

# *Experience Radar 2013*

Lessons from the U.S. Retail  
Banking industry

*Locating the sources  
of value behind truly  
exceptional customer  
experience*

*November 2012*



*volume 1*

**pwc**

# *Experience matters.*

## You can bank on it. Customers do.



In the last decade, retail banking has taken a backseat to investment banking. Now it's back in the spotlight, with regulatory reform, increased price transparency and competition from nontraditional entities making it much harder to grow profitably.

While many banks have failed, the ones that have survived are trying to differentiate themselves and create a sustainable value proposition. But how do you do that in an industry in which products have essentially remained the same over the last century?

Put aside uniform products and pricing structures. Listen to the voice of the customer who is in the mindset of buying banking products.

By building custom experiences for different target segments, you can provide the value that customers seek in their banking experiences. And build a river of goodwill at the same time as you profit from the customer stickiness.

Experience Radar helps you locate two elements critical to pleasing your customers and growing your business: **experience segments** and **experience enhancers**.

- **Experience segments** are those natural groupings of customers that appear once survey respondents are categorized by the features they value, their sociodemographics and behavioral profiles. They're who you can build a business around.
- **Experience enhancers** are those market insights that, when translated into practical actions, can create value for bank customers. They're what you might do to grow your revenue.

Experience Radar points the way to value—and profits—by identifying ways to serve all your customers, but particularly those seeking an experience that's second to none.

Best,

A handwritten signature in black ink, appearing to read "Paul D'Alessandro".

**Paul D'Alessandro**  
*PwC U.S. Customer Impact Leader*

**Dean Nicolacakis**  
*PwC U.S. Banking & Capital Markets*

# Customer insights for the Retail Banking industry

*PwC's Experience Radar helps businesses find the often hidden sources of value that drive truly exceptional, differentiated customer experience.*

*By helping retail banks rank their product and service features, Experience Radar locates opportunities to create value and thereby bolster top-line growth and bottom-line results.*

*This year's series of studies measures the experiences of about 6,000 U.S. consumers across multiple industries.<sup>1</sup> The Experience Radar assigns value to a broad set of customer experience attributes broken down into industry-specific elements and then ranked by what target segments value most.*

*Our methodology employs an advanced conjoint survey technique to reveal insights that can be honed to improve precision. Other, more traditional customer experience studies typically do not tie to "hard economics" like value measures, price elasticity and churn metrics. Experience Radar does.*

*While the results outlined in this report are at the industry level, PwC can use this same methodology to develop an Experience Radar that is customized to your business.*

<sup>1</sup> Retail Banking, B2B Software, Communications & Media, Groceries, Airlines, Pharmaceuticals and Home Services

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# Retail Banking challenges and opportunities

Profitability has plummeted. Customers and regulators alike are battling new fees. Loan demand is weak. And net interest margins are squeezed.

The good news is that retail banks have the tools they need to rebuild their profit margins. Other industries like Retail & Consumer have blazed the path by creating a single view of the customer through multiple channels. And upstart competitors have demonstrated how to mine big data to understand risk and cater directly to customer needs.

Money is not like music or shoes, at least not yet. Customers show a high level of trust in their banks by giving them their money.

Retail banks can build on that foundation to deliver a level of experience that nontraditional players entering the market simply cannot match. The caveat is, they must act now.

Despite many threats to profitability, retail banks have rich opportunities for growth. Customers will pay for banking experiences they value. The challenge lies in delighting

customers through experiences they value rather than exhausting resources on offerings they ignore.

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## Threats

- Erosion of brand equity and customer loyalty
- Regulations that restrict future revenue sources or give third-party competitors an advantage
- New technologies that allow financial functions to take place outside the traditional branch network
- Bad word of mouth spread virally via social networks

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## Opportunities

- Build more holistic profiles of customer needs and wants
- Retain customers by delivering exceptional experiences
- Leverage the competitive advantage of trust and provide a full-service relationship
- Build partnerships to expand the value offered to customers
- Monetize customer data through analytics

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Many of the old ways of making a profit in Retail Banking—like fees at the backend of transactions—are off the table. The new ways of making a profit require capabilities

that retail banks do not define as central to their mission. That must change for these banks to deliver value to customers for which they will be willing to pay.

# *Putting the Retail Banking customer first*

Customer experience is quickly becoming a differentiator for retail banks.

Peel back the onion. Get to the core of who your customer is and what he or she values.

## Experience Radar can help you:

- Develop products and services that matter to customers
- Figure out whom to target and how to market experience-based offerings
- Set yourself apart in an increasingly competitive environment
- Connect the dots between customer value and sustainable financial performance
- Attain top-of-wallet status with your customers



While the insights in this report focus on Retail Banking, many of the lessons are applicable to customer experience management across industries.

# *Experience Radar measures the experiences of thousands of consumers*

We use an advanced primary research technique<sup>1</sup> to assign values to these attributes at an industry level

## The **5** core attributes of the Retail Banking customer experience



QUALITY

Performance and value received



SUPPORT

Friendliness and ease of obtaining help



CONVENIENCE

Anytime, anywhere access



PRESENTATION

Aesthetics, arrangement, pride in presentation



COMMUNITY

Customer's personal brand and connections with others

<sup>1</sup> Adaptive choice based conjoint

## 2012 experience segments

# Experience Radar's Retail Banking customer segmentation

### What is it?

This schema uncovers which customers value banking experiences and what they want.

### How's it different?

Traditional market segmentation is usually based purely on demographics. In contrast, we categorize banking customers by the features they value, their social demographics and their behavioral profiles.

### What is its value?

This segmentation provides direction on whom to target and how to market experience-based offerings. Use it to complement the work you are already doing with customer segmentation and voice of the customer.

## The 4 experience segments

*Promising  
Paula* **1**



*Experiential  
Eric* **2**



*Aloof  
Ally* **3**



*Comfortable  
Carl* **4**



# Snapshot of Retail Banking segments

**Promising Paula**



**Experiential Eric**



**Aloof Ally**



**Comfortable Carl**



**Promising Paula 1**

**Experiential Eric 2**

**Aloof Ally 3**

**Comfortable Carl 4**

## Who is this segment?

Youngest segment with many in college and lower earnings

Most affluent and educated segment nearing or in retirement

Middle-aged segment with some nearing retirement and many having middle-to-high-income families

Middle-aged segment with a middle income

## What does this segment value?

Impatient and on the go, she values efficiency (e.g., shorter wait times, immediate issue resolution and mobile access). With limited assets, she easily switches banks and seeks the best rate.

With many assets and complex financial needs, he values the banking experience. He wants specialized treatment, and human support and digital convenience are key.

Busy with family life, she views bank interactions as transactional rather than experiential. Believing in self-reliance, she values self-servicing channels the most.

Though he values human support, he prefers finding answers on his own before asking the bank for help.

## How important for this segment is sharing feedback on experiences?

- Existing bank relationship more important than bank reputation or recommendations from friends and family
- Shares banking experiences with others briefly (3 out of 5 stop sharing after a month)

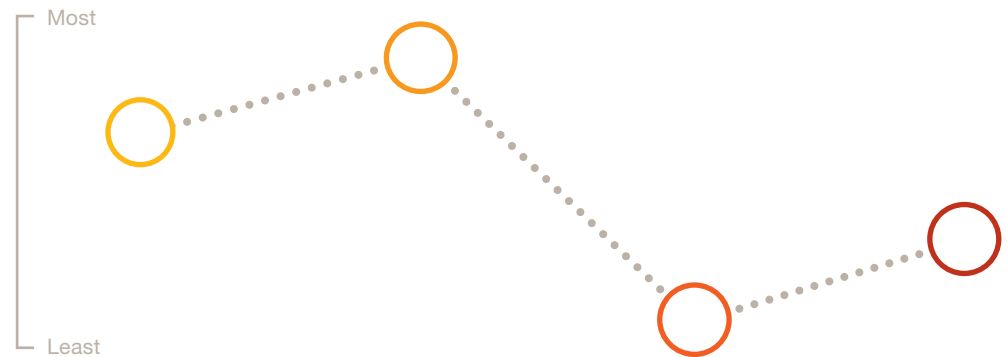
- Vocal segment, with 3 out of 5 telling friends and family about good banking experiences
- Very likely to share bad experiences, with 4 out of 5 notifying banks of concerns

- More likely than other segments to recall good experiences, but least likely to share
- Likes to know that she's been heard

- Does not talk a lot about good experiences
- Most vocal segment about bad experiences; 1.3x more likely than other segments to discourage anyone who will listen

# Comparing the experience segments

Which segment has the greatest lifetime value?



