White Paper

Banks with top-tier customer experience ratings can increase their share of deposits by over 16%, and enjoy share of wallet roughly 2 times greater than competitors.[1]

Changing the Stories Bank Customers Tell Themselves: Why They Leave and How to Keep Them.

How bank marketers can boost loyalty by understanding emotions and changing the customer experiences that drive defection.

Overview: Improving customer experience can increase bank profits.

How banks can learn to be more responsive by listening to—and changing—the stories customers tell themselves, their families, and their friends.

Key Issues:

1. Customer experience has the ability to bring customers closer or push them away.

2. It's also the basis for the stories your customers tell themselves and others about your brand.

3. Experience is a key differentiator for banks interested in building greater loyalty and stronger relationships.

In an industry where bad experiences drive more than half of all customer defections, bank marketers face an uphill battle.

And while the challenges today are more complex than ever, delivering a differentiated, consistent customer experience is the best way to change the stories your customers are telling themselves—and to boost loyalty and retention.

This white paper provides an overview of the stories your customers may be telling themselves and discusses the importance of changing these stories through an improved customer experience.

Customer experience isn't a function or a department—it should become the center of everything you do.

Their experience is what drives customers closer to—or away from—their banks.

McorpCX has worked with banks of all sizes to better understand, measure and improve brand, boost customer loyalty, and drive more of the "right" (profitable and loyal) customers closer to their organizations. We've also worked closely with banking industry associations, jointly conducting research into the relationships between customers and their banks and credit unions.

We've learned much as a result. For example, customer satisfaction is a common bank metric—and most banks score quite well. If this is so, then why do otherwise "satisfied" customers leave in such large numbers? And why do less than 30% of satisfied customers think first of their bank for future product purchases? What we've found is that satisfaction is not a determinant of loyalty or advocacy.

Customer experience is what's proven to drive customers closer to their financial institutions. Research examining a range of banks, customer types and geographies shows that positive customer experience is the primary driver of overall brand strength, purchase intention, loyalty and advocacy. At the same time, poor experience is directly responsible for dissatisfaction and churn.

It is in this context that we've listened to some of the stories that bank customers tell themselves and each other. These stories are the direct result of the experiences they've had and the touchpoints they've encountered, both positive and negative. And while many of the messages for bank marketers are clear, the solutions can be a bit more difficult to see.

The primary change required by banks to improve customer experience is simple to understand and complex to implement: They must be more responsive.

The competitive landscape for banks is changing dramatically as the industry realizes that customers really are the center of their universe. With the days of M&A and market gains behind us for the moment and costs cut to the bone, organic growth is again the driver of revenue and business value. While we understand that this may not sound very insightful or fresh, it is important to state for several reasons. The truth is, banks have long been inflexible in the ways they interact with their customers. Especially in this environment, that's not an approach that will win—or keep—customers.

As the needs of customers evolve and change and their understanding of the competitive landscape expands, banks will need to rethink many of the systems and internally-driven processes that have been set over the years, most driven by the needs of the bank rather than by the desires of the customer. With new products and services, increased competition from an array of sources and significantly increased customer expectations for service, it's time for banks to take a step back and reorganize around the needs of their customers.

Moving away from the process-driven approach of interacting with customers, banks need to shift from a structured, systems-driven "this is how we do it" service-delivery model to a more flexible, customer-focused perspective based on the question, "How should we do it?"

This is not an issue just for the marketing department or for human resources. The process of creating and delivering a consistent, differentiated and branded customer experience will affect almost every aspect of a bank's operations. In short, customer experience isn't a function or a department—it should become the center of everything you do.

Voice of the Customer: Delivering a good experience means knowing your customers. (Or how to start a bad story and lose a profitable customer in two easy steps).

"My college-bound daughter opened a checking account and applied for a debit card this summer; the card arrived—but no PIN. She called, and called and called. Apologies and promises—but no PIN.

I called for her, and got rude treatment. So I call my business banker, and the PIN shows up a week later.

They don't get it. Treating my daughter poorly is almost worse than acting that way with me. My controller is actively shopping for a new bank now."

Business banking customer
with a $1.2B regional bank
(CEO of $12 million company)

22% of today's customers intend to ditch their current primary financial institution—that's up from just 12% in early 2020.[2]

It's difficult to be a financial services marketer.

Today's rapidly changing, highly competitive and increasingly hectic landscape can lead to declining customer loyalty, as evidenced by the average customer's increased willingness to walk away and never return to a company after a bad customer experience. In fact, it's becoming a bigger issue every year.

