



Teleperformance
**Customer
Experience
Lab**

Are Digital Expectations Transforming the Future for Banking?



Introduction and Executive Summary

Welcome to this continued exploration of the Teleperformance Global CX Survey 2021. The CX Lab is Teleperformance's award-winning research center dedicated to monitoring changing behaviors and expectations of consumers globally to help companies improve their customer service strategies.

The annual CX Survey was launched in 2013 and covers a wide range of dimensions, such as channel preferences and brand perception. The 2021 survey features participants from 13 different countries and analyzes 19 various industries, totaling 51,919 interviews.

Two thousand six hundred sixty of these interviews were focused on the digital banking sector, and another 2,639 interviews were conducted with legacy banking customers using an external consumer panel.

Banking is facing a transformation — a revolution in customer expectations for both products and services. Challenger banks are redefining the rules on customer experience, and financial technology (FinTech) is creating a wave of new app-based financial services that are usually cheaper and easier to use than those offered by legacy banks.

But how many customers have embraced digital banking, and are they satisfied with this new banking environment?

The COVID-19 pandemic has also become an essential part of this equation because the branch networks of traditional legacy banks were dramatically impacted by quarantine and stay-at-home orders.

Digital banks faced some disruption to their operations and customer service processes because most employees had to transition to a work-from-home (WFH) operating model. However, after this initial hurdle, they were functioning as normal again.

At Teleperformance, we are leaders in digital customer interactions with over 40 years of experience. **The shift to digital is a natural disruptor that we have expected as we work directly with some of the biggest digital banks in the world. During the pandemic, our global team of WFH employees grew from around 10,000 to over 220,000 within two months. About 50,000 of those employees support financial services companies.**

In addition to Teleperformance's firsthand experience with both legacy and challenger banks, the CX Lab has been analyzing the evolution of the retail banking sector since 2013. It has now given digital banking a new stand-alone status that enables a clear comparison between how consumers evaluated both the traditional banks and contenders.

Adoption of Digital Banking

The first question we need to answer is “how many consumers are adopting digital banking?” It is worth noting that our definition of a digital bank for this CX Lab survey is one that operates entirely online, either through an app or website — a bank without any traditional retail branches.

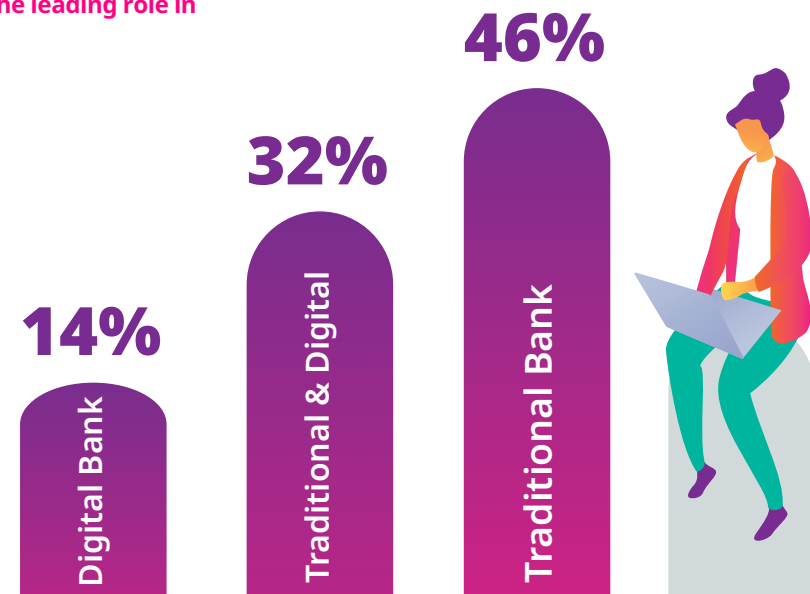
The overall result is that 14% of the consumers in our survey are only using a digital bank, but a further 32% are using a traditional bank and a digital bank, for a total of 47% of consumers using a digital bank.

Although the average figure for almost half of all consumers looks positive for digital banks, adoption differs across demographics. For example, 53% of Millennials use a combination of digital and traditional. The figure for the younger Generation Z is lower at 43%, but this is skewed by 25% of this age group being young and having less choice at this point as only the oldest in Generation Z are adults.

Furthermore, while there is a higher propensity for digital banking in younger age groups, even the older demographics are adopting some digital banking services. Both Traditionalists (over 74) and Baby Boomers (56-74), 35% and 36% respectively, are using digital banking. Gen Xers tend to straddle between the two and typically lean towards traditional but leverage digital assets, as needed.

