

Retail Banking Spotlight Series

INSIGHTS INTO CUSTOMER HASSLES, DELIGHTS & PERCEPTIONS

1. INTRODUCTION

SERIES INTRODUCTION

Many banks are investing in customer experience as a way to rehabilitate their brands and improve business performance. These investments are expected to pay off in two ways:

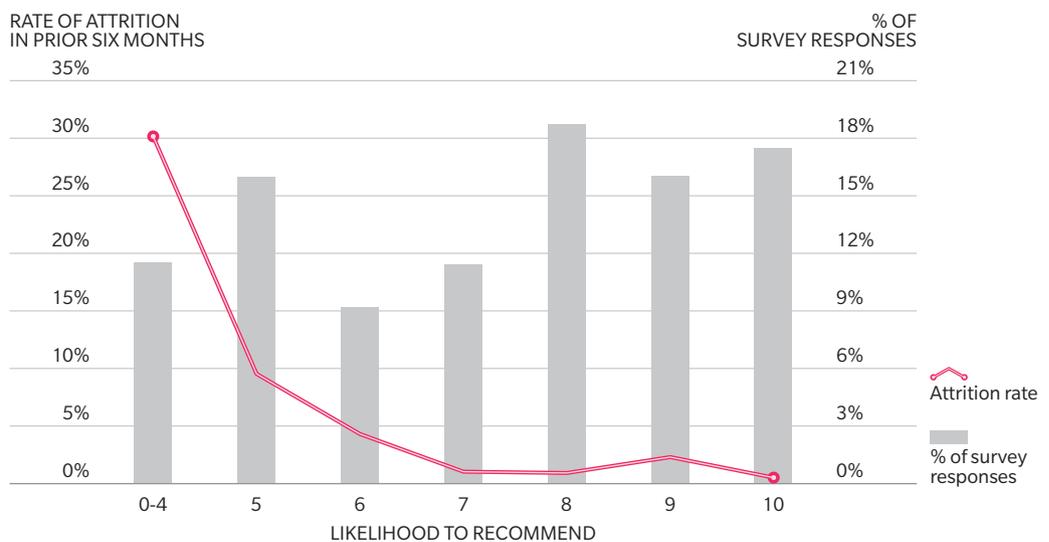
- Helping banks to attract new customers and retain existing ones, thereby stealing market share
- Maintaining and growing revenue by charging for differentiated service quality

Banks have long known that customer experience matters. Many banks conduct research that asks customers to report their likelihood of recommending a bank product or service. Customer satisfaction metrics like this can demonstrate whether there is a correlation between satisfaction and important behaviors like attrition, as shown in Exhibit 1.

Oliver Wyman recently surveyed over a thousand consumers from across the country to gain insight into their overall perception of the largest US banks. In addition to gauging their perceptions across a variety of dimensions, we asked them to assess interactions related to their primary checking account over the last six months across channels and transaction types (e.g. account opening, ATM use, inquiries, problem resolution).

This paper is the first in a series, based on our proprietary survey research, that will explore different dimensions of customer experience and their implications for large banks. One objective of the series is to complement existing metrics with a more detailed understanding of how specific interactions influence customers' overall satisfaction and behavior; a better understanding should allow banks to craft actions that improve performance.

EXHIBIT 1: 6-MONTH ATTRITION RATE BY LIKELIHOOD TO RECOMMEND



Source: Oliver Wyman analysis

HASSLES AND DELIGHTS

The survey asked customers to rate a broad set of interactions by their propensity to generate “delights” and “hassles” relative to expectations:

- **Delight** A source of pleasure or satisfaction
- **Hassle** A source of frustration or concern

Banks typically manage to objective service levels (e.g. turnaround times, dropped call rates), but customer experience is ultimately subjective and relative to each customer’s expectation. As service levels improve over time, customer expectations can rise. A service level that once delighted can quickly become table stakes and may even come to be perceived as a hassle. Banks should seek to continuously improve customer experience, monitoring evolving customer expectations and the experience delivered by competitors.

In this paper, we present some high-level findings related to “hassles” and “delights” and their implications for banks.

