JUNE 2019

Defining excellence in banking customer service

Fairer Finance

Contents

Executive summary

Measuring quality in banking has always been a difficult challenge. While customer surveys provide useful context around which providers are delivering the highest levels of satisfaction amongst their customers, three-quarters of people in the UK have never switched their bank – so have no frame of reference when giving their verdict.

And while customer surveys are clearly effective at determining whether customers feel their needs are being met, the opacity of pricing in banking, and complexity of products, can make it difficult for customers to be sure they are getting good value from their bank.

This report sets out to build upon the significant volume of existing work which has looked at quality in the banking space – with the ambition of creating a framework for excellent customer service. It follows the recent Competition & Markets Authority requirements for larger banks to publish customer survey results on their websites – and in their branches if they have them – and looks to consider how else customers can understand excellence in banking.

While customers may not always be the best judge of whether their bank is better than another, their views on what matters to them are a very important part of understanding what good looks like in banking. To that end, the report uses new quantitative research to understand what elements of banking consumers lend most importance to, and how they perceive that changing in the future.

In Chapter 1, we lay out the context, summarising some of the extensive research and regulatory papers that have focused on the banking sector in recent years, with a particular focus on the Competition & Markets Authority's 2016 report remedies.

Thereafter, we begin to unpack some of the quantitative work which was carried out to underpin this report. Working with insight agency Opinium, we surveyed a nationally representative sample of 3,000 UK customers, to understand how customers use their bank, and what they perceive to matter most to them in terms of customer service.

In Chapter 2, we focus on the current state of UK banking, revealing in spite of consumers' mixed views on the banking market as a whole, the majority of consumers are currently satisfied with their bank.

Nevertheless, satisfaction with a provider does not necessarily translate into a willingness to recommend them.

Interestingly, our analysis reveals that while satisfaction naturally influences a customer's likelihood to recommend their bank, other factors are also vitally important.

For example, those customers who feel most confident at managing their money are much more likely to be promoters of their bank than those who are not. Those who interact with their bank the most are also likely to be the most satisfied – particularly those who use branches on a regular basis. The same is true in reverse, in both these examples.

But while most customers are broadly satisfied with their bank – and this remains the reason most people haven't switched – a significant minority claim they haven't switched because of the hassle, or a fear something will go wrong.

Surprisingly, the average consumer would require an incentive with a value of almost £500 before they would consider switching their bank – and this did not vary significantly based on their income. Even among the least happy customers, the incentive would need to be over £370 – twice what is being offered by any bank in the market today.

In Chapter 3, we move onto analyse our data to provide a framework for excellence in banking customer service. There remain great opportunities to harness the power of technology to improve perceptions and the experience of banking for UK consumers. Our research looks to uncover where those possibilities are greatest.

Our research identified six factors which were found to significantly determine satisfaction in banking:

1. **My bank is safe & transparent**
   While knowing their money and personal data are safe are understandably key factors in ensuring customers are happy, people also value feeling their bank is upfront and straightforward with them – and it makes complex processes as simple as possible.
2. **My bank doesn't waste my time**
   The absence of errors from a bank is also a fundamental hygiene factor in terms of customer service. Customers want their services to work as expected and don't want the inconvenience of human or technical errors being made by the bank. Customers also don't want to be left waiting – whether on the phone, in branch or when expecting a response to a complaint.
3. **My bank is helpful, solves my problems and has friendly staff**
   Customers want problems to solved quickly and efficiently – all the more so if the bank has caused the problem. Customers also like to speak to a human being when things go wrong.
4. **My bank makes its services easy to use and understand**
   Convenience is a key factor to most consumers when it comes to banking. Many people like to be able to interact with their bank on a regular basis, and speed and convenience for

regular banking tasks is a key component of customer satisfaction.

5. **My bank has good products and communicates well**
   Having good products is something consumers also draw out as important when it comes to their current account provider. However, this sits alongside clear communication. So while customers want good interest rates, and other more tangible product features - such as gifts, cashback and rewards – it's equally important they receive relevant updates and engagement which help them make better decisions.

6. **My bank offers access to branches**
   Access to branches remains important for the majority of customers. Even if they don't use branches very often, around 85% of people still use them for paying in cash and cheques and don't see their branch use diminishing much in future years. In fact, customers would like to have more branch access for services such as taking out a mortgage.

These six factors significantly determine satisfaction in banking. While the importance of each factor varies in its importance to individuals, banks need to hit all six of these to excel in the opinions of their customer base as a whole. While a growing number of customers may be comfortable with branchless banking, access to branches remains important to the majority.

While customers may be well placed to judge their bank on some of these factors – such as whether staff are friendly or good at solving problems – it may be harder for them to accurately assess whether a bank offers good value products, or whether it is safe and transparent.

The Competition & Market Authority's move to require banks to publish customer advocacy scores is a good start in helping

people look beyond price in banking, but there may be other factors where more objective measures could help customers make more informed decisions.

The FCA's service quality metrics look to close some of this gap, with banks now also being required to publish data such as the number of major operational and security incidents within a six month period, and how long it takes to open an account and issue a new debit card. But our research shows there may be areas that could be added to in future, which would support consumers in understanding banks' performance in other areas that are important to them.

There is obviously a risk that a demand for the publication of ever more data serves only to overwhelm consumers. But the target for such data sets should not just be consumers themselves, it should be aggregators who can translate the information into meaningful ratings for customers.

When choosing a bank account provider, consumers should be able to make informed decisions about who offers good quality services – and this is all the more important given the likely length of that relationship.

The fact that consumers require such a high level of incentive to consider switching speaks to the fact that they see switching as difficult, and do not see the differences in quality being worth the effort.

Yet the research shows that there are considerable differences across the sector – and if these can be better surfaced, there is an opportunity to create a race to the top on quality and service, harnessing the power of technology to deliver better outcomes for customers.

This report was commissioned and paid for by first direct. Fairer Finance, in conjunction with Opinium, independently carried out the research and writing for the report – and retained editorial control over the output.

CHAPTER 1

State of banking in the UK

Background: A concentrated, stagnant market

Having a bank account is the gateway to being a consumer in the UK. Without one, it's now increasingly challenging to pay bills, get credit, or get the best deal when buying goods and services.

As a result, 97.7%[1] of the UK adult population now has a current account – and traditionally the provider who supplies it constitutes their most important financial relationship. However, as many as 25% of consumers are reported to have more than one current account[2], many of whom use their additional accounts to capture attractive interest rates or cashback deals paid by some banks.

The market has long been dominated by four banks – Lloyds (including Halifax and Bank of Scotland), NatWest (along with its owner Royal Bank of Scotland), Barclays, and HSBC. According to the Competition and Markets Authority, these four accounted for 73% of the current account market in 2015. Over the last decade, Santander is the only other bank to have amassed a double-digit market share, estimated to be in the region of 10%[2].

While there has been a proliferation of new banks in recent years, there's little evidence of any serious erosion of the Big Five's market dominance. According to Fairer Finance's polling data, there has in fact been a small increase in the market share of the Big Five since September 2014.

The seeming lack of effective competition in such an important market is an issue that has captivated successive regulators and policymakers over the past two decades. Since the turn of the millennium, there have been no less than 10 official studies by

regulators and government departments – from the Cruickshank Review in 2000 through to the Competition & Market Authority's extensive two-year full market investigation between 2014 and 2016[3].

