



PERSONAL SERVICE IN A DIGITAL WORLD

ACX IOM



INTRODUCTION

Digital transformation only continues to grow and intensify in these challenging times. Midway through the last decade, online media overtook TV as the most used medium¹. In September 2019, the average person spent 3 hours and 29 minutes online each day and 3 hours and 19 minutes watching TV². Back in 2012 the average person watched more than 4 hours of TV a day, and that number has slowly declined since. Notably, during lockdown, people in the U.K. surpassed 4 hours of daily online consumption for the first time².

This stretches beyond media to almost every aspect of life. In May 2010, 6.6% of all U.K. retail sales were done online. In May 2020, that had almost quintupled to 32.8%³. People younger than 30 are more likely to have met their partner on a dating app or website than by chance at a bar, gig or café⁴.

What does all this have to do with financial services? As we know, where people spend their time in general filters through to where they spend their time banking. The percentage of people using online banking at least once in the last three months increased from 49% in 2008 to 79% in 2018⁵. Just less than half of people had used mobile banking in 2018⁶. Cash payments were overtaken by debit cards in 2017 and continued their steady decline with a further 16% drop in 2018⁶.



Not only are people's habits shifting digitally, but digital-first companies that have defined this wider digital evolution continue to take up a more significant share of the financial services industry as they expand their product lines, entice users with a seamless user experience and take advantage of their vast ecosystems. While cash payments have seen an accelerated decline due to health fears and wider encouragement from prominent public and private institutions, the move to contactless mobile payments has been facilitated by Apple, Google and Samsung Pay. Meanwhile, fintech companies have accelerated the move toward mobile banking.

While digital banks and big tech have sought to gain the first-mover advantage in emerging technologies, historic market leaders have retained their market share and continue to respond to emerging customer needs while providing the essentials. Ultimately, the most important factor people look for in a financial institution is security, across all generations, and market leaders have a long history of providing it. However, generations are split on what matters most beyond that: younger generations prioritise digital excellence, older generations prioritise customer service, and knitting those two together will be a defining challenge of this decade.

An inevitable consequence of the digital transformation is a move away from less in-person banking, both in-branch and on the phone. This has an impact on financial inclusion, which is an ongoing discussion and an issue the Financial Conduct Authority (FCA) continue to monitor closely. It will also change the nature of the relationships customers have with banks, even those who welcome a rapid shift to digital services. How can you provide personal service without the person?

This report is primarily based on a survey of 2,000 people Acxiom conducted in September 2020, along with some references to a survey Acxiom conducted in May, with the objective of deepening our understanding of these trends and providing a broader understanding of evolving attitudes about consumer banking. Finally, it will offer insight into financial needs in these challenging times.

THE DIGITAL SHIFT STEPS UP A GEAR

According to a report by CACI⁷, 1 in 6 banking customers used mobile banking in 2014, and that grew impressively over the next five years, reaching 1 in 2 customers by 2019. That led them to project that more people would be managing their bank account primarily on mobile than in a branch by 2021. At the time that was recognition of a meteoric rise, a faster rise from relative obscurity to ubiquity than any other financial services offering in decades, and it may have felt like a bold prediction.

Fast forward a year, and with all the changes brought about by the COVID-19 pandemic, that prediction has already been surpassed. 68% of people used a mobile app for banking in August, compared to just 37% who visited a bank. CACI predicted mobile penetration would reach that level in 2023. While we expect some rebalancing to happen when things shift back to normal and in-person visits are no longer seen as unnecessarily risky behaviour, there can be no doubt digital transformation has accelerated during this time. Barriers have been broken and new habits have formed.

