



Identifying Customer Attrition



business customers customer experience customer retention

Summary: CFIs can't rely on inertia to keep their customers. It can cost around \$300 to acquire a single customer. By paying attention to the reasons that clients switch providers, you can help ensure that attrition doesn't erode your customer base. We explore the key reasons that customers leave their banking institutions.

The catchy song "Hit the Road Jack" was actually [written by R&B vocalist Percy Mayfield](#), who in 1960 recorded a demo in a cappella. But Ray Charles' rendition a year later made it famous, after the song made it to No. 1 on the charts. Some "hit the road" synonyms include count ties, get-going, hit-the-trail, pound-the-pavement, walk the tracks and leave. Community financial institutions (CFIs) should never want to hear any of those phrases from their customers.

In the banking industry, it costs around \$300 to acquire a single customer. That number reflects the marketing, product selection, personalization, relationship creation and management that go into building your institution's customer base. All told, 124.2M US households have banking relationships; those relationships cost CFIs \$3.73B to acquire.

Once you have those customers, you don't want to lose them. By understanding the reasons that customers leave their banking institutions, CFI's can become more effective in keeping the relationships they've worked hard to form.

Main reasons a customer switches

Protecting customer data is the single most frequent reason that customers cite in explaining a decision to switch financial institutions. Various kinds of fraud, including identity theft, are increasingly common, and customers are eager to avoid it. Any hint that a CFI hasn't handled fraud professionally, does not take it seriously, or doesn't demonstrate visible measures to protect customer data, runs a substantial risk of client attrition.

Product prices and fees are in second place. Customers like to know that they are getting good value for their money. They like straightforward pricing and dislike surprise expenses. This is particularly true of commercial customers. Transaction and service fees erode commercial customers' profitability and they often are called on by competitors offering less expensive options.

The ease of switching financial institutions is among the lowest-ranking reasons for making a change. That's somewhat surprising, given how often the hassle of switching to a new banking provider is cited as a reason for staying with an adequate, but uninspired, choice.

Other reasons that customers leave

Although protecting data and reducing prices and fees lead the list of reasons that customers find new financial providers, they aren't the only items on the list. CFIs should be aware of others, which include:

- **Poor customer service.** Banking is a relationship business. If customers don't feel that a financial organization appreciates their business, they're likely to take that business elsewhere.
- **Value misalignment.** Individuals and businesses both want to feel as though they are doing business with a CFI that shares similar values. These include interest in and concern for the community and a demonstrated desire to treat other people well.
- **Inducements.** A client that feels a CFI is adequate, but not amazing, might switch to a different financial organization, if a competitor offers the right incentive. Often the incentive is cash.
- **Inconvenient branch locations.** Of course, not all CFI customers visit physical branches. For those that do, having a branch location that's convenient to home or work is an important factor in choosing a banking relationship. If the branch network shrinks and the convenient location no longer exists, that could be a reason for people to find a new provider.
- **Inadequate digital product and service offerings.** All customers expect CFIs to keep up with emerging technology. Business customers in particular want the customization and digital advances that make their lives easier and companies more profitable. Without it, they may go elsewhere.

Younger customers are particularly interested in digital banking features. According to a digital consulting survey, [46% of banking customers under age 55 would switch providers](#) to get better digital offerings. 35% of that group said they'd change for a mobile app that's easier to use. By contrast, just 27% of customers aged 55 and up cited digital features as a reason to change their financial provider.

- **Not feeling valued.** Everyone appreciates feeling noticed and valued. Business customers are particularly quick to take note if they feel a CFI doesn't understand and address their business complexities.

CFIs can't rely on inertia to keep their customers. By paying attention to the reasons that clients switch institutions, they can help ensure that attrition doesn't erode their customer base.

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ECONOMY & RATES

Rates As Of: 07/18/2022 07:56AM (GMT-0700)

Treasury	Yields	MTD Chg	YTD Chg
3M	2.37	0.65	2.31
6M	2.94	0.43	2.75
1Y	3.11	0.33	2.73
2Y	3.18	0.22	2.44
5Y	3.11	0.07	1.84
10Y	2.99	-0.03	1.48
30Y	3.15	-0.03	1.25
FF Market	FF Disc	IORR	
1.58	1.75	1.65	

SOFR	Prime	OBFR
1.54	4.75	1.57

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