All have passed commentary on the low levels of switching and opaque pricing structures of the current account market – whereby consumers are given the impression there is no cost for the extensive range of core banking services that most customers use. For those who keep their account in credit – payments, branch services, cash withdrawals all remain ostensibly free.

In reality, all consumers pay for their banking services in one way or another. Most customers do not receive interest on their current accounts, allowing banks to recoup some of their costs by investing customer balances. Customers are also typically charged higher fees, with additional profit margin built in, for non-core services – such as overseas transactions.

According to research by savings app Plum, only 7% of customers pay no bank fees at all, with foreign exchange fees costing the average customer £16 per year alone[4].

Fairer Finance's bi-annual transparency analysis reveals most banks fail to disclose these prominently to customers in their purchase journeys, fuelling perceptions banking is free. Only 16% of bank account providers in our autumn 2018 Customer Experience Ratings presented additional fees and charges in a clear, itemised manner with explanations.

However, the greatest income from current accounts is not from these peripheral fees – but from overdraft interest and charges. Nearly half of customers use overdrafts.[5] Financial Conduct Authority figures from May 2018 suggest banks earn approximately

£2.3bn a year from overdrafts of which almost a third is from fees for unplanned overdrafts. Overall, approximately a third of bank revenues comes from overdraft charges.[5]

According to Fairer Finance's analysis, 55% of providers who offer planned overdrafts either don't explain these charges at all or do so poorly.

Although many consumers may – rightly or wrongly – feel they are getting a good deal from their bank, many of those who use overdraft services could save significant amounts of money by switching. According to the CMA, customers who use a planned overdraft between eight and 14 days a month could on average save £180 by switching. While those who use an unarranged overdraft eight days or more a month could save over £540 by switching.[5] Significantly, the CMA found those who have the most to gain by switching tend to be the least likely to do so.

Switching among all groups of customers remains low, with only around 3% switching provider each year. In contrast, three quarters of customers have never switched at all.[2] Compared to other sectors this is incredibly low. In the electricity market 5.5 million customers switched suppliers in 2017 alone.[6]

In the banking sector, only 4.7 million switches have taken place in the last five years, since the current account switching service (CASS) launched in 2013[7]. Research conducted by YouGov found that one in five customers have considered switching but ultimately decided against it[8].

Our hypothesis is that such low levels of switching must in part be explained by the banking system's complex pricing structures, and the difficulty of seeing how much could be saved by switching. But

also that similar challenges exist when it comes to comparing banks on quality and service.

For the UK's four largest banks, customer satisfaction levels are below 60%.[9] In fact, according to Fairer Finance's data the Big Five banks have an average satisfaction rating of 55% – with Royal Bank of Scotland having the least satisfied customers with a rating of 45%. Average trust levels are even worse, with the ratings for the Big Five being 45%, compared to an industry average of 53%.

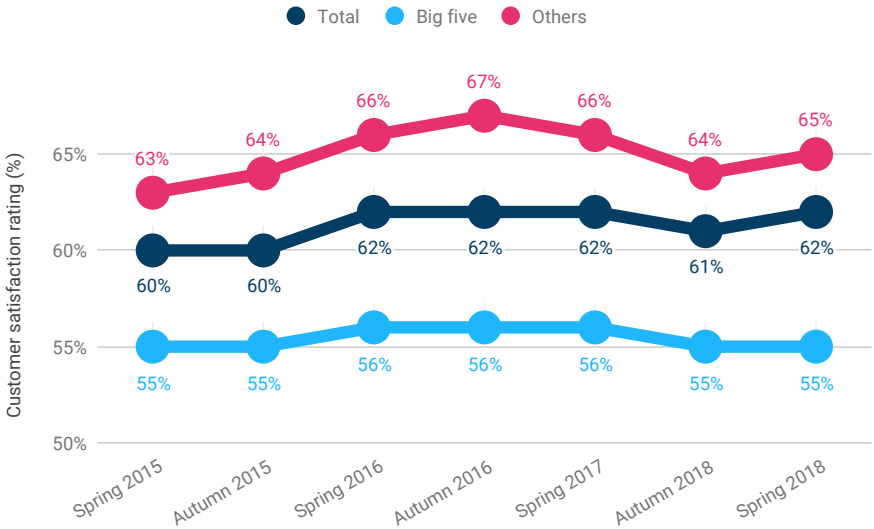

Figure 1.1 Bank customer satisfaction levels

There remains significant variation in scores from top to bottom of the tables. Cumberland Building Society and first direct top the Fairer Finance polls for customer happiness, with 87% and 81% respectively. At the other end of the table, First Trust and RBS receive just 44% and 45%. These are very significant gaps. Yet switching levels among those banks at the bottom of the table are not markedly higher.

Banks with happiest and least happy customers

Top five	Happiness
Cumberland Building Society	87%
First direct	81%
Nationwide	74%
Marks & Spencer	72%
Al Rayan Bank	70%

Bottom five	Happiness
Ulster Bank	50%
Bank of Ireland	47%
Bank of Cyprus UK	46%
Royal Bank of Scotland	45%
First Trust	44%

Figure 1.2 Bank customer happiness scores
Source: Fairer Finance, autumn 2018

Most and least trusted banks

Most trusted	Trust
Al Rayan Bank	72%
First direct	70%
Nationwide	67%
Marks & Spencer	65%
Virgin Money	64%

Least trusted	Trust
Natwest	44%
Post Office	44%
First Trust	41%
Ulster Bank	35%
Royal Bank of Scotland	30%

Figure 1.3 Bank customer trust scores
Source: Fairer Finance, autumn 2018

The CMA's Retail Banking Report and its outcomes

The CMA has proposed several ways to address the issues it found in the market. These included improving the Current Account Switching Service (CASS) and its governance, giving customers access to their previous account's transactional history after they switch, overdraft alerts with grace periods, and a maximum monthly charge.

Its core remedies have focused on helping customers better compare bank accounts on both price and quality.

To aid price transparency, the CMA set the wheels in motion for the Open Banking project, which obliges banks to make customers' previous transaction data available for them to download and pipe into comparison sites and other third-party apps. This will help customers have a much clearer idea of which bank will be cheaper for them based on their own – albeit historical – usage of their bank account.

On quality, the CMA compelled current account providers to start publishing customer service polling results on their mobile apps, websites, branches (if they have them) and even through Open APIs – showing how they stack up against the best in the market.

Figure 1.4
Source: Competition & Markets Authority, February 2019

In addition to the new polling data, the CMA also charged the FCA with selecting a number of service metrics, which financial services providers would be mandated to publish.

The FCA has subsequently asked banks to publish details on how customers can open a current account, frequency of security and operational incidents, and details of how long branches and call centres are open. By February, banks will also have to publish data on how long it takes to open accounts, and how long it takes to replace a lost or stolen debit card.

The CMA survey data is based on what percentage of customers would recommend their bank to a friend or family member. Recommendations have been shown to be a critically important

factor for influencing consumer behaviour. Almost half of customers who have switched banks said personal recommendations from friends, family and co-workers assisted their decision.[10]

Measuring service quality

Consumer perceptions of what constitutes good customer service are informed by their everyday experiences – from shopping at the supermarket, to arranging a new contract with their mobile phone provider.

But perceptions in each market – be that shopping, mobile phone provider or energy company - are also informed by making comparisons between experiences with different providers.