A cross-industry report by PwC revealed that 32% of consumers will part ways with a brand they loved after a single negative experience.[3] Worse still, the digital landscape enables disillusioned customers to switch providers without really telling you, the Financial Brand warns.[4] Ignorance is not bliss. And there's no margin for error.

Consumer trust in financial institutions has never been great, either. On one hand, it is improving: the 2019 Financial Trust Index reported that 33% of Americans trust their financial institutions.[5] That's up from 27% the previous year. But 33% still isn't a passing grade for consumer trust. And that high level of inherent distrust decreases the latitude for error even further.

As a result, the process of selling and delivering banking services is getting more complex. And as complexity increases, the time, expense, and skills required to sell increases as well. At the same time, the customer experience is more important than ever in fueling acquisition, driving word-of-mouth referrals, and ensuring retention of the right customers.

With more than 1 in 5 customers considering leaving their banks, it's undeniable that emotions are running wild. The pandemic is largely to blame. The only good news? Foresight Research notes that even though many customers are dissatisfied enough to switch, they're empathetic with the banks they leave.[6] They feel bad about leaving, too. In a sense, the "we're all in this together" mentality remains.

But how can financial institutions translate that feeling of togetherness into actual togetherness—into bank loyalty? Stories are a natural way to get at the feelings, beliefs, and attitudes that drive perception. Combined with rigorous quantitative research, we've found that a series of consistent themes emerge—and that these themes are driven by the interactions, or touchpoints, that make up customer experience.

Ultimately, banks won't earn customer loyalty without delivering an integrated, branded customer experience that sets them apart.

Touchpoints are powerful drivers of experiences and storytelling.

To understand the kinds of stories that are being told about you, start by examining the experiences your customers have each time they come into contact with you. What is it like to do business with you? How do the touchpoints your customers encounter make them feel?

One bank we worked with was astounded that their customers took umbrage at the prominent eye-level signage on all branch doors: "Remove your hat and glasses before entering." A practical step to reduce robberies, as the bank thought? Or an unintentional message that says to customers "You are not trusted" or "You are not good enough to do business with us," as more than a few customers said?

Another bank had a teller that gave dog biscuits to pooch-loving customers. When the teller left the bank (and took the doggie treats with her), branch loyalty scores turned stale, as well. In fact, they plummeted.

It took some time to discover the reason, but now fresh doggie biscuits are a staple at every branch (even at the drive-through windows), and the bank is creating powerful connections with dog lovers (and their friends and families!) throughout the area.

This is where the power of stories comes into play. Consumers tell themselves stories. They also tell their friends (also known as "word of mouth marketing"). And the power of stories to influence actions and beliefs is as old as the spoken word. And as much as consumers distrust financial services providers, they trust their friends and business associates. This is why delivering a consistent, differentiated and branded Customer Experience is so important.

It really comes down to better managing and improving the customer experience and earning loyalty by proving your commitment to your customers—one interaction or touchpoint at a time (over time).

Voice of the Customer: What loyalty sounds like.

"I guess you could call me loyal. I never really thought of it that way. But when a bank like yours is good with the little things—seems truly glad to see me when I come in, didn't charge me for a bounced check that was my error, goes out of its way to make sure I'm satisfied, and asks me what I think—there's no reason to leave. I tell my pals what a great bank you are all the time."

Retail customer with a
$750M community bank
(Male, late 50's, 3 Products)

What are the stories bank customers tell themselves?

McorpCX research, as well as research conducted by organizations such as Accenture and McKinsey, supports several common themes among customer stories driven by individual experiences. Common themes include:

"Banks are all the same..."

"My bank values short-term profits more than my business..."

"I don't trust my bank to do what's right for me..."

"My bank oversells me..."

"My bank doesn't care about me..."

While these are by no means the extent of the negative themes that play in the echo chamber of your customers (and your prospects') minds, a clear pattern emerges.

Those customers that haven't had great experiences have a negative belief structure or "brand perception." Those with great experiences have positive brand perceptions. Both of these are powerful and lend themselves well to storytelling.

The good news is that banks can shift negative stories, and customer beliefs over time.

What if your bank could change these stories? What would customers tell themselves?

Positive stories drive loyalty. They also drive advocacy, as loyal customers tell friends and business associates about you. This is where the rubber hits the road on delivering the service and brand intangibles that drive 70 to 80 percent of customer loyalty to banks.

So what kinds of stories do these loyal bank customers tell themselves?

"They [my bank] keep their commitments to me..."

"They make it easy to do business with them..."