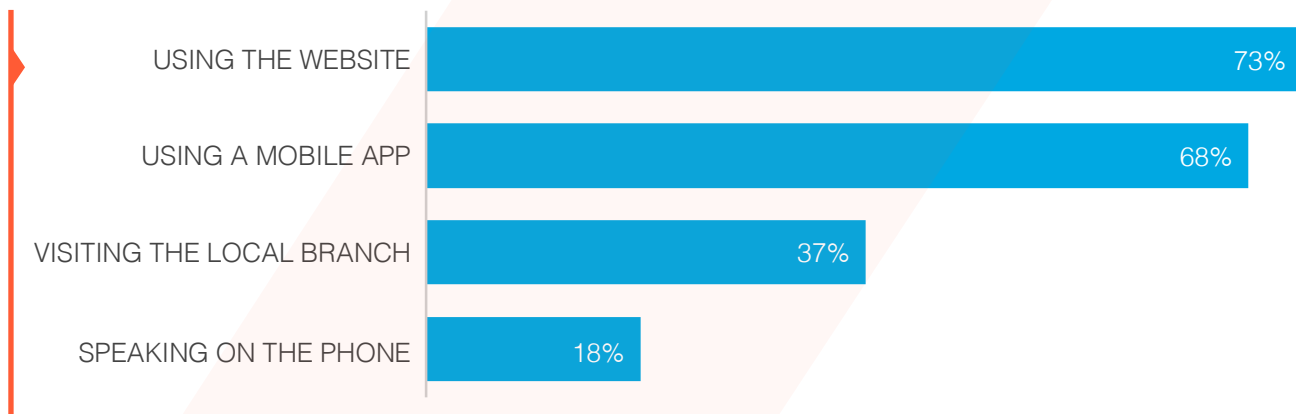


FIGURE 1. Frequency of Banking Channel Used—Monthly

Online banking still has slightly higher penetration overall, with 73% of customers having used it in the previous month. Still, mobile banking is already on another level in terms of intensity of usage. 35% of people use mobile banking daily, compared to just 16% visiting the website daily.

It is not merely that customers find it easier to use phone apps whenever they want, but they prefer them. 51% of people say they prefer using the mobile app for typical banking activities, compared to 35% preferring websites, 12% preferring local branches, and 2% preferring phone calls.