In the banking market, many consumers lack this comparative context – as some 75% of customers have never switched.

Consumer views still hold value in the banking market, as customers would be unlikely to recommend their bank if they did not feel their core needs were being met.

However, in a market where pricing is often opaque and many customers have only ever been with one provider there remains the possibility some customers could misperceive the value they are getting from their banking services.

This study looks to build on the work done by the CMA into measuring service quality – developing a deeper understanding of what matters most to customers in banking. It also looks to consider what other ways there are of assessing banking quality, asking:

- Is there a role for independent experts to play in providing assessment of banking services?
- And what more information could banks publish to help customers make more informed decisions about their bank – and other banks – when they are in the market to switch?

CHAPTER 2

State of the UK banking sector today

To understand customers' usage of their banking facilities, current perceptions of their providers, as well as their views on what mattered most in terms of their bank, we worked with independent polling company Opinium to survey a nationally representative sample of 3,000 British adults.

In addition, researchers interrogated Fairer Finance's own customer polling data – which has been recording customer happiness and trust with banking providers since 2014. We also analysed the CMA's customer survey data, which records customer advocacy levels, and which banks have been required to publish since August 2018.

Finally, we examined the numerous regulatory and academic reports carried out on the retail banking sector over the last two decades, with a view to making a useful new contribution to the debate about service in banking.

Satisfied customers

Although there is often negative commentary on the banking sector in the consumer media, the reality is most customers in our survey described themselves as satisfied with their current account provider. Nearly two-thirds (65%) of customers consider themselves as highly satisfied – giving a score of eight or more when asked to rate their satisfaction on a scale from 0 to 10. Only 1% of customers gave a satisfaction score of two or less.

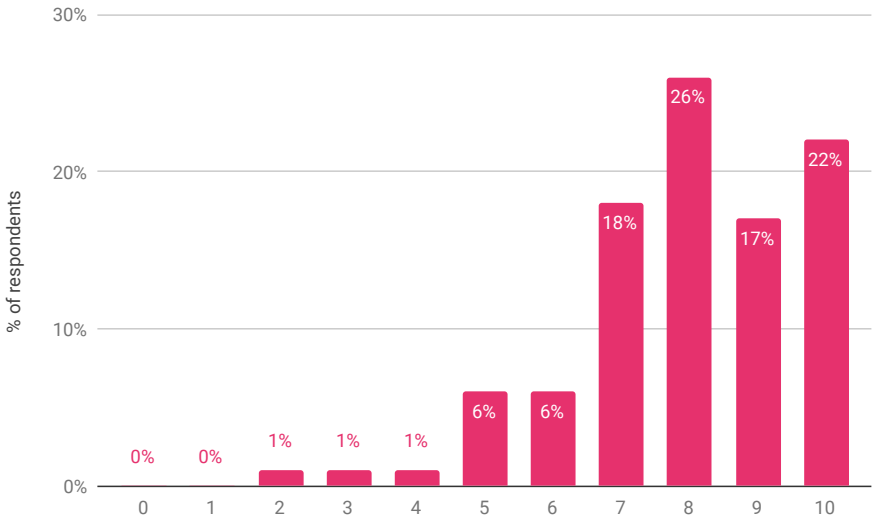

Figure 2.1 Customer satisfaction with their current account provider
Source: Fairer Finance/Opinium survey, August 2018

But the Big Five banks, who account for over 80% of the market, lag behind their competitors. Customers of Barclays, Lloyds Banking Group, HSBC, RBS/NatWest, and Santander had fewer extremely satisfied customers on aggregate compared to alternative providers. Only 64% of customers of the Big Five rated themselves as highly satisfied (8-10) compared to 70% of customers of other banks. This amounts to almost a 10% increase in highly satisfied customers of challenger banks.

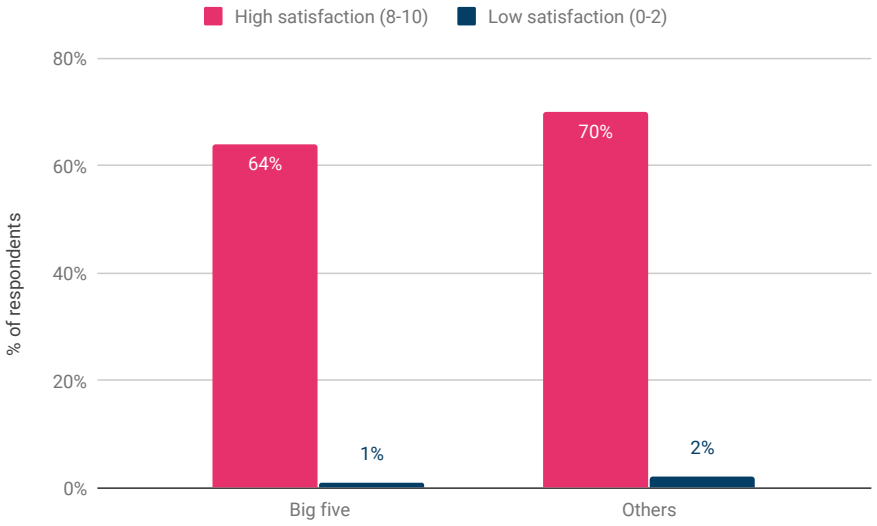

Figure 2.2 Customer satisfaction: Big five vs the rest
Source: Fairer Finance/Opinium survey, August 2018

This is supported by data from Fairer Finance's autumn 2018 Customer Experience ratings which shows an even bigger gap between the Big Five and the rest of the market. The average happiness rating for the Big Five, based on polling data for the past four years, was 55%, compared to 62% for the rest of the market. It's important to note the Fairer Finance surveys are based on narrower five-point scales – so the data is not directly comparable to the new research carried out for this report.

Interestingly, not all customers who are satisfied with their bank would go as far as recommending them.

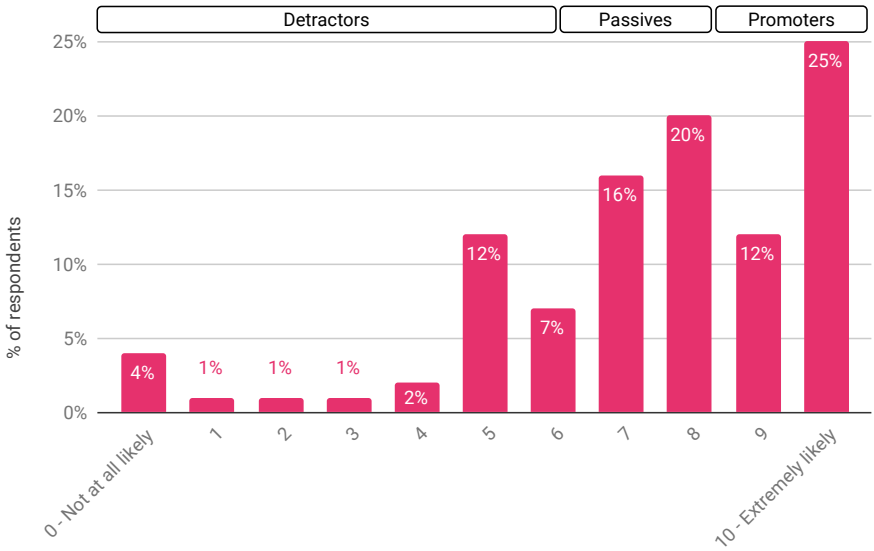

Figure 2.3 Likelihood of customer to recommend their bank
Source: Fairer Finance/Opinium survey, August 2018

While 65% of customers rated their satisfaction with their bank at eight or higher, only 57% of people gave a score of eight or more when asked whether they would recommend their bank. Similarly, at the other end of the scale, only 1% of respondents gave their bank a satisfaction score of one or zero, while 5% of customers picked one of these two lowest scores when asked whether they would recommend their bank.