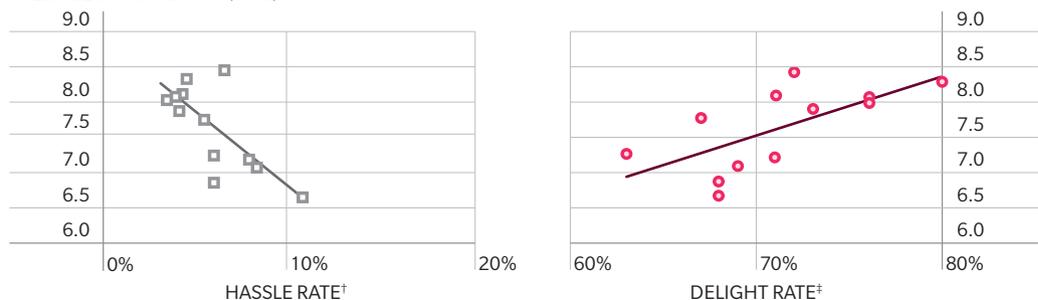
| | FINDING | IMPLICATION |
|---|---|---|
| 1 | Customer experience metrics correlate with revenue-driving customer actions | Enhancing customer experience can deliver a measurable return on investment |
| 2 | Uncommon transactions are more hassle-prone than common ones | Banks should look beyond common transactions, especially for uncommon ones that may have an outsized impact |
| 3 | Digital channels more frequently delight customers | Migrating customers to mobile and internet channels not only reduces costs, but also improves customer experience |
| 4 | Problem resolution can be delightful | Improving the problem resolution experience can help overcome the damage from the problem itself |

1. CUSTOMER EXPERIENCE METRICS CORRELATE WITH REVENUE-DRIVING CUSTOMER ACTIONS

Banks whose customers report a higher percentage of delights and lower percentage of hassles at the interaction level also report that they are more satisfied overall.

EXHIBIT 2: OVERALL CUSTOMER SATISFACTION*

AVERAGE SATISFACTION (1-10)



* In each chart, each dot represents a top-12 bank

† Hassling interactions/Total interactions

‡ Delightful interactions/Total interactions

Source: Oliver Wyman analysis

We also see that a positive experience correlates with revenue drivers. Customers of banks with a higher delight-rate also said they were more likely to buy additional products from the bank and less likely to attrite; the converse is true for customers of banks with higher hassle rates.

EXHIBIT 3: STATED LIKELIHOOD TO PURCHASE ADDITIONAL PRODUCTS FROM THE BANK

AVERAGE LIKELIHOOD TO DEEPEN (1-10)

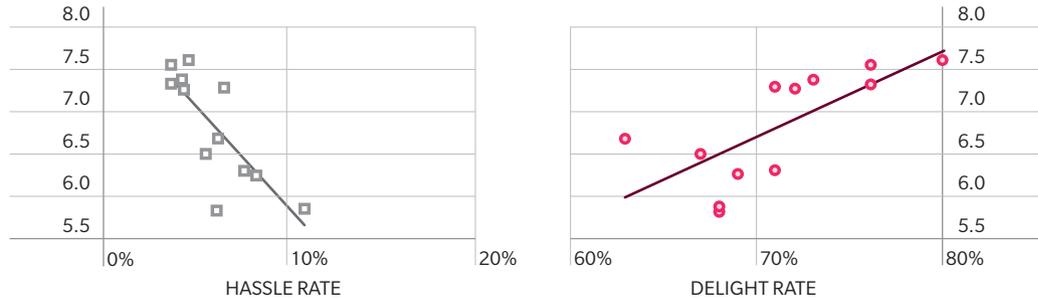
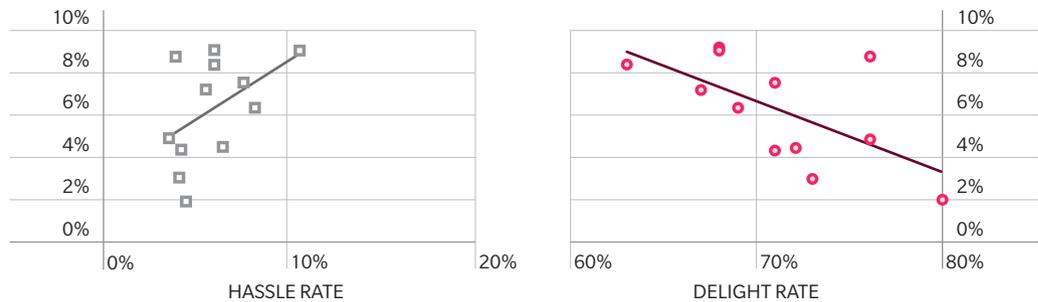