**Promising Paula 1**



- Build your relationship with her while she's young
- Keep her close with convenience and efficiency
- Graduate her to other products when she's ready to buy more

**Experiential Eric 2**



- Resolve issues immediately and with care
- Provide dedicated and knowledgeable advisors
- Leverage his good word-of-mouth to attract similar customers

**Aloof Ally 3**



- Let her know when she's been heard
- Expect to meet her needs by meeting the needs of other segments

**Comfortable Carl 4**



- Monitor him closely to control bad word of mouth
- Keep him happy with simple self-service tools
- Keep cool-headed and positive

How to serve them

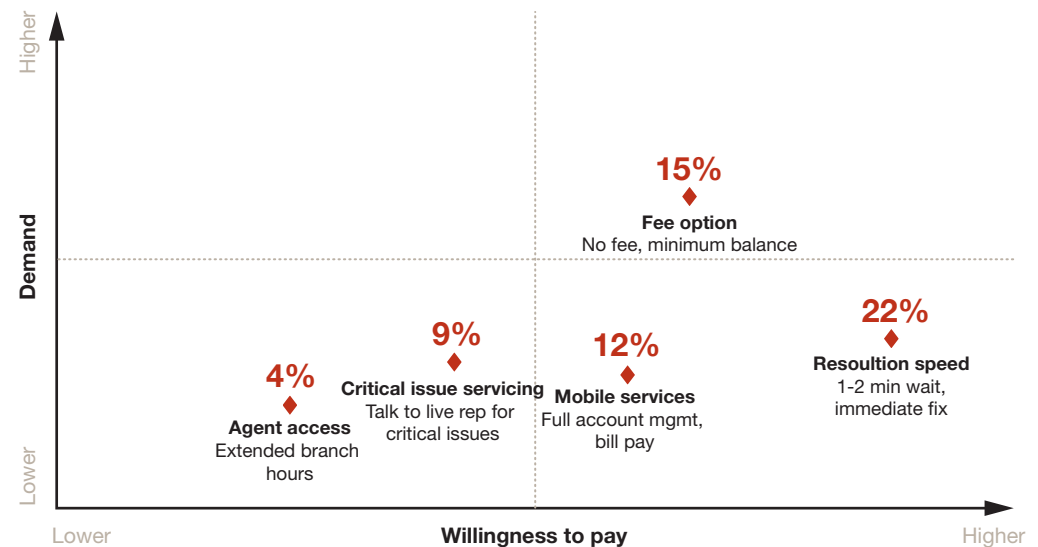
# Overall, what do customers value in retail banking?

... and what will they pay for?

Fees at retail banks are a critical part of the experience. When they can afford it, customers seek a premium experience that allows them to avoid transaction fees by maintaining a minimum daily balance. They enjoy the convenience of digital access to manage accounts.

However, when issues occur and emotions are high, resolution speed and access to a live representative are what win out. When they're close to the branch and need to talk to an agent, customers prefer even short conversations in person over anytime, anywhere access.

Customer value for top features



This chart ranks features based on **customer demand and willingness to pay for each feature**. The percentages indicate the size of the premium that customers are willing to pay for that feature.

# Comparatively, how do segments value features?

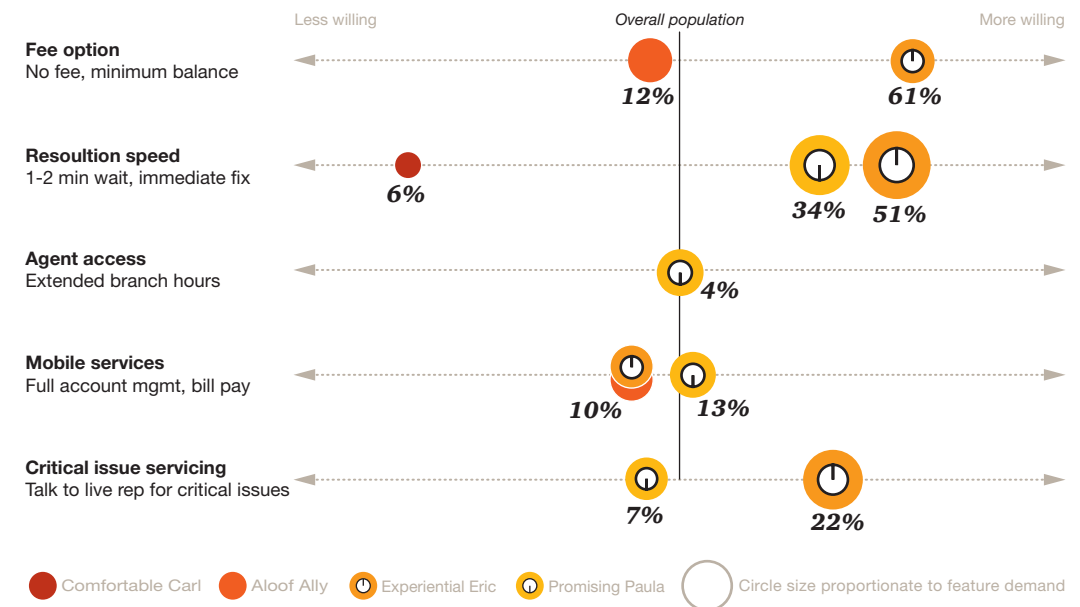
Compared to the other segments, Experiential Eric<sup>1</sup> is the most willing to pay across key features. He seeks an upgraded experience centered on avoiding transaction fees in exchange for a minimum balance and resolution of issues. Given his high transaction frequency, he wants anytime access through mobile services—a feature also valued by Promising Paula<sup>1</sup> and Aloof Ally<sup>1</sup>.

Promising Paula<sup>1</sup>, young and impatient, is willing to pay more than others for prompt assistance when issues arise and also values live support. Comfortable Carl<sup>1</sup> for the most part does not care about the frills in his banking experience. It's just when an issue arises, he is willing to pay for faster resolution.

<sup>1</sup> Links to 2012 Retail Banking Experience Radar segments of Promising Paula (young, low income earner and high banking frequency), Experiential Eric (affluent, older, high banking frequency), Aloof Ally (middle to high income with families, moderate banking frequency) and Comfortable Carl (middle-aged, middle income, and lower banking frequency)

Identify a segment's demand and willingness to pay for a feature compared to overall population

## Comparative willingness to pay a premium for the feature



This chart compares **segments' demand for individual features as well as their willingness to pay for the feature**. The percentages indicate the size of the premium that the segment is willing to pay for an enhanced experience with that feature. The size of the bubble indicates the demand for the feature.

## 2012 experience enhancers

Building (and growing) your business by designing and delivering exceptional customer service



The five behaviors that banks can adopt to enhance customer experience and create value are:

**1**  
**Win**

the fee war

**2**  
**Fix**

the bad fast

**3**  
**Help**

your story  
get told

**4**  
Go  
**digital,**  
it matters

**5**  
**Balance**  
automation with the  
human touch

# Win the fee war

Economic volatility and stark fee changes have made customers frustrated with fees. Come to grips with the full impact of these fees. Offset confusion through education and communication. And give customers control by providing service options.



## Fees and rates dominate the banking experience.

Customer sensitivity to price started escalating during the financial crisis, and it has continued to drive customer decision

making. You may make up lost revenue by increasing fees, but you will drive out frustrated customers. One out of 4 memorable bad experiences involved rates or fees.

## Top

driver of bad experience

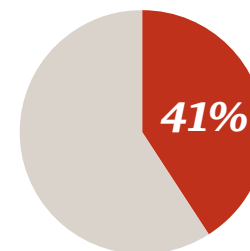


Since 2010, the median extended overdraft penalty fee has risen by 32%.<sup>1</sup> It is no surprise that rates and fees influence consumer purchasing so much.