The likelihood of a customer recommending their provider and their level of satisfaction is strongly and significantly related – a correlation of 0.782 (on a scale of -1 to 1, where 1 or -1 equates to perfect correlation, and 0 means no relationship at all). But satisfaction only accounts for 61% of the variance of customers' likelihood to recommend their bank. This means there must be other factors that are material in determining whether a customer

would go as far as recommending their provider – other than how satisfied they are.

One of these factors is how confident they are at managing their finances.

The average Net Promoter Score (NPS) for those comfortable in managing their finances was +25%, compared to -27% for those who described themselves as unconfident – a massive 52-point difference. NPS is a statistic used for assessing customer advocacy – and is calculated using the question of "how likely you are to recommend your bank?" on an 11-point scale.

Customers who rated themselves as comfortable at managing their own finances were also much more likely to rate themselves as highly satisfied compared to customers uncomfortable with managing their own finances.

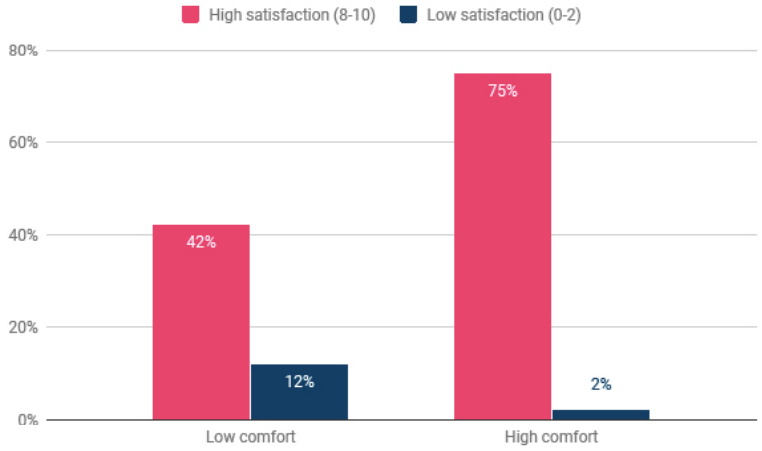

Figure 2.4 Customer satisfaction in relation to comfort at managing own finances
Source: Fairer Finance/Opinium survey, August 2018

It would appear that to be truly satisfied with their bank, a customer must first feel competent and comfortable with their own financial capability. This is even more important when it comes to the likelihood of being willing to recommend their bank.

Another factor which showed strong correlation with NPS was the frequency of interactions the customer has with their provider.

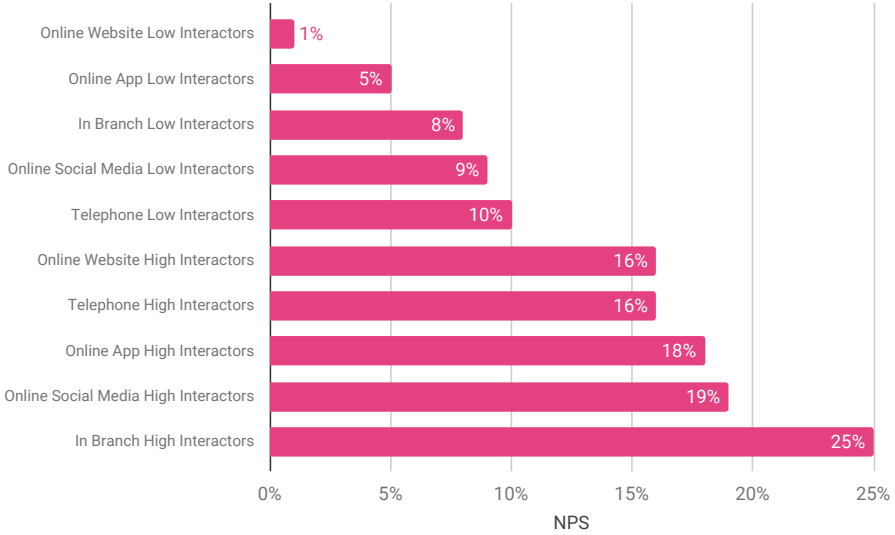

Figure 2.5 Factors influencing the likelihood of customers recommending their bank. Source: Fairer Finance/Opinium survey, August 2018

In particular, it's those customers who use branches frequently that are the most likely to recommend their provider, compared to customers who interact with their bank by other channels. As we explore later in this chapter, getting the right amount of interaction with customers is key to delivering high levels of customer satisfaction.

Some customers want more interaction, and others want less. To meet the needs of groups at either end of this spectrum, banks need to offer their customers a choice of how they interact with them, and put them in control.

Why customers aren't switching

The relatively high levels of satisfaction expressed by a majority of customers is likely to be a significant cause of the low level of switching in the market. When customers who had not switched their bank were asked why, the number one reason was they like their current bank – followed closely by them never having had a problem with their bank.

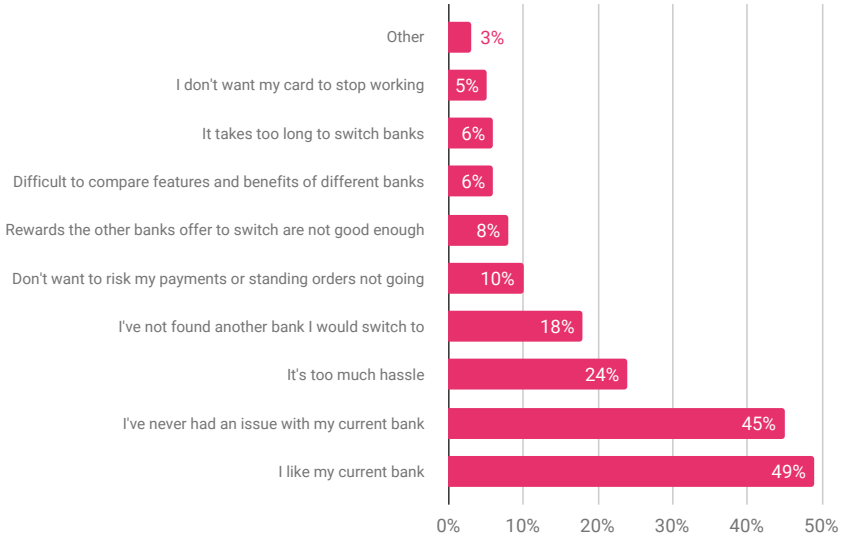

Figure 2.6 Reasons given for not switching banks
Source: Fairer Finance/Opinium survey, August 2018

As things stand, most customers are only willing to leave their bank if they have negative experiences – 'push factors'. But even then,

many customers seemingly need to have multiple negative experiences before they will take the decision to switch. When TSB suffered a major IT failure in April 2018, which affected customers for an extended period of time, a relatively low number of customers left the bank, as a proportion of its wider customer base[11].

