



Get A Leg Up on Direct Banks With Better Customer Experience

customer service competition

Summary: Digital banks are known for superior customer service, as well as easier and faster digital capabilities. CFIs can combat this by enhancing their own digital channels. We detail some best practices on how to accomplish that.

Ever wonder how “customer service” became an established function within the business world? The idea of customer support teams came about during the Industrial Revolution, when mass production meant that companies had to correct defects, offer refunds, or improve their offerings to avoid losing business to competitors. Customer service really became institutionalized in the late 1800s with the advent of the telephone by Alexander Graham Bell, as customers could then call companies en masse with questions or concerns. The digital world, however, has taken customer service to a whole other level.

Who in the financial world is best taking advantage of enhanced digital capabilities to provide superior customer service? More and more customers are saying it’s “direct banks” — those institutions that have no physical branches and only provide services via digital channels. More than half (59%) of individuals who had checking and savings accounts with a direct bank say they have never had a problem or complaint with the institution, according to the J.D. Power 2022 [U.S. Direct Banking Satisfaction Study](#). For those who did contact their direct bank with a problem or complaint, 83% say it was convenient to reach customer service and 88% say their most recent problem was resolved.

This is in contrast with customer sentiment about traditional banks, [according to the 2023 BAI Banking Outlook survey](#). The number one way their institution should improve the digital experience would be to improve customer service. Even financial institution leaders responding to BAI’s survey admit their digital capabilities are lacking — 44% say the digital customer experience they deliver is merely average, and only 4% believe the experience is excellent. This may be one of the main reasons why more customers are moving their primary accounts to a direct bank, according to the survey — particularly Gen Zers and millennials.

How can traditional community financial institutions (CFIs) better compete with digital banks? From customer service changes to a more robust digital experience, you may want to consider these strategies:

Deliver 24/7 customer support.

Customers responding to the BAI survey cited 24/7 customer support as a feature they would greatly appreciate. While round-the-clock customer support is a given among direct banks, some traditional institutions are now implementing 24/7 customer service for phone and/or through online chat. Even expanding your customer support by an hour or two on weekdays can enable customers who aren’t available during your standard operating hours to get support with your products and have questions answered quickly.

Enhance customers’ digital experience.

Customers responding to BAI’s survey say they would like their financial institution’s app and other digital capabilities to be easier to use and much faster. Other preferred enhancements would be faster payments and transactions, streamlined ID verification, more personalization, better protection from fraud and identity theft,

and the ability to easily turn cards on and off. “Understanding these priorities can help banks and credit unions strengthen their relationships with customers by making the everyday digital experience easier, safer and more personal, which in turn can provide a valuable differentiator in an increasingly competitive landscape,” BAI states.

Add more — and better — functionality.

Customers responding to BAI’s survey would like to be able to open a checking or savings account online, as well as apply for a loan online. For customers whose financial institutions already have these capabilities, many want the processes to be easier and faster. [Digital loan applications](#) for small business customers, in particular, can greatly aid CFIs in getting a leg up on direct banks. Says one consultant: “The lack of a digital environment in many community financial institutions across the country makes basic bank operations for US small businesses much more difficult than it needs to be.” A change in the process toward a more digital experience will open doors for small business owners who find filling out paperwork and traveling to a branch too inconvenient or cumbersome.

Tout how you're already superior to digital banks.

For all that a direct bank can offer, such institutions fall short in other areas in the eyes of customers — and this is where traditional CFIs typically excel.

Aggressively market the strengths that digital-only banks lack:

- **A face-to-face personal relationship** with a branch manager or associate. This type of connection helps build trust with customers. It also offers customers greater flexibility with both the terms of their account and any fees or service charges.
- **ATMs for 24/7 deposits and withdrawals**, along with terms that include waiving fees and limits on the number of transactions at other institutions’ ATMs.
- **Ancillary services**, like in-person investment and insurance services, or even routine services such as notarization and bank signature guarantees.

Invest in making your digital capabilities as robust as those of direct banks — or better, especially your customer service and experience, and don’t forget to advertise loudly and often how much your in-person services are inherently better than those of direct banks. Customers will reward you with greater loyalty!

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ECONOMY & RATES

Rates As Of: 06/15/2023 05:36AM (GMT-0700)			
Treasury	Yields	MTD Chg	YTD Chg
3M	5.36	-0.16	0.94
6M	5.36	-0.10	0.60
1Y	5.29	0.14	0.58

2Y	4.73	0.32	0.30
5Y	4.03	0.27	0.02
10Y	3.81	0.16	-0.07
30Y	3.89	0.03	-0.08
FF Market	FF Disc	LOBB	
5.08	5.25	5.15	
SOFR	Prime	QBFR	
5.05	8.25	5.06	

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