## Top

driver of purchase behavior

### Influence of rates and fees on purchase:



### Rates and fees:

- 2.7 times more important than bank reputation
- 3 times more important than existing relationship with bank
- 3 times more important than branch location and hours

<sup>1</sup> June 2012. Web. <[http://www.pewtrusts.org/uploadedFiles/wwwpewtrustsorg/Reports/Safe\\_Checking\\_in\\_the\\_Electronic\\_Age/Pew\\_Safe\\_Checking\\_Still\\_Risky.pdf](http://www.pewtrusts.org/uploadedFiles/wwwpewtrustsorg/Reports/Safe_Checking_in_the_Electronic_Age/Pew_Safe_Checking_Still_Risky.pdf)>.

# Win the fee war

Economic volatility and stark fee changes have made customers frustrated with fees. Come to grips with the full impact of these fees. Offset confusion through education and communication. And give customers control by providing service options.

# 51%

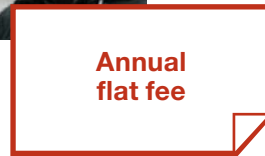
prefer fee per transaction or an annual flat fee

## Different segments<sup>1</sup> prefer different fees.

Getting the fee structure right is the baseline to customer experience. If you are willing to adapt to what's important to customers, you will find that one size definitely does not fit all.



Promising Paula values



**4.6x**

more than other segments



Comfortable Carl values



**2.6x**

more than other segments



Experiential Eric values



**2.4x**

more than other segments

Fear of loss has a stronger psychological power than the excitement of gain, especially where money is concerned.

That is why close to half of customers would opt for a minimum balance over per transaction fees—despite a 24% hike in the minimum requirement last year.<sup>2</sup>

**15%**

Premium a typical customer would incur to exchange a minimum balance for fees.

<sup>1</sup> Links to 2012 Retail Banking Experience Radar segments of Promising Paula (young, low income earner and high banking frequency), Experiential Eric (affluent, older, high banking frequency), Aloof Ally (middle to high income with families, moderate banking frequency) and Comfortable Carl (middle-aged, middle income, and lower banking frequency)

<sup>2</sup> Banking Damage: ATM, Checking And Overdraft Fees Rise In 2012. Forbes, 13 Aug. 2012; From \$3,590.83 to \$4,446.57

# Win the fee war

Economic volatility and stark fee changes have made customers frustrated with fees. Come to grips with the full impact of these fees. Offset confusion through education and communication. And give customers control by providing service options.

# 27%

value specialized treatment of gold or platinum status

Fee sensitivity has reduced the craving for more functionality. Still, customers clearly value service efficiency.

## Hassle free = #2 source of great experience

85%

value shorter wait times and fewer follow-ups with agents to resolve issues

1 in 4



seek priority treatment for shorter branch and call center wait time, faster issue resolution and personalized service<sup>1</sup>

Experiential Eric<sup>2</sup> values service efficiency the most, along with human support.

10 out of 10

Value less wait time and follow-ups for issue resolution

7 out of 10

Value human support for critical issues and are willing to pay a 13% premium

<sup>1</sup> 15% value branch & call center priority service and 12% value branch & call center priority along with personalized service. Personalized service includes dedicated advisor and customized product offerings.

<sup>2</sup> Links to 2012 Retail Banking Experience Radar segments of Promising Paula (young, low income earner and high banking frequency), Experiential Eric (affluent, older, high banking frequency), Aloof Ally (middle to high income with families, moderate banking frequency) and Comfortable Carl (middle-aged, middle income, and lower banking frequency)

## Win the fee war

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### Recommendations

You need to:

# Communicate

Fee schedules and policies can be tricky to find and hard to understand. Laying out fee expectations upfront can prevent customers from feeling nickel and dimed. When fees change, alert customers before they are

applied, explaining the reasons and providing alternative fee structure options. Spread the word across your channels to make sure they hear. Create support channels where their questions and concerns can be heard.

# Give control

Fees should come in different shapes and sizes. Get to know your customers and create a flexible pricing structure that gives them control to select what suits their needs. Fee options will attract segments with simple transactions— like the under-banked

and Comfortable Carl<sup>1</sup>—who prefer per-transaction fees. Promising Paula<sup>1</sup> also values fee options; despite her limited income, she banks frequently and would prefer a one-time annual fee.

# Target

While most customers are wary and weary of bank fees, some are willing to pay a premium for an upgraded experience. Older and affluent, Experiential Eric<sup>1</sup> values service efficiencies on issues such as human support and prompt resolution. Some customers value priority lines in the branch and call center, while some seek more elite services to personalize their banking experience. Conduct a behavioral-based segmentation to develop a product and pricing strategy grounded in what customers value.

*Some hidden truths surfaced in this year's Experience Radar*

The **big** question:  
What might this mean  
for the future of your  
business?

**2 in 5** Bad experiences touch on rates and fees, often because customers are confused about terms.

This is not surprising, given that the average bank checking account disclosure statement is 69 pages long.<sup>1</sup>

**60%** Of memorable great experiences involved some form of human touch.  
**Yet** average attrition for bank staff is 26%.<sup>2</sup>

**#1** Driver of purchases is bank rates and fees.  
26% of customers left their old bank this year with high fees as the primary reason—close to double the attrition rate from last year (14%).<sup>3</sup>

<sup>1</sup> June 2012. Web. <[http://www.pewtrusts.org/uploadedFiles/wwwpewtrustsorg/Reports/Safe\\_Checking\\_in\\_the\\_Electronic\\_Age/Pew\\_Safe\\_Checking\\_Still\\_Risky.pdf](http://www.pewtrusts.org/uploadedFiles/wwwpewtrustsorg/Reports/Safe_Checking_in_the_Electronic_Age/Pew_Safe_Checking_Still_Risky.pdf)>.

<sup>2</sup> March 2012. Web. Federal Financial Institutions Examination Council. "Consolidated Reports of Condition and Income"

<sup>3</sup> "Customer Service Strategies for the Retail Banking Industry." Genesys, 2008. Web.

## Fix the bad fast

Customers want to feel like their banks are working with them, not against them. Don't let customers walk away with a sour taste in their mouth. Turn issues into opportunities to build loyalty.

# 2 out of 5

shifted business to another bank after a bad experience

Recognizing the breadth of problems customers face, acknowledging mistakes, and quickly resolving issues can turn bad experiences into positive memories.

Otherwise, you face:

**Damaged** loyalty

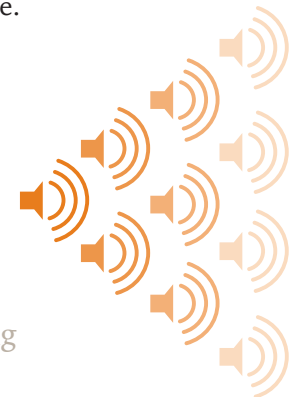


Customer **defection**

2 out of 5 shifted business to another bank after a bad experience. And the destruction does not stop here.

**Negative** word of mouth creates a snowball effect

**45%** will discourage others from using their bank after a bad experience



*“When they mistakenly [withdrew] money from my account, it made me lose faith in [the bank].”*

## Fix the bad fast

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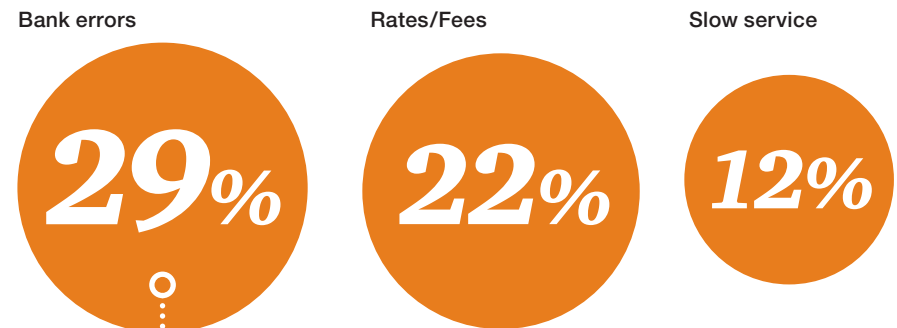
“My prior bank ...

never apologized for the inconvenience when a situation went wrong.”

You need to understand the sources of dissatisfaction and how bank actions impact the consumer.

**2 out of 5** bad experiences are due to **bank errors** and **slow service**

### Top drivers of bad experiences



Focus on consumer experiences that matter. **Bank errors** are

**#1** driver of bad experiences.

“Processed a **fee twice**.”

“They deposited the money in the **wrong account**.”

“**Charged fees** that weren't mine.”

“Teller counted my **deposit wrong**.”