EXHIBIT 4: 6-MONTH ATTRITION RATE

AVERAGE ATTRITION RATE (%)

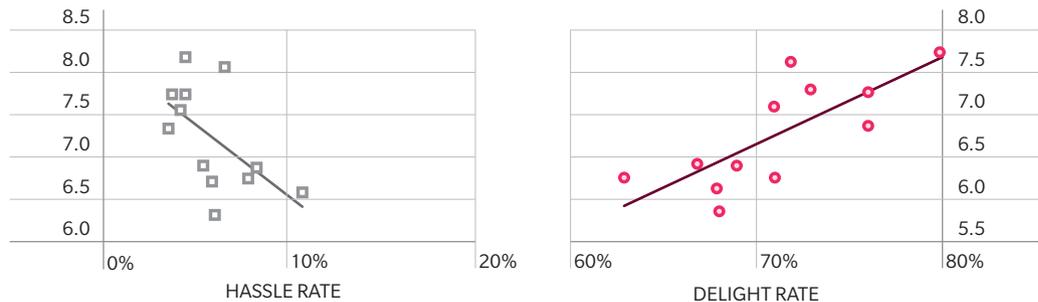


Source: Oliver Wyman analysis

Positive experiences have the added benefit of turning customers into salespeople for the bank, recommending the bank to others.

EXHIBIT 5: STATED LIKELIHOOD TO RECOMMEND THE BANK TO OTHERS

AVERAGE LIKELIHOOD TO RECOMMEND (1-10)