The figure above illustrates that one reason customers will put up with a lot before switching is their fear the process will be too much hassle. One in ten are also worried about something going wrong in the process. Although the Current Account Switching Service has sped up switching and provided guarantees in the event something does go wrong, it would seem these measures have not been enough to put to bed consumers' concerns about the process.

While banks continue to work hard to attract new customers with switching incentives – such as cash payments, physical incentives, or high interest rates – these appear to be more successful in attracting customers once they have made the decision to switch.

When we asked customers how much in cash, discounts or vouchers they would need to be offered to switch, the average amount was £492 – almost three times the level offered by even the most generous banks as of May 2019. Interestingly, this amount was not significantly affected by income, although it was affected by other variables.

For example, the research showed it would take, on average, an extra £370 to encourage customers with high confidence in managing their finances to switch, compared to those low in comfort. It would also take an additional £258 to attract promoters (those who would recommend their bank) compared to detractors (those who wouldn't recommend their bank).

Figure 2.7 Average financial incentives required to make customers switch banks. Source: Fairer Finance/Opinium survey, August 2018

The value of customer polling data

Customer satisfaction surveys can give a view as to whether banks are meeting customers' perceived needs. And the large differences in scores for the best and worst rated providers is often significant enough to suggest there are real differences in the quality of service being offered.

However, opaque pricing structures mean customers may not have a clear view as to whether they are getting good value from their current account. For example, they could be paying much higher interest and charges than they would if they switched, but be unaware of these possible savings.

When polling customers about their experiences with restaurants, hotels or household goods, there is a high likelihood they will have had multiple experiences with which to compare the product or service they are now rating.

Given the low levels of switching in the current account market (75% of customers have never switched their current account), they have no frame of comparison when asked how satisfied they are.

By evaluating other measures too, consumers would have a broader range of factors to look at when comparing how good providers really are.

CHAPTER 3

The drivers of customer satisfaction

To determine what the key drivers of customer satisfaction in banking are, we asked 3,000 customers to answer 39 questions about how they bank and what is most important to them. We then used a statistical technique called factor analysis to summarise the data and look for relationships and patterns around the most important themes.

The analysis revealed six factors:

1. My bank is safe & transparent
2. My bank doesn't waste my time
3. My bank is helpful, solves my problems and has friendly staff
4. My bank makes its services easy to use and understand
5. My bank has good products and communicates well
6. My bank offers access to branches

These six factors significantly predicted customers' satisfaction and accounted for 47% of the variance of customers' satisfaction scores.

1. My bank is safe and transparent

Our analysis showed a relationship between 16 statements that broadly fall around the theme of safety and transparency.

My bank is safe and transparent	
They make things easy to understand	They're clear about what they charge
They made it clear to me how much I'd be charged for things such as my overdraft	They're ethical
Their services are easy to use	I know my money is safe
It's easy to set up an account	They're reliable
The terms and conditions are easy to understand	They've never had a major issue e.g. Losing customers' personal data
The letters are easy to read	They keep my personal details safe
The staff explain things well	They have a good reputation
They make it easy to understand how my current account works	They're rated highly by experts

Figure 3.1
Source: Fairer Finance/Opinium survey, August 2018

Unsurprisingly, feeling their money is safe – as well as their personal data – is a key factor in determining customers' satisfaction. But beyond safety, customers also value feeling their bank is upfront and straightforward with them – and they make complex processes as simple as possible.

Analysis of Fairer Finance's autumn 2018 Customer Experience ratings showed there is a significant correlation between customer happiness and transparency.

Fairer Finance assesses transparency by mystery shopping providers' purchase journeys and assessing whether companies explain the complexities of their products to customers prominently and clearly. In the banking sector, the assessment focuses on

clarity of information around fees, charges, interest – and the accessibility of the website and language used.

Our research has found that, broadly speaking, the clearer and more helpful a provider is during their purchase journey, the happier their customers are. And improving a provider's transparency resulted in a significant increase in customer happiness six months later.

Correlating our transparency scores with the Current Account Switching Services' switching data showed there is a significant relationship between how transparent a provider is and the number of customers they lost. Put simply, clearer providers lose fewer customers.

Transparency is a multi-faceted concept, and a range of transparency aspects were highlighted by consumers. For example, an important factor was how clear the fees and charges were for services such as their overdraft.

We found a significant positive correlation between our analysis of how transparent a provider was in disclosing their overdraft interest rate and main fee, and how satisfied their customers were.

2. My bank doesn't waste my time

My bank doesn't waste my time
If my bank has an IT failure (e.g. my online banking doesn't work for days) then I'd consider leaving
I get annoyed if my bank makes me wait a long time – e.g. in branch, on the phone, responding to a complaint.

Figure 3.2
Source: Fairer Finance/Opinium survey, August 2018

The absence of errors from a bank is a fundamental hygiene factor in terms of customer service. Customers want their services to work as expected and don't want the inconvenience of human or technical errors being made by the bank.

Related to this, customers also naturally don't want to be left waiting – whether on the phone, in branch or when expecting a response to a complaint.

Poor handling of problems can be the catalyst for customers leaving their bank. However, switching statistics suggest most customers will need multiple errors or inconveniences before they decide to switch.

TSB lost over 12,000 customers in the first two months after it's IT failure in 2018[12], but this represents only 0.3% of its total number of customers (across all product lines) . This is not to say customers weren't dissatisfied. The bank received nearly 100,000 complaints from customers regarding the failure[12].

Similarly, when the Co-op Bank ran into financial difficulties in 2014, it reportedly lost just 100,000 of its 1.5 million current account customers in the following three years[13].

It's customer satisfaction and trust scores were also not heavily impacted, according to our data. This can of course in part be accounted for by the fact those who are least satisfied may have switched – and so their views will not be reflected in the polling data. Nevertheless, given the relatively low number of switchers, it reaffirms the theory most customers are willing to put up with a number of problems before they will consider switching.

3. My bank is helpful, solves my problems and has friendly staff

While customers naturally don't want to be burdened with problems in the first place, there are a number of issues that can arise by no fault of the provider. For example, a customer may lose their debit card and need it replaced – or may be moving house and need to change address details.

In all circumstances, customers want problems to solved quickly and efficiently – all the more so if the bank has caused the problem. This is another key factor in determining customer perceptions of good service. FCA research found this is particularly important to vulnerable consumers.[14]

Our analysis identified seven statements which pertained to the importance of friendly staff and the ability to fix problems quickly.

My bank is helpful, solves my problems and has friendly staff
The staff are friendly
They have a phoneline that's available 24/7
A real person responds to me on the phone
I don't have to wait long when I call
They solve my problems quickly e.g. Replace my card quickly if it's lost
They solve my problems with me being involved as little as possible
Problems are solved in one interaction (i.e. no passing around to multiple people)

Figure 3.3. Source: Fairer Finance/Opinium survey, August 2018

As the next section underlines, today most customers do not like using phone banking services. But they tend to turn to telephone banking when things go wrong, presenting a moment of truth for the provider. If customers can speak to a human straight away (or at least be routed to a human being as quickly as possible), and have their issue resolved without needing to be passed to another member of staff, this can go a long way to increasing their satisfaction levels.