We can also infer that, for these customers, the loyalty and stickiness to a bank, which arises from the personal interaction that comes from a bank branch, is minimized, and it is the power of the customer experience, digital interaction, and technology that plays the leading role in consumer loyalty.

Consumer Adoption of
Traditional vs Legacy Banks



Key Performance Indicators for Digital Banking

Our survey focused on three key performance indicators (KPIs) for tracking and measuring consumer perception and behavior regarding digital bank brands:

- **Overall Satisfaction:** How satisfied are customers with the brand/company overall? (Scale from 0 to 10 – “0” for “completely dissatisfied overall” and “10” for the opposite)
- **Advocacy:** How willing are customers to recommend the brand to friends and family? (Scale from 0 to 10 – “0 to 6”: Detractors, “7 and 8”: Neutrals, and “9 to 10”: Promoters / Advocacy = % Promoters - % Detractors)
- **Loyalty:** Likelihood of remaining customers of the brand/company in the next 12 months (Scale from 0 to 10 – “0” for “won’t remain with the brand” and “10” for “will remain a customer for the next year”)



Overall Satisfaction

The overall satisfaction for digital banks is 8.3, with customers in the digital banking sector showing above-average satisfaction in most countries in our survey. On average, digital banking customers are 4% more satisfied than those using legacy or traditional banks.



Advocacy

The advocacy score in the digital banking sector is 36%, which is higher than the average in most countries. It is also 14 percentage points higher than that of legacy banking customers.



Loyalty

The intention to remain a client of the same digital bank has an 8.4 average, the second-highest across all sectors. Digital banking customers are also more loyal than legacy banking customers. Even with captive customers and passive behavior toward the difficulty of changing banks, the legacy banks still have a lower score than their new rivals.

This data demonstrates the positive difference in overall satisfaction compared with legacy banks.

It is also evident that digital banks — newer establishments — are listening to the customers and making the changes needed to establish themselves, leveraging these differences from traditional banks as their key differentiators.

**Are Digital Banking Customers
Using Mobile Apps?**

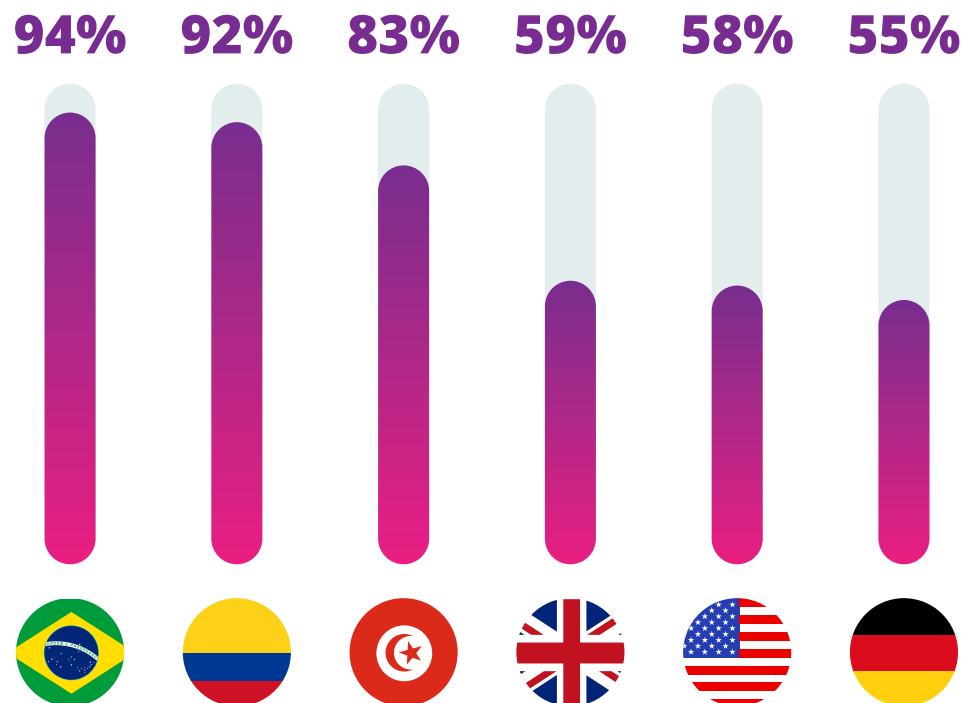
Are Digital Banking Customers Using Mobile Apps?