"Responds to my needs..."

"Helps me make the right decisions for me..."

"Communicates openly and honestly..."

Across virtually all industries—and banking is no exception—increases in loyalty translate directly into greater retention, larger "share-of-wallet" and increased profits. A nationwide analysis of credit union customers[6] by McorpCX indicates that loyal customers are up to 3.5 times more likely than their least loyal customers to turn first to their credit union for additional financial products and services. This is a significant advantage; after all, 22% of people are actively considering changing banks completely—not acquiring new services from their incumbent ones.[2]

Ultimately, banks won't earn customer loyalty without making structural changes that go well beyond friendly, informed and empowered frontline staff or a more focused brand—though these can certainly help. Improvement here means identifying and improving every touchpoint that customers interact with, delivering an integrated customer experience that supports and builds brand and loyalty.

Accomplishing this starts with an understanding of the interactions and experiences that most powerfully influence customer perceptions.

The touchpoints that drive experience.

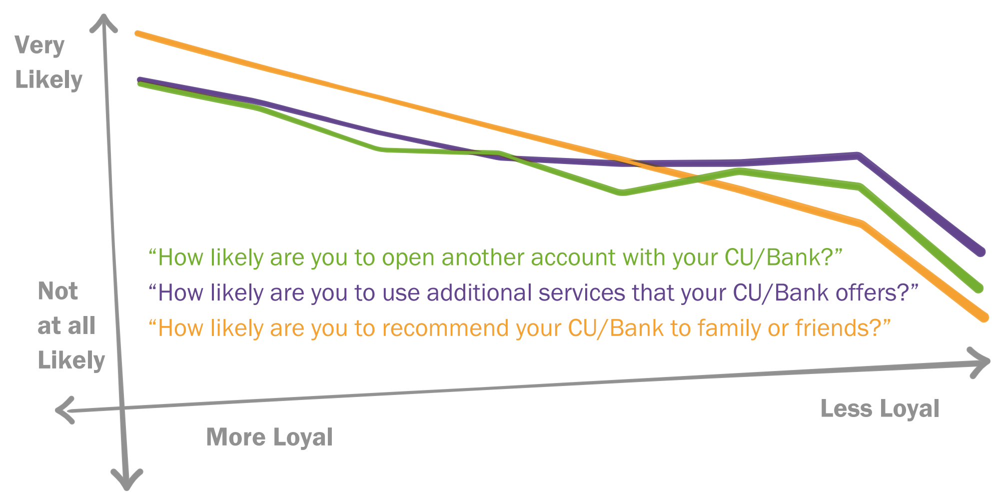
While many banks think of the internet and online banking as key drivers of change in customer experience, digital channels are simply the new reality in product distribution and self service. Yes, these digital touchpoints are an important aspect of the customer experience. But human touchpoints, such as tellers, loan officers and call center employees, have an even greater impact on customer perceptions, both positive and negative.

Aggressive cross-selling is often cited as a source of bad experiences. Frontline employees and call-center interactions have the greatest impact of all, with the ability to turn bad experiences into good ones or good experiences into great ones. Static touchpoints such as brochures have less impact, whereas statements and loan or account applications—and the processes that drive them—have greater clout.

You are in "retail" banking for a reason.

But looking to the successes of banks like USAA, Ally Bank, and Discover Bank (the only three direct banks to rate "Excellent" or "Good" in the Forrester's 2019 Customer Experience Index[7]), provides insights for the rest.

Understanding that banks are ultimately in a competitive retail- and service-delivery environment means that a branded, consistent and differentiated customer experience is key to driving loyalty and advocacy, as well as the benefits of positive word-of-mouth.



Loyalty Rules: Loyal customers are much more likely to open additional accounts, use additional services, and recommend you to family and friends.

While it may appear self-evident, research supports the intuitive conclusion that the more loyal the customer, the more likely they are to do additional business with you. This chart from a survey of credit union and bank customers conducted by McorpCX[6] charts a direct correlation between loyalty and the likelihood of opening additional accounts and using additional services.

The bottom line? Improving customer experience is the key to increased loyalty, which drives financial performance.

While there are no quick fixes for earning customer loyalty, every bank has the ability to make a difference in the stories their customers tell themselves and others.

Since roughly half the customers who leave every year are driven by factors outside the average bank's control, the focus of customer experience should be on acquiring new customers as well as keeping (or winning back) the 50 percent of those customers who are leaving because of something they think you did to them.