“They **lost** my **deposit**.”

“My deposit was frozen due to a **bank error**.”

# Fix the bad fast

Customers want to feel like their banks are working with them, not against them. Don't let customers walk away with a sour taste in their mouths. Turn issues into opportunities to build loyalty.

# Go the extra mile

Solving problems effectively lets you turn mistakes to your advantage. Start with sympathy and an apology. A simple response from your front-line can go a long way.

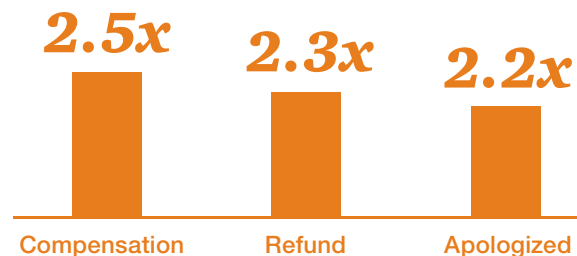
### Effect of an apology on satisfaction



On average, it costs \$200 to acquire a new customer.<sup>1</sup> That's why it is so important to make angry customers feel whole again. Banks that respond<sup>2</sup> to their

upset customers are ~2.3 times more likely to retain those customers than if they did nothing.

### The likelihood that customers will repurchase if a bank takes action, versus no action



“I never got an apology, just **excuses.**”

<sup>1</sup> [http://www.insightecosystems.com/Libraries/Downloads/The\\_Customer\\_Ecosystem.sflb.ashx](http://www.insightecosystems.com/Libraries/Downloads/The_Customer_Ecosystem.sflb.ashx)  
<sup>2</sup> Actions can include apology, refund, compensation, etc.

# Fix the bad fast

Customers want to feel like their banks are working with them, not against them. Don't let customers walk away with a sour taste in their mouths. Turn issues into opportunities to build loyalty.



<sup>1</sup> Links to 2012 Retail Banking Experience Radar segments of Promising Paula (young, low income earner and high banking frequency), Experiential Eric (affluent, older, high banking frequency), Aloof Ally (middle to high income with families, moderate banking frequency) and Comfortable Carl (middle-aged, middle income, and lower banking frequency)

## Recommendations

You need to:

- 1** Get the **basics** right. Focus on the most important things first.  
Analyze service issues and complaints. Invest in processes and technology to minimize errors. For customers like Aloof Ally<sup>1</sup> and Comfortable Carl<sup>1</sup>—who like to solve problems on their own—provide the right mix of capabilities across channels.
- 2** Develop a service recovery program. Give **frontline staff** a mix of solutions.  
It is critical to create a service recovery program that ensures customers are satisfied even after things go wrong. Identify solutions to keep customers happy without breaking the bank. Watch out for customers who are easily frustrated, like Promising Paula,<sup>1</sup> or who are quick to broadcast bad experiences, like Comfortable Carl.<sup>1</sup> Monetary compensation may be your best weapon.
- 3** Train and **incent** your bank staff. They are an essential part of customer experiences.  
Staff friendliness and knowledge play a significant role in customer happiness. Create a staff experience program to give them the tools to handle issues and requests on their own. Tie performance metrics and incentives to effective issue resolution.
- 4 Respond** to customer reviews in social media.  
Monitor what customers are saying. Time is of the essence. Acknowledge feedback right away. Develop a social media risk management plan to prioritize feedback, develop response strategies, and mitigate bad press.



# Help your story get told

Customers can become your best marketers. Look to your staff to help make this happen. Identify the key influencers among your customers to serve as your brand advocates.

# Good

experiences translate into more business from existing customers and new ones

Good experiences translate into more business from existing customers and new ones.

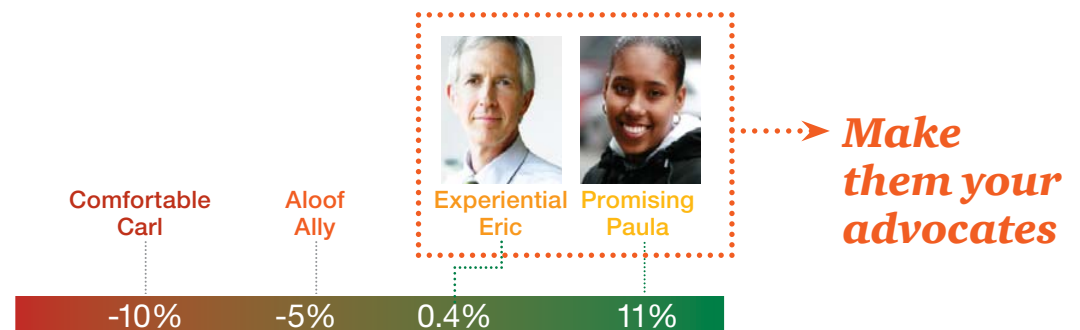
## Recommendations especially from promoters

lead to

# Purchases

Promoters account for 80 to 90% of positive word of mouth.<sup>1</sup> Focus on customers who are likely to repurchase and have a strong scope of influence:

Likelihood that a segment will recommend the bank after a good experience<sup>2</sup>



<sup>1</sup> <http://www.netpromotersystem.com/system-processes/loyalty-economics.aspx>

<sup>2</sup> **Segments:** Links to 2012 Retail Banking Experience Radar Segments of Promising Paula (young, low income earner and high banking frequency), Experiential Eric (affluent, older, high banking frequency), Aloof Ally (middle to high income with families, moderate banking frequency) and Comfortable Carl (middle-aged, middle income, and lower banking frequency)

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# 1 out of 4

customers use digital channels to share banking experiences

1 Links to 2012 Retail Banking Experience Radar segments of Promising Paula (young, low income earner and high banking frequency), Experiential Eric (affluent, older, high banking frequency), Aloof Ally (middle to high income with families, moderate banking frequency) and Comfortable Carl (middle-aged, middle income, and lower banking frequency)

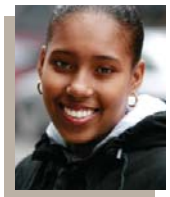
2 Aged 18 - 26

3 Convergys, "Customer Service in the Age of Social Media," 2011

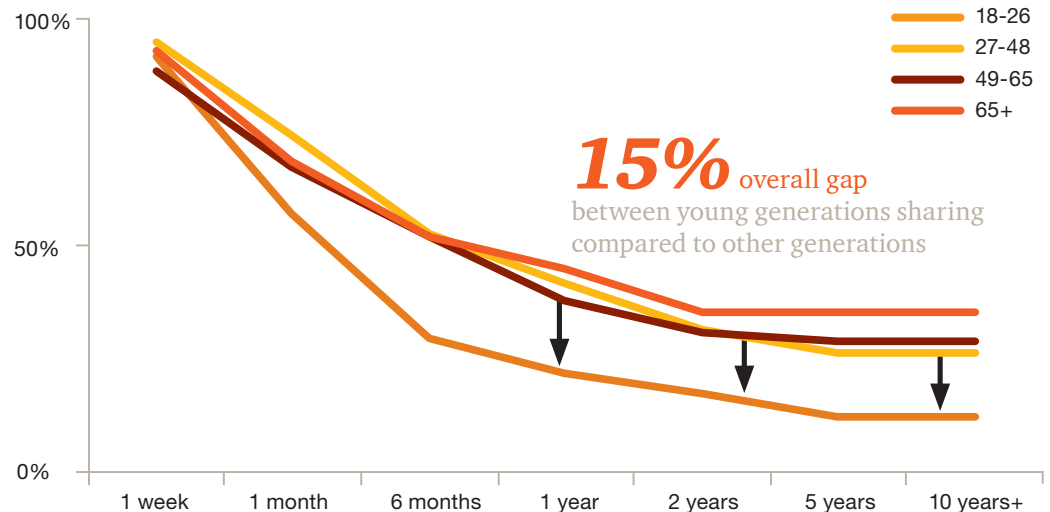
4 Digital channels include email, social media and rating websites

Let's look closer at Promising Paula<sup>1</sup> as a promoter:

Young customers may still be key influencers—even though they are not talking about you for long. Gen Y<sup>2</sup> *forgets* good banking experience quicker than other generations.