Among all sectors, digital banking has the largest mobile app adoption by customers, with 72% of all customers using apps to interact with their digital bank brand. Perhaps this is not surprising as many digital banks are built around services that can only be offered via apps. Many digital banks, however, also provide access to services via the web.

In Brazil, app adoption is almost universal, with 94% of digital banking customers using an app. Colombia (92%) and Turkey (83%) are only slightly behind. App adoption for digital banking in these countries is far ahead of many developed economies such as the UK (59%), the USA (58%), and Germany (55%).

Digital banking customers have a very high app adoption. However, there is an interesting distinction between consumers in some countries who are far more comfortable using apps than others.

Mobile App Adoption by Country



**Have Consumers Changed How
They Contact Customer Service
During the Pandemic?**

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This is an interesting question because many consumer sectors have seen a dramatic difference in consumer behavior. Retail is, perhaps, the starkest example as consumers were forced to adopt E-commerce, and many are now comfortable with this new type of interaction.

But in digital banking, have consumers changed how they interact with their banks because of the pandemic that broke out in 2020? Two-thirds of those surveyed (66%) said yes, the pandemic had changed their behavior.

There are four main changes reported, with app use leading the way:

- **32%** – I've contacted my digital bank more often through their app.
- **20%** – I've had more interactions than before the pandemic.
- **20%** – I'm using self-help more often.
- **17%** – I'm trying new contact channels I didn't use before.

The key insight here is the rise in mobile app adoption to interact with digital banks.

How Often Do Digital Banking Customers Contact Their Banks and How?

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Among those contacting, digital banking customers interact with their bank 2.7 times a year, across all the different markets we surveyed. This figure reflects customer service interactions rather than just using the bank app to undertake transactions.

Turkey (4 times), Colombia (2.9 times), Brazil (2.8 times), and Mexico (2.7 times) are the markets that contact their digital bank most often, while Russia, Italy, and the UK (2.3 times) are the least frequent.

The channels used to contact their banks are particularly interesting because out of all the sectors in the survey, digital banking has the highest average number of channels used by each customer.

Fifty-five percent of customers use a single channel to contact their bank, but this means that everyone else is using multiple channels. Seven percent use more than four channels, although the most common multichannel option among 19% of customers is two channels.

While voice call is the most-used channel among all generations, a higher percentage of consumers from the younger generations are using newer

channels (compared with Baby Boomers or Generation X). Chat with a live agent is a good example, with 28% of Generation Z using this channel versus 18% of Baby Boomers.

With all this data, it begs the question — which channels do digital banking customers still prefer to use? **Although older generations, such as Traditionalists and Baby Boomers, prefer email/web form over chat, chatting with a live agent is the second favorite channel for other demographics.**

And, since personal touch is still needed — and expected — support for voice calls remains strong, even if a voice call is just a preferred channel and not the channel that is actually used. In fact, 43% of Traditionalists would prefer to make a voice call, and so do 20% of Generation Z. One of the drivers for this may be attributed to instances when consumers might prefer a person at the end of the call when it comes to frequently asked questions instead of coursing their queries through digital channels.

***Voice is the most-used channel
among all generations***



**What Main Customer Satisfaction
KPIs Were Tracked by the Survey?**

What Main Customer Satisfaction KPIs Were Tracked by the Survey?

This survey used four key dimensions to measure the perception of a brand's customer service based on the consumer's last interaction:

- **Satisfaction With the Last Contact:** How satisfied are customers with the last contact with a service channel? (Scale from 0 to 10 – “0” meaning completely dissatisfied overall and “10” the opposite)
- **First Contact Resolution:** Was one contact enough to address customers' needs or obtain the information they were seeking? (Was their issue solved? Was one contact enough? Yes or No)
- **Effort:** How easy was it for consumers to solve customer service issues? (Scale from 0 to 10 – “0” meaning that it was “very difficult” and “10” means that it was “very easy”)
- **Self-Service Score:** Were customers able to solve their question/issue by using self-service? (Did self-service completely prevent them from contacting the brand? Yes, solved partially; No)

Satisfaction With the Last Contact is 8.2 across all countries in the survey, above average compared with other sectors. **Digital banking customers are 3% more satisfied than legacy bank customers.**

First Contact Resolution (FCR) is 81% in the digital banking sector. Again, this figure is above average compared with other sectors and is six percentage points higher than the FCR of legacy banks.