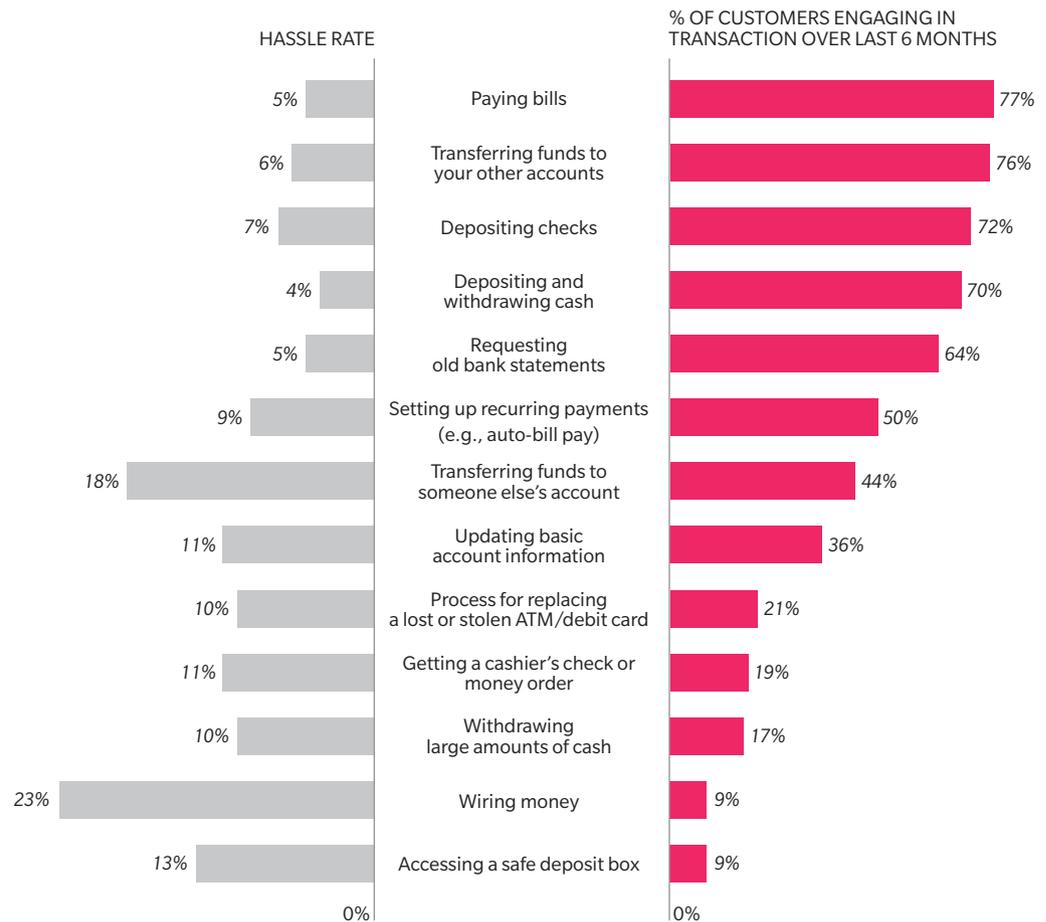
Source: Oliver Wyman analysis

2. UNCOMMON TRANSACTIONS ARE MORE HASSLE-PRONE THAN COMMON ONES

The majority of customers reported experiencing more delights than hassles over a six month period. In fact, 34% of customers did not report any hassles at all and only 5% of customers reported more hassles than delights; there was little variation by age, income, wealth, sex and other demographic characteristics. Uncommon transactions were the most hassle-prone (Exhibit 6).

While uncommon transactions may not impact as many customers, they may have an outsized impact on those customers' experience. For example, wiring money often corresponds to a major life event such as purchasing a home, a point at which a hassle may be disproportionately irritating, thereby increasing a customer's inclination to switch banks.

EXHIBIT 6: INTERACTIONS BY HASSLE RATE AND FREQUENCY



Source: Oliver Wyman analysis

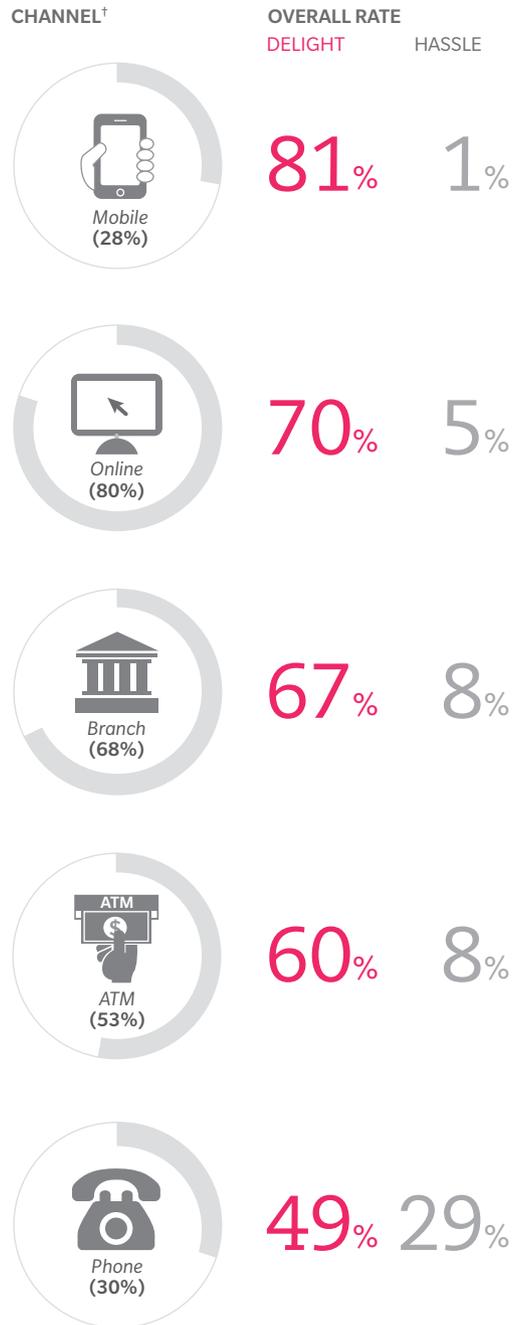
3. DIGITAL CHANNELS MORE FREQUENTLY DELIGHT CUSTOMERS

Overall, customers report more frequent delight for online and mobile channels, particularly for routine transactions. There may be a “novelty factor” for mobile transactions, but these findings suggest that transaction migration has the potential to reduce servicing costs and to improve customers’ experience.