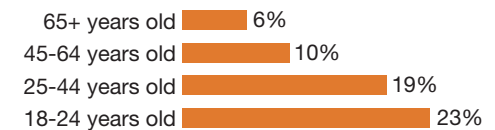


## Recall of good banking experiences



**But** social media has **5x** the impact of traditional word of mouth,<sup>3</sup> and Gen Y shares **1.5x** more on digital channels<sup>4</sup> than older generations.

## Who shares banking experiences on social sites?



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Customers can become your best marketers. Look to your staff to help make this happen. Identify the key influencers among your customers to serve as your brand advocates.

# Don't forget

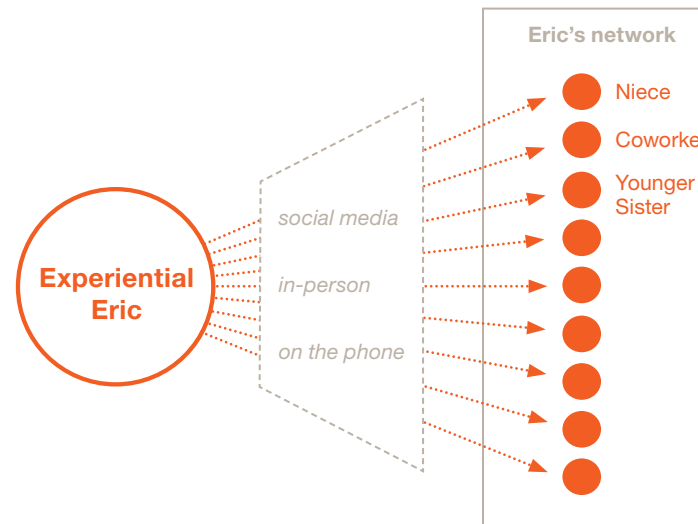
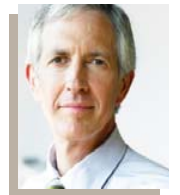
the older, vocal generation

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### Let's look closer at Experiential Eric<sup>1</sup> as a promoter:

Experiential Eric interacts frequently with your staff. This segment shows a willingness to pay for premium services.

He's 13% more likely than other segments to recommend a bank to his personal network.



**Given his age and education, Eric's opinions are likely valued by his network.**

“When consolidating my **retirement** accounts, staff were very helpful and interested in my future... I **recommend** them to everyone I know!”

# Help your story get told

Customers can become your best marketers. Look to your staff to help make this happen. Identify the key influencers among your customers to serve as your brand advocates.



## Recommendations

You need to:

**1** Build a customer-service **culture**. Many commit to that in their mission and fall short.

Building the right culture, hiring with care, and training staff are all critical steps. You also need to empower and motivate staff to create memorable experiences for customers (long-term value) rather than focus on short-term sales value.

**2** Identify and **motivate** influencers. Look among both the **older** and **younger** generations.

Not all customers behave the same. Conduct a segmentation exercise to identify your best advocates.

For a talker like Promising Paula,<sup>1</sup> help her share her stories instantaneously with others. She may not share for a long time, but she's more likely to leave a lasting footprint in the digital space.

For an older, more affluent customer with a strong social network, like Experiential Eric,<sup>1</sup> motivate him to share stories with those among his circle with a similar background and set of needs.

**3** Brand smart by **planting the seeds** to enable storytelling.

Story-telling among customers and influencers will drive engagement with your brand. Give your influencers enough to run with and watch it go viral. Know your customer segments well enough to anticipate what will resonate with each one the most.

<sup>1</sup> Links to 2012 Retail Banking Experience Radar segments of Promising Paula (young, low income earner and high banking frequency), Experiential Eric (affluent, older, high banking frequency), Aloof Ally (middle to high income with families, moderate banking frequency) and Comfortable Carl (middle-aged, middle income, and lower banking frequency)

# Go digital, it matters

Customers are on the go. Give them the convenience they seek through digital tools. Understand the segments' needs and technology preferences to best serve them.

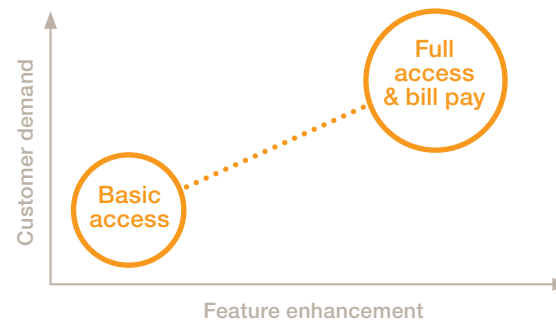
# Digital tools

increase efficiency, decrease servicing costs, and create new revenue streams

## Customers are asking for more digital options.

Providing the convenience and innovation customers seek through digital tools can increase efficiency, decrease servicing costs, and create new revenue streams. Mobility matters.

The number of people using mobile phones and tablet banking services is climbing, with tablets alone expected to reach 22% of U.S. households by year end.<sup>1</sup>



“When the mobile app became available, the **convenience factor** increased significantly for me.”

Who will pay a **premium** for mobile account management and bill pay?



**Promising Paula**<sup>2</sup> is willing to pay a **14%** premium. She is impatient and on the go. She doesn't purchase many products, but she will pay for the real-time access.



**Experiential Eric**<sup>2</sup> is willing to pay a **10%** premium. The older and affluent value the convenience and ease in managing accounts.

<sup>1</sup> "Branches Withering Away." Economist, Mar. 2012. Web.

<sup>2</sup> Links to 2012 Retail Banking Experience Radar segments of Promising Paula (young, low income earner and high banking frequency), Experiential Eric (affluent, older, high banking frequency), Aloof Ally (middle to high income with families, moderate banking frequency) and Comfortable Carl (middle-aged, middle income, and lower banking frequency)

# Go digital, it matters

Customers are on the go. Give them the convenience they seek through digital tools. Understand the segments' needs and technology preferences to best serve them.

# 42%

buy products on their own without help from representatives or experts

Even for complex products, people prefer to research products on their own rather than asking bank employees. Three out of 5 want this option.

## Searching online

Customers want digital do-it-yourself options. Some want:

**Convenience of anytime, anywhere access**



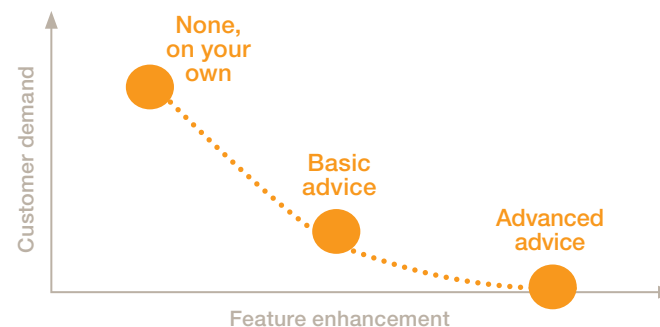
Others want to:

**Safeguard their information**

About 8.6 million US households have experienced identity theft.<sup>1</sup>



## Investment recommendations and retirement advice



**61%** want to search and research for products anonymously rather than ask for help and disclose personal information.

<sup>1</sup> "Identity Theft Reported by Households, 2005-2010," US Department of Justice Office of Justice Programs Bureau of Justice Statistics, Nov. 2011.

## Go digital, it matters

Customers are on the go. Give them the convenience they seek through digital tools. Understand the segments' needs and technology preferences to best serve them.

# Mobile financing

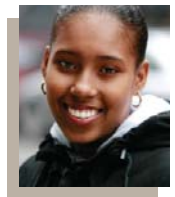
As comfort grows, so will demand and willingness to pay a premium

**Do not expect customers to clamor for innovations until they've tried those features.**

Many segments are just beginning to appreciate on-the-go financing. Per Steve Jobs: "You can't just ask customers what they want and then try to give that to them."<sup>1</sup>

As phones smarten and networks gain speed, many consumers are becoming more comfortable with remote deposit capture and bill-pay features.

**8%** Premium that Promising Paula<sup>2</sup> will pay for the convenience of a mobile app with financing features



Ratings and reviews influence customers' purchase decisions.<sup>3</sup>

**Compared to other industries, however, banks lag in the social experience they deliver.**

Only **1 in 10** customers believe banks deliver a valuable social experience. Half of consumers value social reviews and recommendations in the Hotels, Healthcare Provider, and Retail & Consumer sectors.

<sup>1</sup> Interview with Inc. magazine for its "The Entrepreneur of the Decade Award." April 1989.

