What Do Customers Want?

by Steve Brown

KPMG recently surveyed 100 senior bank executives from both large and small institutions for its 2014 Banking Industry Outlook Survey. While some of the information may be more relevant to larger institutions, there is still a lot to be learned from this research. The subtitle of the survey is "Banking on the Customer" and the biggest take- away from the results is that banking services in the past have primarily been designed with the bank's needs in mind. Most banks pride themselves on their customer service, so how can this be? In a highly regulated industry, the structure of products is often determined by regulatory requirements and indeed 47% of survey respondents felt that their business models have been driven more by regulation than by customer demand. Regulations aren't going away but banks will need to change their focus.

Banks are looking to the most successful retail counterparts for ideas on how to improve customer experience. Most anticipate movement toward a more seamless integration between customer usage of branches and digital technology. The use of digital channels will only increase, but customers still need branches for more complex transactions and for advice. Anyone who has listened through a long menu of "answers to common questions" while on hold, knows that most questions actually aren't addressed, or you wouldn't be calling in the first place. People need to talk to professionals to solve more complex problems, but the interaction between staff and digital need to be unified and provide a consistent customer experience.

Survey respondents don't see the end of branch banking and 41% say they actually intend to increase the number of brick and mortar locations in the next 12 to 18 months. These branches may look quite different than before, probably smaller and with advanced technology options in the branch, yet with more customer focus. Branch personnel will probably be fewer but with broader expertise than in the past.

At the same time, banks are identifying product lines with potential for growth, and one surprising survey result showed that 32% of the respondents expect asset and wealth management to be the biggest driver of revenue growth over the next 3 to 5Ys. This comes in ahead of C&I lending (28%), capital markets activity, cross-selling and all other sectors of lending. There is also a generational shift underway with the retirement of the baby boomers, but the boomers have always tended toward do-it-yourself solutions rather than looking to full- service providers like banks. If this were expected to continue, would it make sense that there is significant opportunity in wealth management?

Clearly wealth management offerings will need to reflect the same ideal of seamless interaction between digital channels and the availability of qualified advice. The only way that wealth management could be a primary driver of growth is through adaptation of services to meet the needs of the do-it-yourself generation. Those services will also need to transform to offer greater assistance as customers age and need more help.

Community banks will be dependent upon outside providers for this integration, especially on the technology side and therefore banks should take extra care in choosing providers that will be able to adapt to changing customer needs going forward. At the same time, staff should be comfortable with a broad assortment of solutions and have the real ability to solve problems. By focusing on these areas, you stand to propel your bank toward the level of service and expertise that customers expect and that should have your bank well-placed for the future.

BANK NEWS

Banker Plans

A survey of community bankers by the Fed finds: 67% have no plans to make non-qualified mortgages; 40% have no plans to roll out new products or services in the next 3Ys; 20% expect to be approached by a bank wanting to buy them in the next year; 20% expect to approach another bank in the next year and 6% are exiting businesses as a result of new regulation.

Switching Banks

A study by Oliver Wyman finds people who recently switched banks said afterwards that they considered the following number of institutions before they changed their accounts: one bank (38%); two (26%); three (19%); four (10%); five (3%); six+ (4%).

Prizes OK

A new law just signed by the Governor of NY will allow financial institutions in the state to offer prizes and giveaways to customers who deposit money into savings accounts starting in 2015.

More Faud

Javelin Strategy & Research reports that fraud losses from bank and credit card accounts jumped 45% last year to $16B.

Insider Risk

A survey of IT professionals by network security firm AlgoSec finds the following as the greatest areas of risk concern: accidental insider threats (44%), malicious insider threats (29%), financially motivated hackers (22%) and political "hacktivists" (5%).

Not Servicing

GNMA reports punitive Basel III treatment of mortgage servicing rights has driven the share of bank controlled servicing of GNMA mortgage issuance to 56% this year vs. 87% in 2011.

Mobile Banking

A survey by FindABetterBank finds the following percentages of people who say they must have mobile banking to open a bank account by age: younger than 30Ys (42%); 30Y to 39Y (37%); 40Y to 49Y (32%); 49Y to 59Y (27%); 60Y+ (17%).

Apple Payments

FIS reports Apple Pay is currently accepted by about 2% of U.S. merchants or about 220k locations.