Banks can use a range of techniques to encourage digital channel adoption based on customers’ expected value and their comfort level with self-service. These techniques range from educational efforts to targeted usage incentives. For lower value segments, banks may raise prices on traditional channels or reduce their availability, while highlighting the availability of lower-cost digital channels. Banks should test whether customer experience is consistently improved by these efforts and update their migration plans and business cases accordingly.

Banks might also accelerate their efforts to migrate uncommon transactions to digital channels where the self-service experience can be less variable; but in doing so, they must be mindful of introducing inconsistency in experience across channels. Interactions in one channel probably influence customers’ expectations when dealing with other channels. When a particular channel, e.g. phone, lags behind, hassling interactions in that channel can undermine a customer’s overall experience – delightful interactions in other channels could come to be regarded as flukes not representative of the “true quality” of the bank. Similarly, there is risk in investing disproportionately in a single channel, e.g. mobile, as it has the potential to highlight relative deficiencies in other channels.

EXHIBIT 7: OVERALL EXPERIENCE BY CHANNEL*



* Due to the survey mechanism used (web portal), it is possible that survey responses are overweight in their use of online and mobile channels

† % of customers using channel in last 6 months

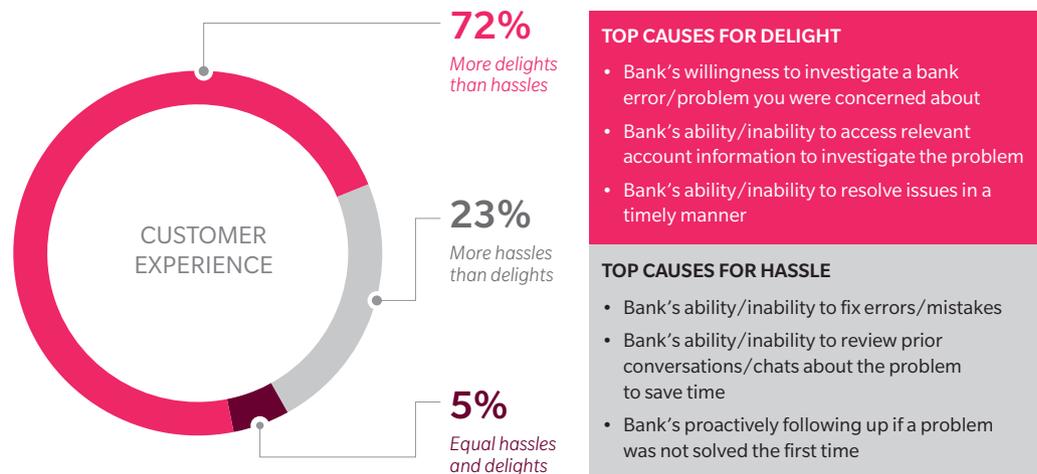
Source: Oliver Wyman analysis

4. PROBLEM RESOLUTION CAN BE DELIGHTFUL

72% of consumers surveyed reported being more delighted than hassled during problem resolutions. While counter-intuitive, this finding makes sense relative to customers' expectations. Experiencing a problem is likely to lower expectations, so delivering a quick and effective resolution can result in delight.

Banks should invest to prevent problems from occurring in the first place, but it is also important to resolve problems quickly and effectively when they do occur. The human factor can be important here, as customer experience can be materially improved just by demonstrating more empathy and responsiveness.

EXHIBIT 8: DISTRIBUTION OF CUSTOMERS BY EXPERIENCE OF HASSLES AND DELIGHTS DURING PROBLEM RESOLUTION*



* Phrasing of top causes for delights and hassles directly reflects language used in survey questions
Source: Oliver Wyman analysis

CONCLUSION

How customers experience specific interactions directly affects their overall levels of satisfaction and appears to influence their behavior in ways that affect banks' bottom lines. Understanding the nuances of the overall experience can help banks prioritize investments in areas that will have the greatest impact on results. Future papers in this series will explore this topic in more detail, driving towards a value-creating approach to customer experience improvement.

Oliver Wyman is a global leader in management consulting that combines deep industry knowledge with specialized expertise in strategy, operations, risk management, and organization transformation.

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