Call them! Win them back! Find out what they think you did and do your best to ensure it doesn't happen again. What if you won back only 5 percent of these "lost" customers? What would happen to your bottom line? In financial services, a 5% increase in customer retention can drive more than a 25% increase in profit.[8]

That's why paying attention to those touchpoints that are the greatest drivers of purchase behavior, loyalty and attrition—and mapping your performance on these touchpoints over time from the perspective of your customers—is a critical piece of the customer experience equation.

To succeed over the next few years—not to mention over the next decade—banks will need to focus internal resources on identifying the right customers and creating the processes and systems to serve them based on their needs.

In addition to significantly improving their return-on-customer-investment, banks that succeed at tracking and mastering brand, marketing, sales and service touchpoints that deliver high-quality customer experience will find that the stories their customers tell will help them stand out and better compete in an otherwise commoditized world.

How might McorpCX help you?

To learn how we can help you better understand and connect with your customers, visit www.mcorp.cx/contact or call 1-866-526-2655.

In conclusion:

For centuries, storytelling has been a way for people to share emotion, experiences, meaning and understanding. Today, it's no different. For banks—as for all brands—stories have the ability to strengthen or weaken relationships with your customers.

Yes, they can create awareness, boost brand perception and drive loyalty.

The other side of this coin is the ability of stories to communicate negative perceptions and drive customers away. After all, the power of stories to influence actions and beliefs is as old as the spoken word.

The experiences that drive the stories they hear are within your power to assess, understand, change and improve. After all, improving customer experience is the key to increased loyalty.

It's also the key to stronger, longer and more profitable relationships, increased future purchase intent, and the propensity to advocate for (telling good stories!) your brand.

The primary change required to improve experiences is simple. Understand your customers and their perceptions better, so that you can be more responsive in the areas that count the most. So what are you waiting for?

Endnotes

1 The Kantar 2018 Customer Experience Advantage Index. Kantar Group, 2018.

2 Expect a Post-COVID Spike in Consumers Switching Banking Providers. Foresight Research, 2020. In *The Financial Brand*.

3 Experience Is Everything, 2018. PwC, Inc. 2018.

4 Top 7 Customer Experience Trends in Banking for 2021. *The Financial Brand*, 2021.

5 2019 Chicago Booth/Kellogg School Financial Trust Index, 2020. Chicago Booth Stigler Center & Northwestern University.

6 MCorp and ACUMA research (American Credit Union Mortgage Association), January 2008.

7 The Customer Experience Index 2019. Forrester Research, Inc.

8 Bain & Company and Frederick E. Reichheld in American Banker. "Want to Know How to Keep Expenses Low? Think Loyalty" at bain.com.

McorpCX is a leading customer experience services company delivering consulting and technology solutions to customer-centric organizations since 2002.

Our practical approach has led to measurable growth, deeper engagement, and better business outcomes for fast-growth market leaders and the Fortune 100, including Microsoft, lululemon, T. Rowe Price, and Blue Shield of California.

Whether your organization is just beginning its customer experience journey or is well down the experience transformation path, we are experts at driving customer experience transformation in an increasingly connected world.

© 2002–2021 McorpCX all rights reserved. Touchpoint Mapping® is a registered trademark of Touchpoint Metrics, Inc.

Six simple steps that banks can take now to better understand, and improve, customer experience.

1. Segment your customers.

By viewing your customers through the lens of profitability and relationship potential, you can focus on those that are most important to your organization.

2. Ask them what they think.

When's the last time you polled your customers in any meaningful way? Do you know what they think about you? What they like, what they don't, and why? Ask, and they'll tell you.

3. Measure loyalty and understand the drivers of positive experience.

How satisfied are your customers? How loyal? By understanding these metrics—and tying experience to them—you'll have a roadmap for customer experience improvement.

4. Understand current experience.

What is it like to do business with you? By auditing your brand and mapping interactions, you can see where gaps exist and take steps to close them.

5. Ask this question: How should we do it?

Once you quantify customer perceptions, worlds of possibility open up. Through organizing service around the needs of your customers, you'll radically improve the experiences they have and the stories they'll tell.

6. Focus on experience delivery.

For most banks, customer experience is your primary differentiator. By standing out in an otherwise commoditized world, and doing so based on the needs and wants of YOUR customers, the stories they tell will be music to your ears.

McorpCX
1-866-526-2655
www.mcorp.cx

mcorp.cx

McorpCX is an independently recognized customer experience services and solutions leader, partnering with and guiding mid-market and Fortune 500 organizations since 2002. To drive experience-led business success in your company, visit www.mcorp.cx.