Effort is 8.1 for digital banking, the second-best score across all sectors in the survey. Digital banking customers also find it **4% easier to resolve issues than legacy banking customers.**

Self-Service has the second-highest number of customers at 69%. **Digital banking customers use more self-service (+17 percentage points) and avoid more direct customer service contact (+9 percentage points) than those using legacy banks.**

It is worth noting that customers who attempted to use self-service and failed ended up with a lower satisfaction rating than those who never even tried this channel.



**How Does the Digital Bank's
Customer Service Compare
With Other Sectors?**

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Digital banking had the second-best score for satisfaction, FCR, and effort to handle the last contact out of all sectors in the survey. Baby Boomers and Generation X gave their digital banks the best scores regarding satisfaction with the service, FRC, and effort. Even the youngest generations scored this sector above legacy banks and other sectors, comparing the same age groups.

Mobile app users were the most satisfied, with a 4% increase in customer satisfaction. Satisfaction increased slightly across most channels after the peak of the pandemic, but this was especially visible with chatbots, live chat, and mobile apps.

Digital Banking has one of the highest customer service satisfaction scores

Conclusion

The global lockdowns and restrictions on travel and movement created favorable conditions for digital and online sectors to thrive. However, did digital banks leverage this opportunity and deliver the desired experience to their customers? The short answer is yes. The data and stats speak for themselves

Our survey identified five key takeaways:

- **47% of the respondents have an account with a digital bank:** For Millennials, this number rises to 53%, with 20% having accounts only with digital banks and 33% having both digital and traditional.
- **Good Brand and Customer Service Performance:** Digital banks scored better than many sectors and above legacy banks, especially regarding loyalty, FCR, effort, and even satisfaction with customer service, where they ranked second out of all sectors evaluated.
- **Highest Mobile App Adoption:** Seventy-two percent used their digital bank's app compared with 66% for legacy banks and 39% overall.
- **Many Contacts Through Many Channels:** Digital banking has the fifth-highest volume of contacts in the survey, with its customers using the most channels to interact. Nonetheless, legacy banks receive more contacts per customer despite the usage of fewer channels.
- **Different Channel Adoption and Preference:** Compared with global numbers, digital banking customers use and prefer fewer voice calls while opting for mobile apps more often. All the same, voice call is still the most used and preferred channel. Compared with legacy banks, the gap in voice call usage and preference is even higher since legacy banks rely heavily on this channel. At the same time, instant messaging and social media stand out more with digital, considering traditional banking consumers use them less.

Conclusion

Digital banking has had the largest transformation within the banking industry since most banks moved online in the 1990s. With the emergence of FinTech, this is no longer just about legacy banks adopting new customer channels or platforms — new market entrants have the potential to disrupt the business model of the legacy banks entirely. Many digital banks and FinTech companies are already positioned at the top of national customer satisfaction surveys and are growing at tremendous speed and agility.

One of the great advantages for the challengers and FinTech companies is that they can design new services entirely around their customers' needs. Plug-and-play technology has resulted in speed to market, and with no legacy technology system or network of branches, their speed and efficiency are leading competitive factors. Digital banks, for instance, can start from a blank design and build customer-centric solutions. As a stark comparison, founded in the 1400s, legacy banks have centuries worth of history, culture, and tradition, which are all essential but are also preventing them from pivoting quickly. Despite this fact, there is still a happy medium, and, with traditional banks catching up, a window of opportunity for them as well.

This research does not argue that legacy banks are facing a terminal decline. Nevertheless, they need to adopt the customer-centric service transformation that the digital banks embrace, which could be achieved by launching new services and spin-off brands or partnering with FinTech brands to improve the service available from their main banking brand. No matter how they accomplish a digital transformation, the mandate is becoming more imperative since digital banks are taking more market share and generating more advocacy.

A customer experience that is focused on the digital experience the bank offers is more essential than ever. Simply providing a bank account or basic credit is fast becoming a commoditized service. **Customers are expecting the lifestyle-focused financial services that are now commonly available from digital banks. This improved customer experience is now an expectation and is essential for loyalty.**

The digital banking community is redefining what customers can expect from their banks, with easier-to-manage services and a better all-round experience. Legacy banks have many years of tradition and trust in their brand, but they need to pay attention to modern customer expectations.

Find out “what customers want versus what they get” in the previous installment of our CX Lab white paper, which highlights the underlying challenge for the banking industry. How do legacy brands respond when customers start defining how they want to interact with a brand?

Teleperformance has direct experience working globally with both digital and legacy banks.

As a result, we understand the challenges faced by both areas within the broader banking industry, empowering us to design the right kind of customer experience that delivers on the expectations of bank customers in the 2020s.



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