<sup>2</sup> Links to 2012 Retail Banking Experience Radar segments of Promising Paula (young, low income earner and high banking frequency), Experiential Eric (affluent, older, high banking frequency), Aloof Ally (middle to high income with families, moderate banking frequency) and Comfortable Carl (middle-aged, middle income, and lower banking frequency)

<sup>3</sup> Cuddeford-Jone, Morag. "The Power of Social Reviews: It's Good To Share." N.p., 15 Dec. 2011. Web.

# Go digital, it matters

Customers are on the go. Give them the convenience they seek through digital tools. Understand the segments' needs and technology preferences to best serve them.



<sup>1</sup> Links to 2012 Retail Banking Experience Radar segments of Promising Paula (young, low income earner and high banking frequency), Experiential Eric (affluent, older, high banking frequency), Aloof Ally (middle to high income with families, moderate banking frequency) and Comfortable Carl (middle-aged, middle income, and lower banking frequency)

## Recommendations

You need to:

**1** Recognize the young are **no longer** the only digital consumers.

High-income segments like Experiential Eric<sup>1</sup> who actively bank and seek convenience want digital tools. Aloof Ally<sup>1</sup> and Comfortable Carl<sup>1</sup> value digital too because they prefer learning about banking offerings on their own. Develop a sales and servicing strategy that incorporates digital self-servicing capabilities and allows customers to interact with experts throughout the process.

**2** Be prudent with your investments. **Do not bombard** customers with more digital than they are ready for.

Invest in digital innovations early to gauge customer uptake and drive adoption. Apply new technology to increase speed and convenience around routine transactions. Favor simplicity over complexity to improve design and adoption.

**3** **Plan** your **rollout** of digital innovations. Look to other industries for ideas.

Customers often struggle to see the value in something they have not experienced. An adoption plan is critical. For new digital innovations, create a plan to drive awareness of the new offering, educate the customer and encourage use. Learn from how other industries have introduced new technologies.

**4** Offer **value** in return for data to help build **tailored** experiences.

Figure out which customer segments are willing to trade off privacy in return for receiving a more tailored experience. For the segments who need to be persuaded of the value, build their trust and demonstrate the benefits of a more personalized experience.

# Mapping attributes to segments

What does this mean for how you build customer experiences?



## Quality 1

Performance and value received



## Support 2

Friendliness and ease of obtaining help



## Convenience 3

Anytime, anywhere access



## Presentation 4

Aesthetics, arrangement, pride in presentation

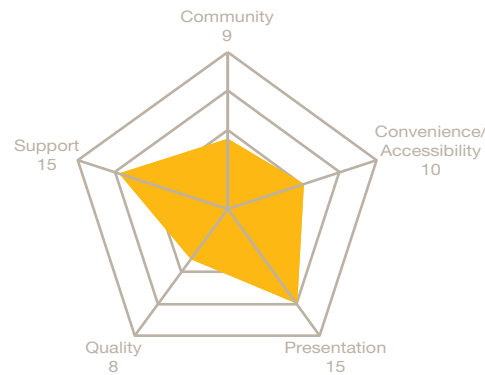


## Community 5

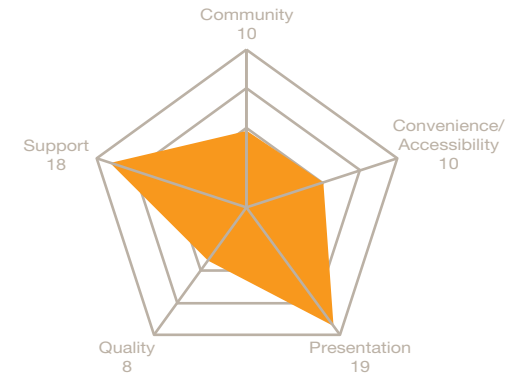
Customer's personal brand and connections with others

People value different attributes of the consumer experience. One striking similarity we found across segments is the appreciation for presentation. The customer demand for support and friendly staff is also notable for Promising Paula<sup>1</sup> and Experiential Eric.<sup>1</sup>

### Promising Paula



### Experiential Eric



### Aloof Ally



### Comfortable Carl



<sup>1</sup> Links to 2012 Retail Banking Experience Radar segments of Promising Paula (young, low income earner and high banking frequency), Experiential Eric (affluent, older, high banking frequency), Aloof Ally (middle to high income with families, moderate banking frequency) and Comfortable Carl (middle-aged, middle income, and lower banking frequency)

## Balance automation with the human touch

Retail banks face the specter of commoditization. The human element can set you apart from others. Strike a balance between digital efficiency and human support. That way, you will reduce customer frustration and create a sense of community.

Digital helps banks solve key servicing challenges. But these tools are less useful for building customer relationships.

Interjecting empathy and friendliness—at the points where they matter most—will set you apart from everyone else.

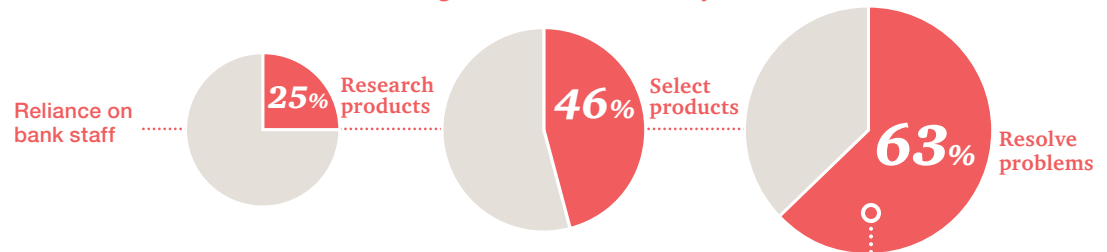
Banks are rethinking their staffing model due to digital tools and reduced branch traffic. Branch staffing is dropping quickly. Between 1988 and 2010, banks have, on average, reduced their bank staff by 70% (from 20 to 6).



# Digital

drives efficiency but staff build strong relationships

For routine transactions, customers choose self-service channels. For some tasks, though, customers still rely on bank staff.



“Very understanding and helpful staff. They went the extra mile to help me with a very personal matter.”

<sup>1</sup> Federal Reserve Board - Recent Trends in the number and size of bank branches 2008 and Cornerstone Report on Benchmarks and Best Practices for Mid-Size Banks, 2010

# Balance automation with the human touch

Retail banks face the specter of commoditization. The human element can set you apart from others. Strike a balance between digital efficiency and human support. That way, you will reduce customer frustration and create a sense of community.

# 9%

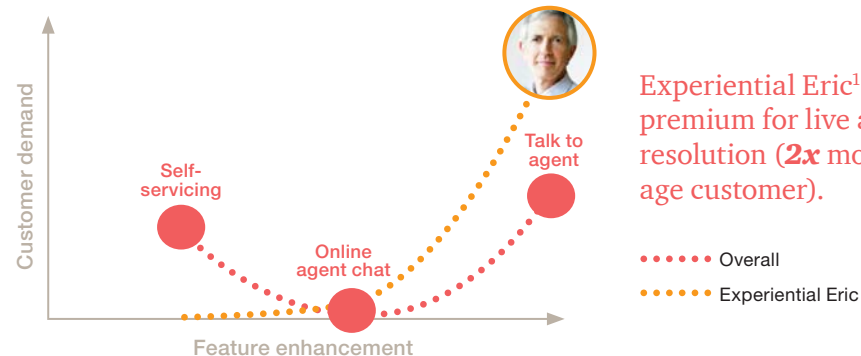
premium customers would pay for issue resolution with a live rep

<sup>1</sup> Links to 2012 Retail Banking Experience Radar Segments of Promising Paula (young, low income earner and high banking frequency), Experiential Eric (affluent, older, high banking frequency), Aloof Ally (middle to high income with families, moderate banking frequency) and Comfortable Carl (middle-aged, middle income, and lower banking frequency)

## When customers face problems involving their money, technology is not enough.

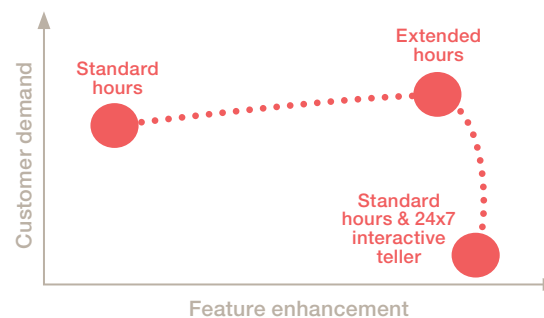
When emotions are high, customers want access to strong support. That typically means a live representative. Online chat hasn't matured enough yet to be a viable alternative in these situations.