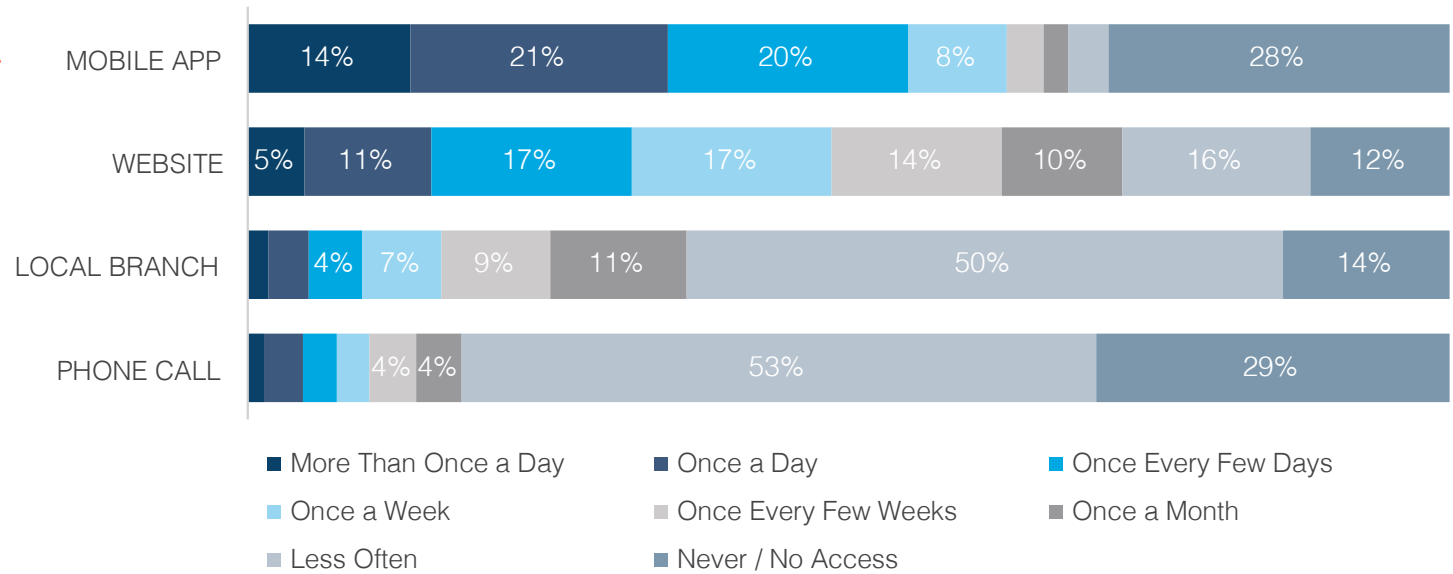


FIGURE 2. Frequency of Banking Channel Used

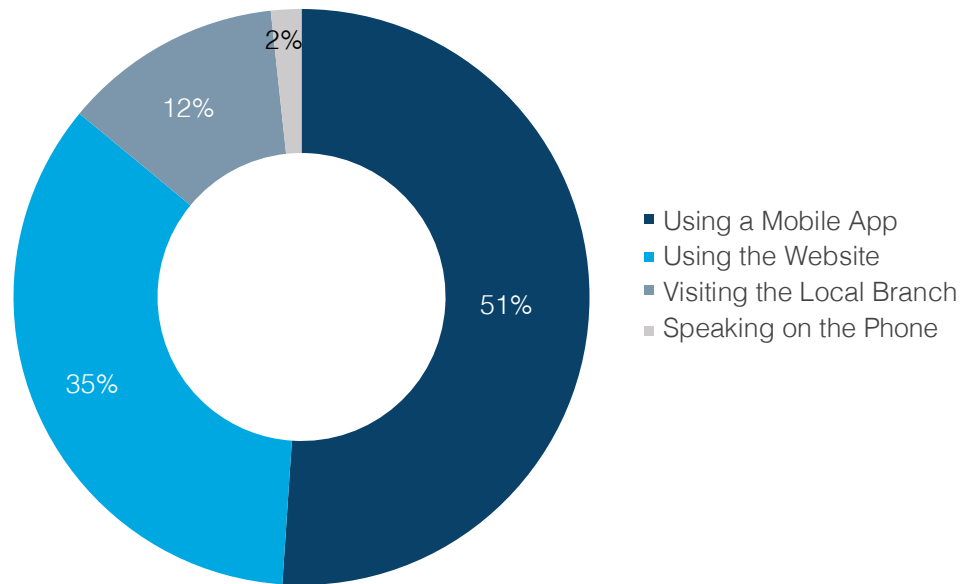


FIGURE 3. Preferred Banking Channel Overall

It is important to note that while there is a generational divide with mobile banking preferences, it is smaller than you might expect. 74% of 18-24 year-olds prefer using a mobile banking app, and it consistently trends downward from there. However, a general preference for mobile banking is present among all age groups up to 45-54 year-olds. For those 55 and older, online banking is preferred to mobile banking, but even among that essential group, mobile banking is preferred to visiting the local branch.