4. My bank makes its services easy to use and understand

Convenience is a key factor to most consumers when it comes to banking. Many people want to be able to monitor their finances on a regular basis, and therefore simplicity and convenience for regular banking task are key components of customer satisfaction.

My bank makes its services easy to use and understand
They make things easy to understand e.g. The website is easy to understand, the staff explain things clearly, etc.
The internet banking is easy to use
The app is easy to use
I can understand the website

Figure 3.4. Source: Fairer Finance/Opinium survey, August 2018

Our polling for this study found 74% of consumers use internet banking at least once a month – and 33% login at least every couple of days.

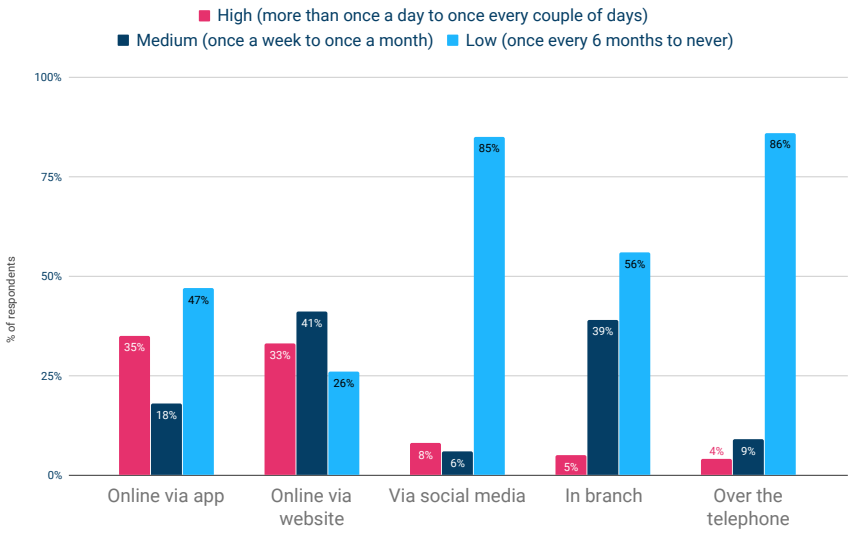

Figure 3.5 Frequency of use of different banking methods
Source: Fairer Finance/Opinium survey, August 2018

Among the younger generation, online banking usage is even greater – with app-based banking dominant. Some 55% of consumers aged 18-35 log into a banking app at least once every couple of days, and it's a safe assumption the overall figure for online banking usage is only going to increase year on year.

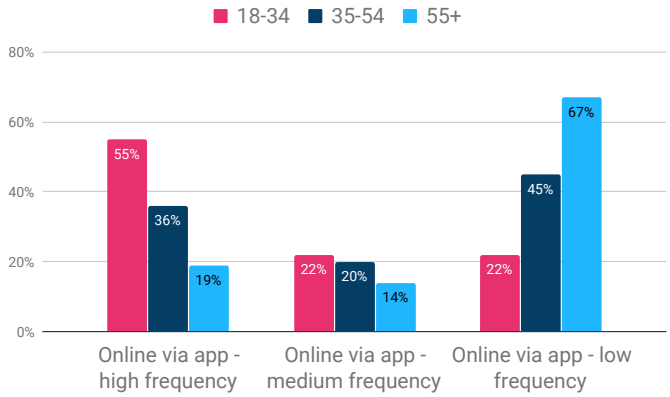

Figure 3.6 Frequency of use of different banking methods in relation to age Source: Fairer Finance/Opinium survey, August 2018

Significantly, the easier customers find it to manage their account, the more likely they are to be satisfied with their provider, and the more likely they are to recommend them.

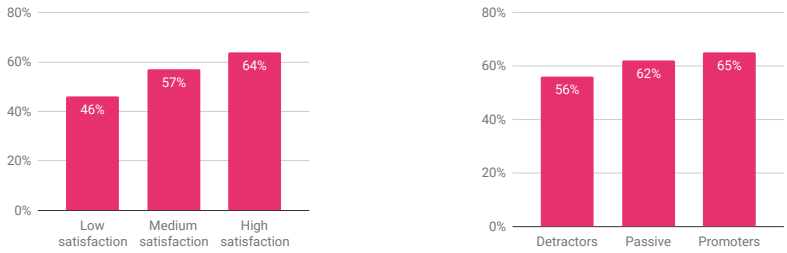

Figure 3.7 Relationship between how easily customers can manage their account, customer satisfaction levels, and how likely they are to recommend their bank. Source: Fairer Finance/Opinium survey, Aug. 2018

While app-based banking is appealing to a younger generation – with 55% of 18-34 year olds logging in at least every few days – there are still a small but significant number of people who continue to bank over the telephone on a regular basis. As figure 3.5 shows, around one in eight (13%) said they use telephone banking at least once a month. However, in general terms usage of telephone banking tends to have a negative impact on people's satisfaction levels.

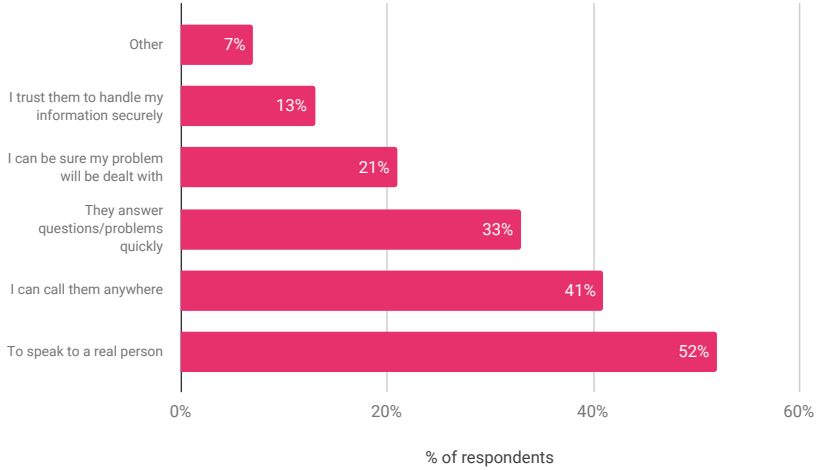

Figure 3.8 Reasons given for using telephone banking
Source: Fairer Finance/Opinium survey, August 2018

As the chart above shows, the main reason people use telephone banking is to speak to a real person – and the ability to do that from wherever they are. However, perhaps tellingly, the main functional reason is a perception their questions and answers will be dealt with quickly. Whenever customers are left waiting, or passed to multiple people to resolve a query, customers can quickly lose patience.

As the chart below shows, telephone banking is rated the weakest of all channels in terms of satisfaction by customers – with less than

a third rating it as very good. This compares to almost two thirds of customers who rate their bank's website as extremely good.