### Issue resolution channel



97% would also rather have in-person access to a bank representative for a limited time versus anytime virtual access.

### Access to branch representative



Typical customers will pay a 4% premium for longer access to branch agents. However, the mainstream customer is more risk averse when it comes to adopting new technologies, like a 24x7 interactive teller.

# Balance automation with the human touch

Retail banks face the specter of commoditization. The human element can set you apart from others. Strike a balance between digital efficiency and human support. That way, you will reduce customer frustration and create a sense of community.

# #1

driver of memorable great experiences is the staff

Frontline staff are involved in 3 out of 5 great memorable experiences.

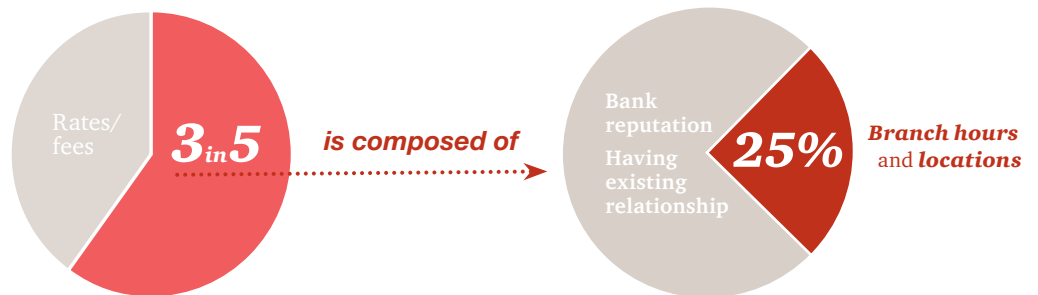
Let's break that down:

Sources of good experiences<sup>1</sup>



Brick-and-mortar branches still play a major role in banking. That's why money is special. Customers want reassurance that it is safe and that they can talk to someone if they have an issue. Despite declining traffic, branch location is an important factor in where people bank.<sup>2</sup>

Top purchase drivers



Rates and fees are a clear purchase driver. But of the **other purchase drivers**, branch hours and location have emerged as important.

<sup>1</sup> Other sources include Prompt Service, Good Fees & Rates, Fraud Protection, Easy Account Set-up and Other

<sup>2</sup> "Branches Withering Away." Economist, Mar. 2012. Web.

## *Balance automation with the human touch*

Retail banks face the specter of commoditization. The human element can set you apart from others. Strike a balance between digital efficiency and human support. That way, you will reduce customer frustration and create a sense of community.



### Recommendations

*You need:*

## *Multichannel*

For certain tasks, the human touch remains critical. Create a multichannel strategy that balances costs and service. Encourage consumers to use self-service tools for lower-value transactions. Refocus branch and contact center staff on higher-value activities like building relationships and sales.

## *People skills*

Train staff on how to connect with customers. From tellers to customer service representatives, staff attitudes will enhance or undermine customer experiences of banking. Focus your recruiting strategy on hiring frontline staff with strong people skills. Emphasize the importance of the human touch in attracting new customers and strengthening existing relationships.

## *Staff tools*

Build systems that allow staffs to collect and use customer information to customize interactions and offers. From product knowledge to customer service, equip staff with the right training and tools to enhance the customer experience.

## Moments of truth

Powerful events in the lives of consumers that often define their opinion of a bank



Create a **positive moment of truth** and you will have loyal customers.

The words used most often by those describing a **positive** moment of truth



# 36%

Percentage of respondents who attribute positive MOTs to friendly, helpful staff

On the flip side, create a **negative moment of truth** and you have a brand detractor.

# 29%

Percentage of respondents who attribute negative MOTs to bank errors<sup>1</sup>

The words used most often by those describing a **negative** moment of truth



<sup>1</sup> Word clouds derived from 2012 Retail Banking Experience Radar survey data

## *PwC's commitment to retail banking*

*Understanding* the wants and needs of the retail bank customer points the way toward competitive advantage.

Disruptions in the financial markets, increased regulatory complexity and operational risk are major challenges for domestic and international banking institutions and capital markets-securities firms. These challenges, along with event-driven opportunities and new technologies have transformed the sector. In the current risk-adverse climate, institutions seek innovative solutions and ways to reduce their exposure.

PwC professionals can assist with your most critical business needs including:

- Risk management
- Regulatory & compliance
- Anti-money laundering
- Securitizations & valuations
- Cost containment
- Tax
- Sarbanes-Oxley
- Mergers & acquisitions

Our banking and capital markets practice is organized to fully leverage our global team of over 33,000 professionals in every segment of the financial industry – consumer/retail banking, commercial banking, wholesale banking, mortgage banking, securitization, capital markets, insurance, investment management, broker/dealer and real estate. Our professionals include not only auditors and tax specialists with deep industry experience, but dedicated teams that provide internal control assessments, financial systems design and implementation services and solutions across a broad range of industry-related matters, including regulatory compliance and risk management.

## More about our methodology

This year's Experience Radar study measures the experiences of about 6,000 US consumers across multiple industries.<sup>1</sup> PwC conducted on-line field work from May through July 2012. The study was designed to uncover experience “recipes,” pricing options and linkages to customer loyalty.

We probe into the consumer responses through the lens of “experience attributes”. These attributes include the:

- Ease of accessing and using an offering
- Ease of obtaining service support before and after purchase
- Offerings quality and aesthetics
- Degree to which an offering enhances a customer's personal brand or his or her connection with others.

By using adaptive choice-based conjoint analysis, Experience Radar reveals customer trade-offs between different sets of experiential features and the value and willingness to pay consumers place on each feature. It also probes into other areas such as purchase behavior, moments of truth (MOT), and word-

of-mouth marketing within each industry. The study combines and assesses these data elements to create a set of experience-based insights and a segmentation schema for each industry.

Our methodology employs an advanced conjoint survey technique to reveal insights that can be honed to extreme precision. Other, more traditional customer experience studies typically do not tie to “hard economics” like value measures, price elasticity and churn metrics. Experience Radar does.

While the results outlined in this report are at the industry level, PwC can use the same methodology to develop an Experience Radar study that is customized to your business and identifies business accelerators.

<sup>1</sup> Retail Banking, B2B Software, Communications & Media, Groceries, Airlines, Pharmaceuticals and Home Services.





# Promising Paula

## Who is this segment?

- Youngest segment, urban, on the go, many in college
- Ethnically diverse
- Limited assets, simple needs for now
- Impatient for good service; expects to be helped quickly
- 40% of segment earn < \$35,000

## How does this segment bank?

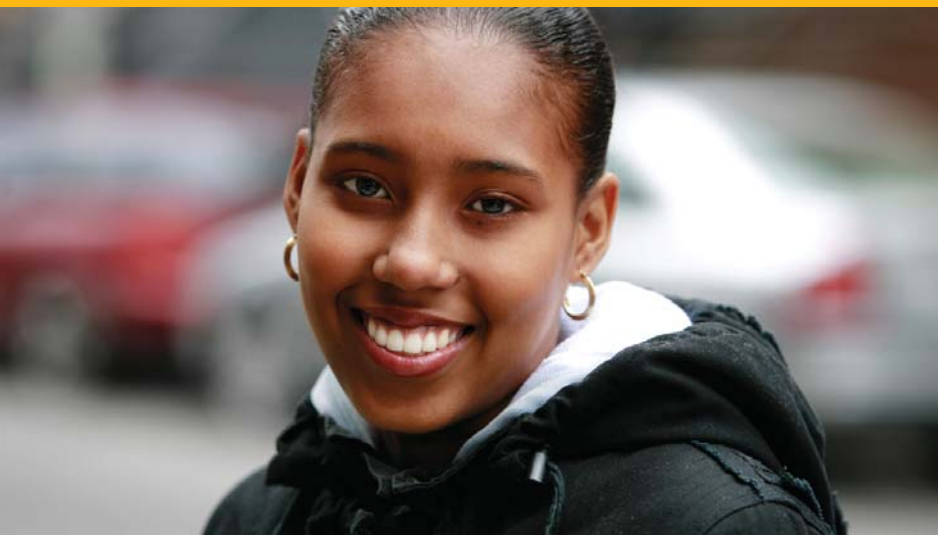
- Over 70% interact with primary bank weekly
- Seeks efficiency (mobile access, shorter wait times, immediate issue resolution)
- Values convenience such as unlimited transactions for an annual fee
- Easily switches banks, looking for best rates
- Values talking to specialists 1.6x more than other customers