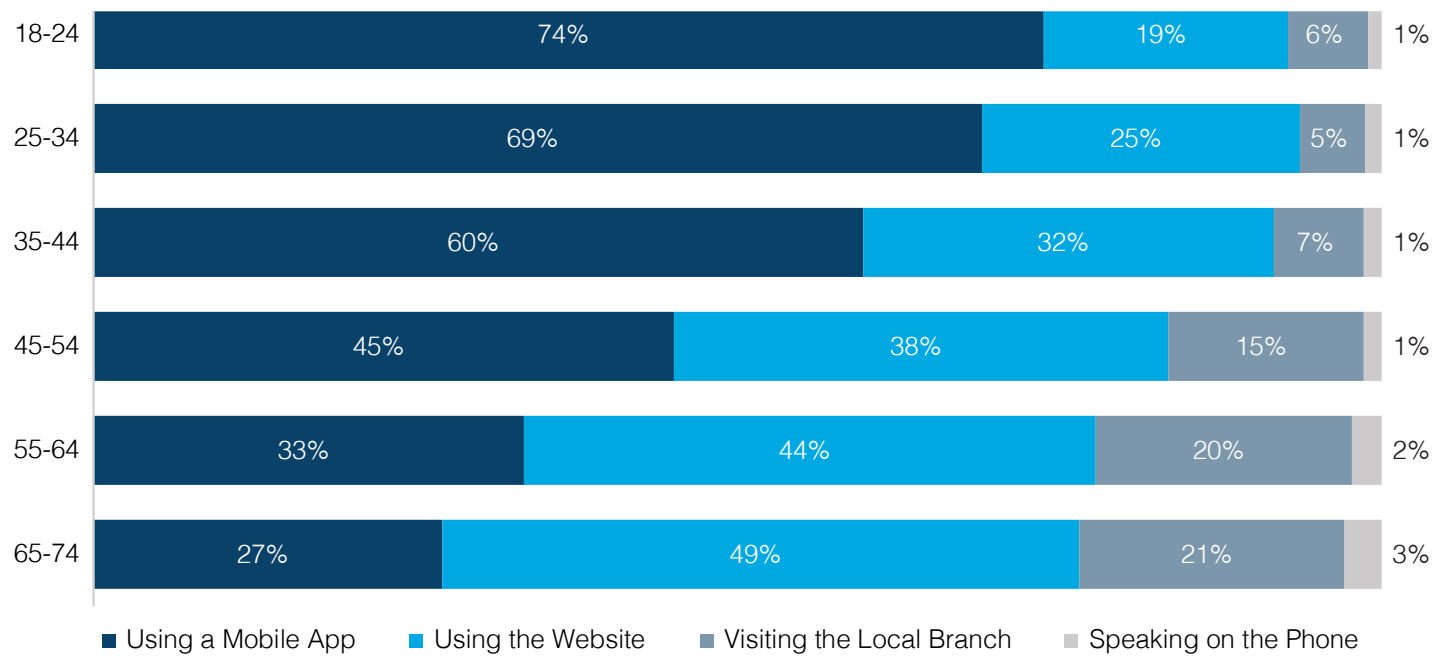


FIGURE 4. Preferred Banking Channel Overall by Age Group

The reason most people prefer mobile apps and online banking is largely the same: speed, ease, convenience. The reason some people prefer visiting the local branch tends to come back to the human touch; they prefer speaking to people rather than robots, they feel safer trusting these responsibilities with people, and they like having a reason to get out of the house and speak to friendly staff. For complex problems, they think a face-to-face chat is needed.

That raises an important question. What will those who rely on branches now for face-to-face chats to deal with complex problems do in a world where branches are too far out of reach? This is a problem the FCA have spent a great deal of time exploring, and the government have made commitments to manage as the situation develops.

There is another question that flows from the same issue but has received much less attention so far. If it is the case that more and more banking services are going digital—and the current trends seem to leave no alternative interpretation—then what will banking customers be losing in terms of personal service, and how much does it matter to them? If they are moving online in such significant numbers, does that mean they don't value personal service? Or do they feel their online service is appropriately "personal," but with another meaning?

The answer is both, which leaves a lot of room for interpretation. 76% of people say it is “essential,” “very important” or “quite important” to have in-person service for complicated decisions and processes like opening an account.

Those who prefer visiting the local branch for typical banking activities place a higher value on it; 51% of those say it is essential, while just 19% of mobile-first bank users say the same. This might tell us that people who use online banking are those who historically haven’t put such a high value on in-person service, or it might be that as people spend more time with mobile banking, they gradually shift their views in how important the in-person service was. However, even for mobile-first customers, 45% say it is at least “very important,” and 73% say it is at least “quite important.” Few say it is something they have no need for whatsoever.

