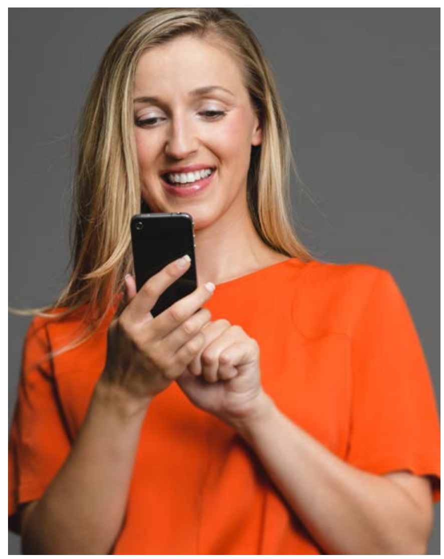
	Submit Supporting Documents Online		Verify Receipt of Application Status Online		Check Status of Application Online		Electronically Sign Application Documents	
	Not Offered	Offered/ Used	Not Offered	Offered/ Used	Not Offered	Offered/ Used	Not Offered	Offered/ Used
Quicken Loans	15%	72%	9%	76%	8%	79%	10%	78%
Industry Average	40%	43%	49%	34%	54%	29%	52%	33%

*Source: J.D. Power 2012 Primary Mortgage Origination Satisfaction Study*SM

Conclusion

Usage of self-service interaction channels continues to grow, and customer needs continue to evolve. To stay competitive within the financial services industry, it is important that financial institutions continue focusing their investment strategies on advanced digital functionality. Additionally, financial institutions must recognize that the migration of customers toward self-service may result in lower levels of customer engagement and loyalty. Best practices for maximizing satisfaction and loyalty while migrating customers include:

- Understand and meet customer needs at point of sale
  - Completely identify customer needs before recommending products
  - Provide solutions that meet initial request
  - Explain account features associated with products/services
- Clearly communicate all product and pricing details
  - Ensure customer understanding of all fee structures
  - Ensure customer understanding of features/benefits associated with checking account
- Offer a breadth of product features that relate to the digital world, such as pricing discounts or rebates associated with digital channel usage



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- Advanced research science to drive insights
- A proven success record for driving results

Through an unmatched 360° view of the customer, J.D. Power can identify the multiple drivers of customer experience, measure and understand their impacts, and help you drive business results by monitoring and improving performance.

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

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