## How much do they share feedback on experiences?

- Existing bank relationship more important than bank reputation or recommendations from friends and family
- Shares banking experiences with others briefly (3 out of 5 stop sharing after a month)

## How to serve them?

- Build your relationship with her while she's young
- Keep her close with convenience and efficiency
- Graduate her to other products when she's ready to buy more



# Promising Paula

EXPERIENCE SEGMENT 1



Key!: ■ Very high ■ High ■ Moderate ■ Low ■ Very low

Demographics		Top banking preference		Channel usage		
Age	18-24 yrs	\$80 annual fee, no minimum balance	39%	Learn about products	Do it myself	60%
Annual household income	<\$35K	1-2 minute wait, immediate issue resolution	77%		Help from company	26%
Employment status	Student part time or full-time	Full account management, bill pay	57%	Buy products	Do it myself	38%
Residence	Rents apartment				Help from company	51%
Urbanicity	Metropolitan			Resolve issues	Do it myself	12%
Marital status	never married				Help from company	63%
Minority presence	49%					
Top banking preference themes						
		Staff friendliness & care	35%			
		Hassel-free issue resolution	19%			
		Fraud protection	14%			
Banking usage						
Product number	≤ 3	Tenure with primary bank	≤ 3 yrs			
Assets managed by primary bank	< \$5K	Interaction with primary bank	Weekly			

1 Color coding based on index percent of specific segment compared to other segments

2 Indicator Scores between 0 to 100 and include respondent's repurchase propensity, recommendation propensity, network size and network conversion probability

# Experiential Eric

## Who is this segment?

- Best educated and most affluent segment
- Complex financial needs
- Nearing or in retirement
- ~50% earn >\$100,000
- 9 in 10 own homes, over half suburban
- Expects exceptional service and values the banking experience

## How does this segment bank?

- Close to 75% interact with primary bank weekly
- Holds high balances in income-producing assets; prefers to keep a high balance to skip transaction fees
- Seeks digital convenience (mobile access and bill pay)
- Will switch banks looking for better experience, though will maintain relationship if satisfied by resolution of issues
- Values bank staff and personalized treatment—specialist investment recommendations rank as one of top 3 memorable good experiences; will pay for direct agent access to resolve issues

## How much do they share feedback on experiences?

- Vocal segment, with 3 out of 5 telling friends and family about good banking experiences
- Very likely to share bad experiences, with 4 out of 5 notifying banks of concerns

## How to serve them?

- Resolve issues immediately and with care
- Provide dedicated and knowledgeable advisors
- Leverage his good word-of-mouth to attract similar customers



# Experiential Eric

EXPERIENCE SEGMENT **2**



Key!:

- Very high
- High
- Moderate
- Low
- Very low

Demographics		Top banking preference		Channel usage		
Age	65+ yrs	No fee, unlimited basic transactions, \$1,500 daily minimum balance	85%	Learn about products	Do it myself	57%
Annual household income	\$100K+			Help from company	27%	
Employment status	Employed full-time or retired	1-2 minute wait, immediate issue resolution	63%	Buy products	Do it myself	43%
Residence	Owns house	Talk to live representative for high priority issues	74%	Help from company	48%	
Urbanicity	Suburb of major metropolitan area			Resolve issues	Do it myself	13%
Marital status	Married			Help from company	68%	
Minority presence	13%	Top banking preference themes				
		Staff friendliness & care	37%			
		Hassel-free issue resolution	16%			
		Fraud protection	11%			
Banking usage						
Product number	5+	Tenure with primary bank	10+ yrs			
Assets managed by primary bank	\$100K	Interaction with primary bank	Weekly			

1 Color coding based on index percent of specific segment compared to other segments  
 2 Indicator Scores between 0 to 100 and include respondent's repurchase propensity, recommendation propensity, network size and network conversion probability

# Aloof Ally

EXPERIENCE  
SEGMENT **3**

## Who is this segment?

- Middle-aged, with some nearing retirement
- Many with families in suburbs
- Middle to upper income
- Extremely busy, self-sufficient

## How does this segment bank?

- Close to 70% interact with primary bank weekly
- Views bank interactions as transactional rather than experiential
- Values self-servicing channels—close to half prefer to rely on online FAQs rather than calling an agent
- Prefers keeping a minimum balance to skip transaction fees
- Responds to apologies for bad experience—7 in 10 (more than any other segment) are satisfied

## How much do they share feedback on experiences?

- More likely than other segments to recall good experiences, but least likely to share
- Likes to know that she's been heard

## How to serve them?

- Let her know when she's been heard
- Expect to meet her needs by meeting the needs of other segments





Key¹: ■ Very high ■ High ■ Moderate ■ Low ■ Very low

Demographics		Top banking preference		Channel usage		
Age	45-64 yrs	No fee, unlimited basic transactions, \$1,500 daily minimum balance	53%	Learn about products	Do it myself	60%
Annual household income	\$75-100K			Help from company	26%	
Employment status	Employed part or full-time	Full account management, bill pay	62%	Buy products	Do it myself	45%
Residence	Owns house, apartment or condo	Online FAQ for servicing of high priority issues	48%	Help from company	41%	
Urbanicity	Suburb of major metropolitan area			Resolve issues	Do it myself	25%
Marital status	Married			Help from company	54%	
Minority presence	19%					
<b>Top banking preference themes</b>						
		Staff friendliness & care	37%			
		Hassel-free issue resolution	16%			
		Fraud protection	13%			
<b>Banking usage</b>						
Product number	≥ 4 or does not know	Tenure with primary bank	10+ yrs			
Assets managed by primary bank	\$100K	Interaction with primary bank	1 to 3 times a month			

# Comfortable Carl

EXPERIENCE  
SEGMENT **4**

## Who is this segment?

- Middle-aged, middle income
- Low maintenance, self-reliant
- Limited assets, simple needs

## How does this segment bank?

- Banks less frequently than other segments
- 40% hold <\$5K with current bank, and 50% have  $\leq 2$  products
- Prefers paying fees for transactions rather than maintaining a balance
- Does not value personalized recommendations—94% research on their own
- Prefers basic notifications rather than interactive conversations with advisors
- Does visit branches frequently—particularly values bank reputation and recommendations
- Is complacent and unlikely to switch banks

## How much do they share feedback on experiences?

- Does not talk a lot about good experiences
- Most vocal segment about bad experiences—1.3x more likely than other segments to discourage anyone who will listen

## How to serve them?

- Monitor him closely to control bad word of mouth
- Keep him happy with simple self-service tools
- Keep cool-headed and positive



# Comfortable Carl

## EXPERIENCE SEGMENT 4



Key<sup>1</sup>: ■ Very high ■ High ■ Moderate ■ Low ■ Very low

Demographics		Top banking preference		Channel usage		
Age	45-64 yrs	Fee per basic transaction, no minimum balance	67%	Learn about products	Do it myself	66%
Annual household income	\$50-75K	Basic social media announcements	99%		Help from company	21%
Employment status	Employed part or full-time	Investment and retirement recommendations with basic profile	94%	Buy products	Do it myself	42%
Residence	Owns house				Help from company	42%
Urbanicity	Suburb of major metropolitan area			Resolve issues	Do it myself	21%
Marital status	Divorced				Help from company	66%
Minority presence	22%					
		Top banking preference themes				
		Staff friendliness & care	35%			
		Hassel-free issue resolution	17%			
		Fraud protection	12%			
Banking usage						
Product number	≤2	Tenure with primary bank	6 to 10 yrs			
Assets managed by primary bank	≤5K	Interaction with primary bank	1 to 3 times a month			

*We hope these insights  
prove useful to your  
business*

While the results outlined in this report are at the industry level, PwC can use the same methodology we've used here to develop a customized Experience Radar study and uncover opportunities to accelerate your business.

*If you'd like to discuss these findings or how PwC can help you apply them to your business, contact:*

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