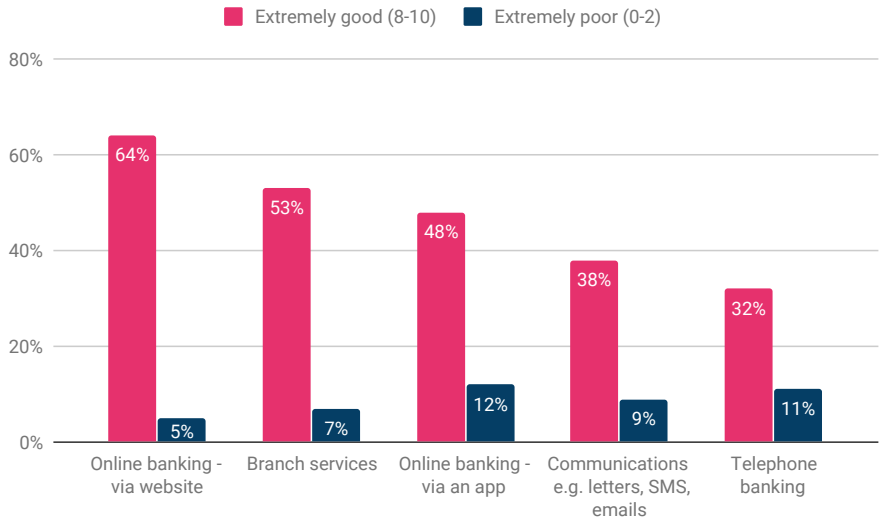

Figure 3.9 Customer ratings of different banking channels
Source: Fairer Finance/Opinium survey, August 2018

It's worth noting challengers tend to do a little better here. The likelihood of customers rating their provider's telephone banking service as high quality was six percentage points higher for challengers than for the Big Five. And as the chart below shows, customers of challenger banks are more likely to expect their bank to be able to deal with their problems quickly and efficiently.

A number of challengers have done away with telephone tree style journeys, where customers have to type in a significant amount of information before they speak to a human being. Speaking to a human quickly tends to improve customer perceptions of telephone banking services. Although it is not necessarily better if the customer's query cannot be resolved quickly – for example,

they are passed to multiple departments to get their issue resolved.

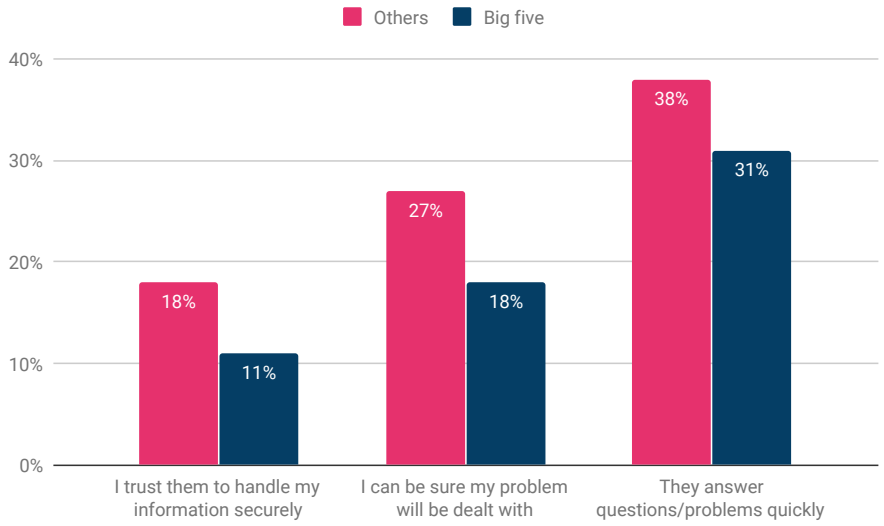

Figure 3.10 Reasons given for liking telephone banking
Source: Fairer Finance/Opinium survey, August 2018

5. My bank has good products, and communicates with me

Having good products is something consumers draw out as important when it comes to their current account provider. However, this sits alongside clear communication around what is happening in their account.

So while customers want good interest rates, and other more tangible product features – such as gifts, cashback, and rewards – it's equally important they receive relevant updates and engagement which help them make better decisions.

My bank has good products, & communicates with me
Benefits (such as gifts/cash/cashback/rewards) are an important part of my account
They offer good interest rates
It's important to me to get alerts about my spending, such as texts.
The app is easy to use
They're recommended by family or friends
They're responsive on social media (such as Twitter)
They engage me with me positively on social media

Figure 3.11. Source: Fairer Finance/Opinium survey, August 2018

Getting the frequency of communications right, however, is a balancing act, with customers generally wanting clear communication but at the same time less communication overall. This suggests a fatigue for unfocused marketing and regulatory communications – but a continued demand for relevant, helpful communications.

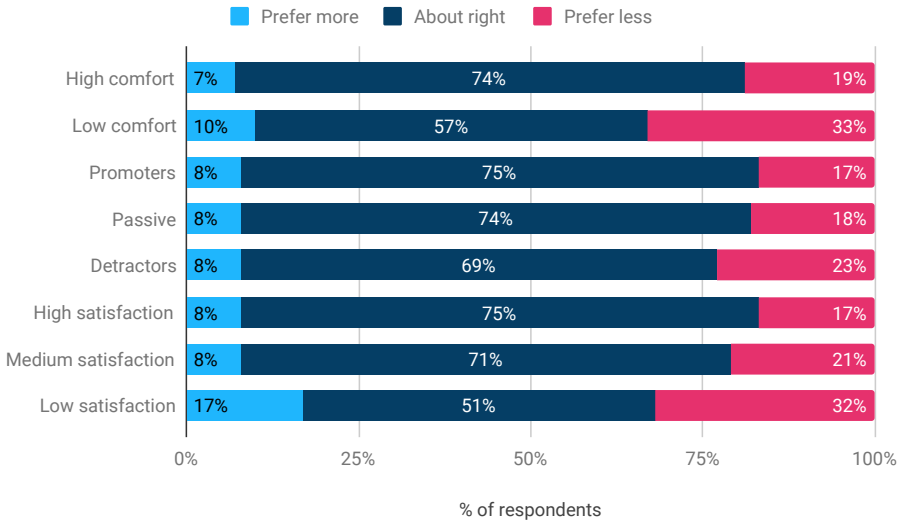

Figure 3.12 Customer attitude to communication levels from their bank Source: Fairer Finance/Opinium survey, August 2018

6. My bank offers access to branches

The number of bank branches has diminished greatly over the last decade. Figures from the Retail Banker International, published in a recent Treasury Select Committee report on branch closures, suggest there was a reduction of 37% in the number of branches between 2007 and 2017[15].

My bank offers access to branches
They have branches local to me
I can have an in branch face-to-face conversation quickly
They have long branch opening hours

Figure 3.13. Source: Fairer Finance/Opinium survey, August 2018

Yet our research revealed branches continue to play an important role for most consumers. As Figure 3.5 shows, 44% of consumers continue to use branches at least once a month. And the chart below reveals 84% of consumers still use branches for paying in cash and cheques.

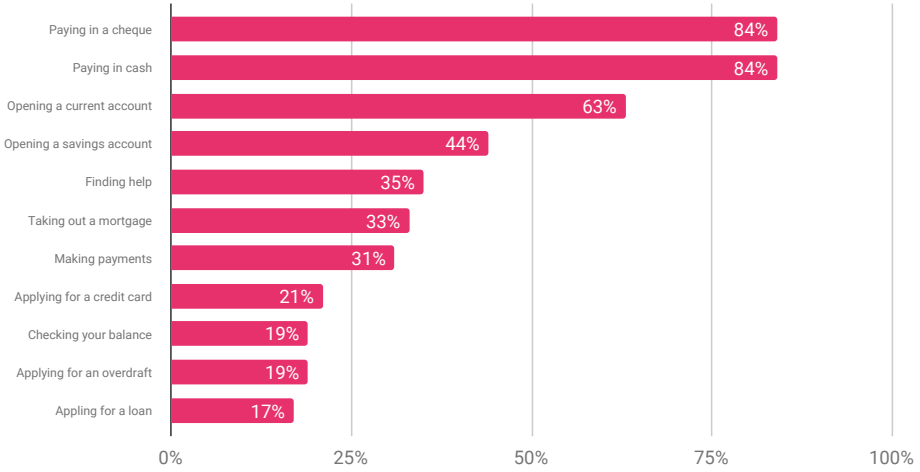

Figure 3.14 Things customers currently use their branch for
Source: Fairer Finance/Opinium survey, August 2018

Revealingly, most consumers do not see their usage of branches diminishing dramatically in the future. In fact, when it comes to taking out a mortgage, more people expect to use branches in future.

