## Midsize Banks Losing Ground in Retail Banking Satisfaction

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Historically, Midsize Banks[1] have significantly outperformed larger institutions in satisfying their retail banking customers. This success has largely been driven by excellence in personal service (i.e., branch and call center interactions) and has traditionally resulted in high levels of customer retention, loyalty, and advocacy.

However, data from the *J.D. Power 2014 U.S. Retail Banking Satisfaction Study[SM]* finds that both Big and Regional banks are improving customer satisfaction at a faster rate than Midsize Banks. Consequently, these larger institutions are achieving significant improvements in key loyalty metrics, which limits opportunities for Midsize Banks to acquire new customers or deepen share-of-wallet among their customer base.

RETAIL BANKING SATISFACTION TREND
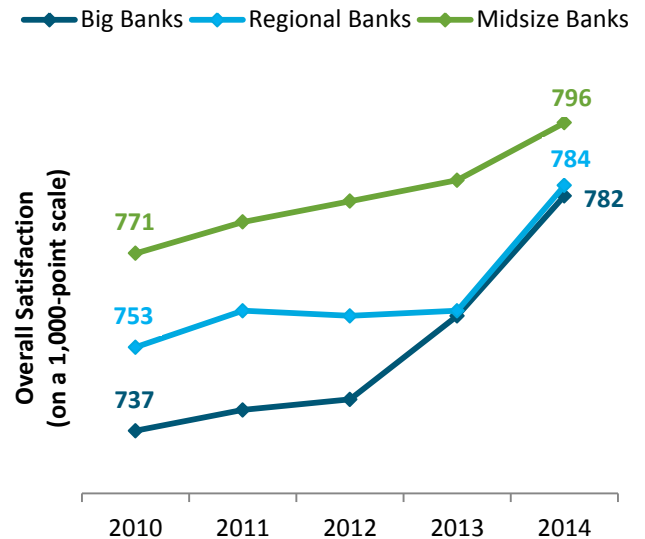
Source: 2010-2014 J.D. Power U.S. Retail Banking Satisfaction Study[SM]

Behind the Numbers

- Technology and digital interaction tend to be a competitive disadvantage for Midsize Banks. Website satisfaction is significantly lower among customers of Midsize Banks (828 on a 1,000-point scale) than among Big and Regional Bank customers (837 and 832, respectively). Midsize Banks also score significantly lower than Big and Regional banks in mobile phone and ATM interaction.

- Customer satisfaction with digital channels (website, mobile phone, and ATM) has improved at a faster pace for Big and Regional banks than Midsize Banks. With comparatively fewer resources to invest, it is unlikely that Midsize Banks will ever lead in technology, yet it is critical they remain competitive in this area to limit related customer attrition.

- The ability to acquire and retain customers in the Hispanic and Gen Y[2] emerging growth segments may have a considerable impact on future bottom-line performance. Midsize Banks are currently lagging Big Banks in their ability to satisfy those customers, driven largely by the technology offered by larger institutions.

- In addition to investing heavily in digital channel functionality, Big and Regional Banks have also focused on improving personal service. Although Midsize Banks still receive significantly higher scores for branch interaction, Big and Regional Banks are narrowing the gap. What was once a critical disadvantage for larger institutions is beginning to emerge as a potential strength.

- Proactive outreach and marketing is another aspect of the banking experience that tends to be a disadvantage for Midsize Banks. Specifically, customers at Big and Regional banks are more likely to receive proactive product communication and account reviews at branches as well as onboarding contact after account initiation.

- Big and Regional banks have been highly successful in reducing their cost to serve. In addition to reducing branch traffic by offering functional digital channels, Big and Regional banks have reduced problems by 27% since 2012, compared to a reduction of only 7% for Midsize Banks.

[1] Big Banks are defined as the six largest financial institutions based on total deposits as reported by the FDIC, averaging $180 billion and above; Regional Banks are defined as those with between $180 billion and $33 billion in deposits; Midsize Banks are defined as those with between $33 billion and $2 billion in deposits.
[2] J.D. Power defines generational groups as Pre-Boomers (born before 1946); Boomers (1946-1964); Gen X (1965-1976); and Gen Y (1977-1995).