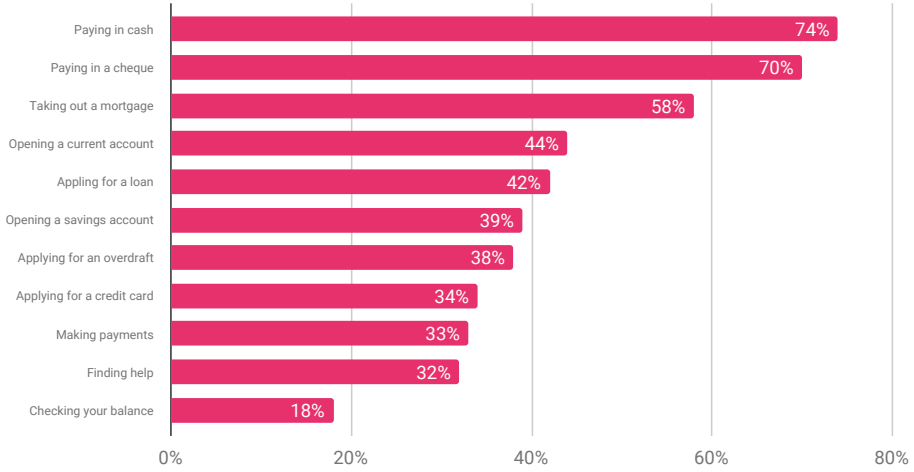

Figure 3.15 Things customers would like to use their branch for in the future
Source: Fairer Finance/Opinium survey, August 2018

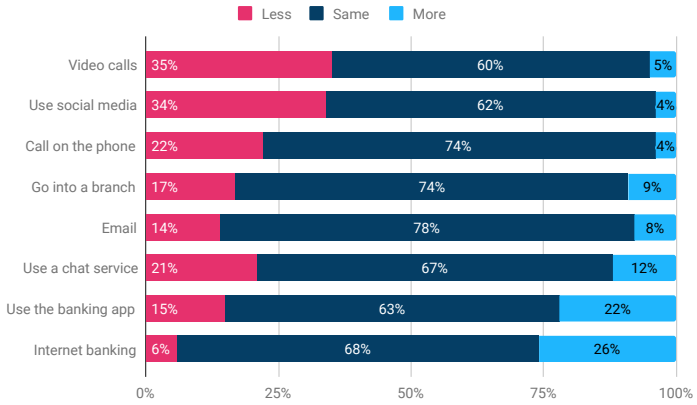

Figure 3.16 Customer expectations for the future
Source: Fairer Finance/Opinium survey, August 2018

Customers may not be the best predictors of future trends. But the fact relatively few people see any end to their branch use in the near future is worth noting for the latest digital only challenger banks.

First direct was the first bank to not have any of its own branches. Nevertheless, it has maintained access to its parent bank's branches – an important part of the service for many customers.

Similarly, Metrobank has bucked the trend by opening more than 50 branches since its launch in 2010, offering more flexible opening hours, including evenings and weekends.

The formula for great customer service

Importantly, all six of these factors are a key part of customer service and all significantly predicted both customer satisfaction and NPS.

For a provider to deliver high quality service and have satisfied customers they must fulfil all six of these factors. A customer will, perhaps subconsciously, tick off these criteria when deciding if their provider, or one they are considering switching to, offers high quality.

Safety, simplicity, convenience and accessibility are the key ingredients to creating an excellent customer experience – as well as an ability to put things right quickly if something goes wrong.

Although the importance of each factor will vary from customer to customer, excelling at these six factors is likely to be necessary to top the tables for customer satisfaction and advocacy.

CHAPTER 4

Conclusions

Defining quality in banking is a complex challenge – as different customer sets have different needs and desires.

While regular interaction with a human being is vital for some customers, others may prefer to have as little interaction with their bank as possible.

Nevertheless, across the UK customer base as a whole, our study identified six factors which were found to be crucial to customer satisfaction:

1. My bank is safe & transparent
2. My bank doesn't waste my time
3. My bank is helpful, solves my problems and has friendly staff
4. My bank makes its services easy to use and understand
5. My bank has good products and communicates well
6. My bank offers access to branches

While all six of these do not have to be met for a customer to remain relatively satisfied, our research suggests that in the short run, they are likely to be required for banks to have the happiest customers.

The importance of access to a branch is a challenge for the new breed of digital banks, who may need to think of partnerships to meet customers' desire to have a physical interface with their bank from time to time.

The CMA's aspiration to help customers select banks on more than just price is a valuable one. Our framework shows there may be

other information which would be useful to help build on this and help customers pick a bank with the highest quality service levels.

Looking through the lens of our six customer service factors, customer polling is certainly a reasonable way of measuring whether a bank has friendly staff and is good at dealing with problems. But it is likely to be less effective at gauging whether a bank offers good value products, or whether it is safe and transparent.

The limited switching levels in the UK market mean most customers have no frame of reference when asked whether they would recommend their bank. On more classic service metrics such as friendliness of staff, or ability to solve problems, customers can compare their experiences with other service industries.

But when it comes to assessing security levels or understanding whether the banks fees and charges are clear and transparent, there may be a case to be made for regulators bringing in more objective assessments, carried out by experts or through forced disclosure by the banks themselves.

The FCA service metrics are also to be welcomed as they will provide some of the additional information that customers need. But more context and a range of additional disclosures could improve the picture for customers even further. For example, while banks do have to publish details of the number of security and operational incidents, there are no details of how severe the incidents were. Banks will have to publish the amount of time to open an account next year – but information on average call centre waiting times, and more context around the types of complaints each bank receives could paint a richer picture for customers when choosing a new provider.

There is obviously a risk customers become overloaded with information through such mandated disclosures. But the target for such data sets should not just be consumers themselves, it should be aggregators who can translate the information into meaningful ratings for customers.

When choosing a bank account provider, consumers should be able to make informed decisions about who offers good quality services. This is all the more important given the likely length of that relationship.

Although customers of most banks claim they are broadly satisfied, the data suggests there are stark differences between the level of service being offered by different banks, which may not be apparent to those who haven't switched.

As Open Banking and other technological development helps break down the barriers to switching, there's an opportunity to help more customers move accounts in pursuit of excellent service and quality.

The average consumer today says they would want incentives worth almost £500 to switch. We believe this reflects consumers' perceptions that it is still difficult to switch, and that there is not much difference in terms of quality in the market.

Our research shows there are clear differences in service quality. And the CMA customer surveys and FCA service quality data are an important first step in helping customers see the differences in the market – and encouraging a race to the top on service on quality.

Endnotes

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