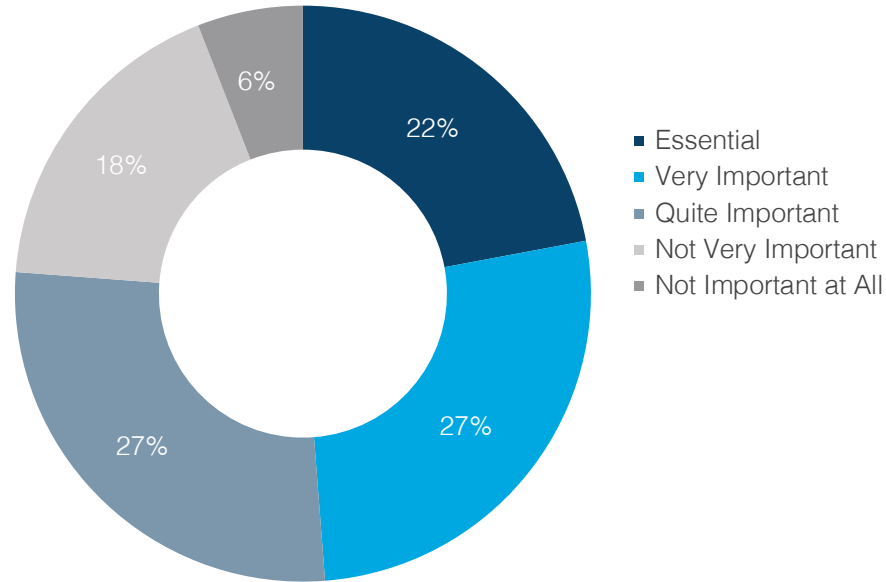


FIGURE 5. Importance of In-Person Service

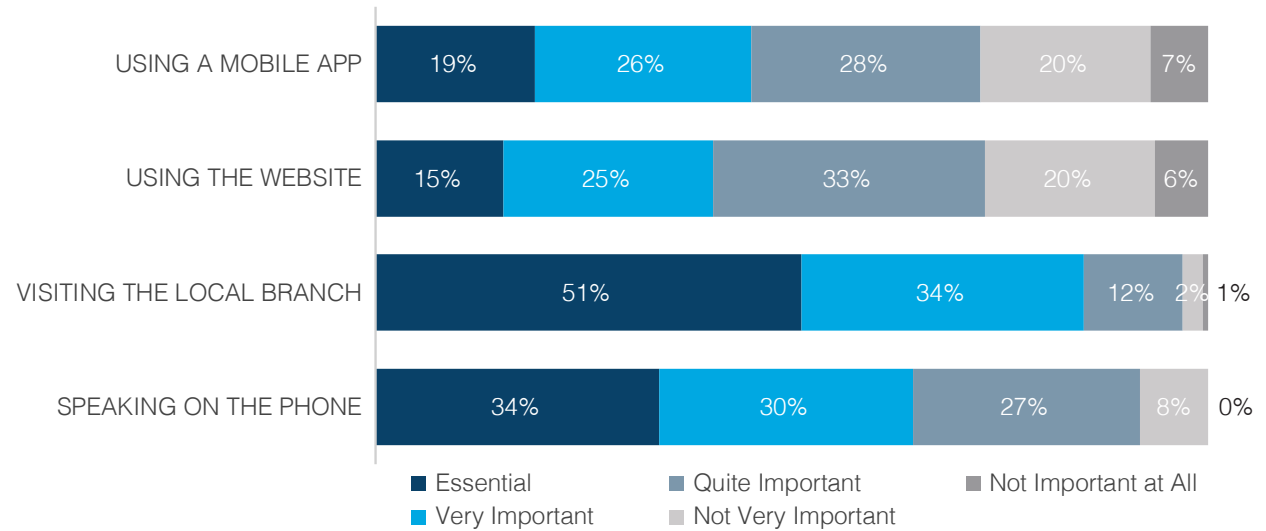


FIGURE 6. Importance of In-person Service by Preferred Banking Channel Overall



On the other hand, mobile-first customers are as likely as branch-first customers to say they received “personalised” service. At its core, personalisation means designing or producing something that meets someone’s individual requirements. Historically, that relied on a branch manager building a relationship with local residents and understanding their living situations, their goals, and how best to support those needs with the bank’s products and services. While we are all aware of algorithms designed to do exactly this, we should not overlook the achievement that is digital banking and the service banks now provide. Personal service now means very different things for those distinct groups of customers, but most people think they are getting the kind of service they need most of the time, regardless of the channel they prefer.

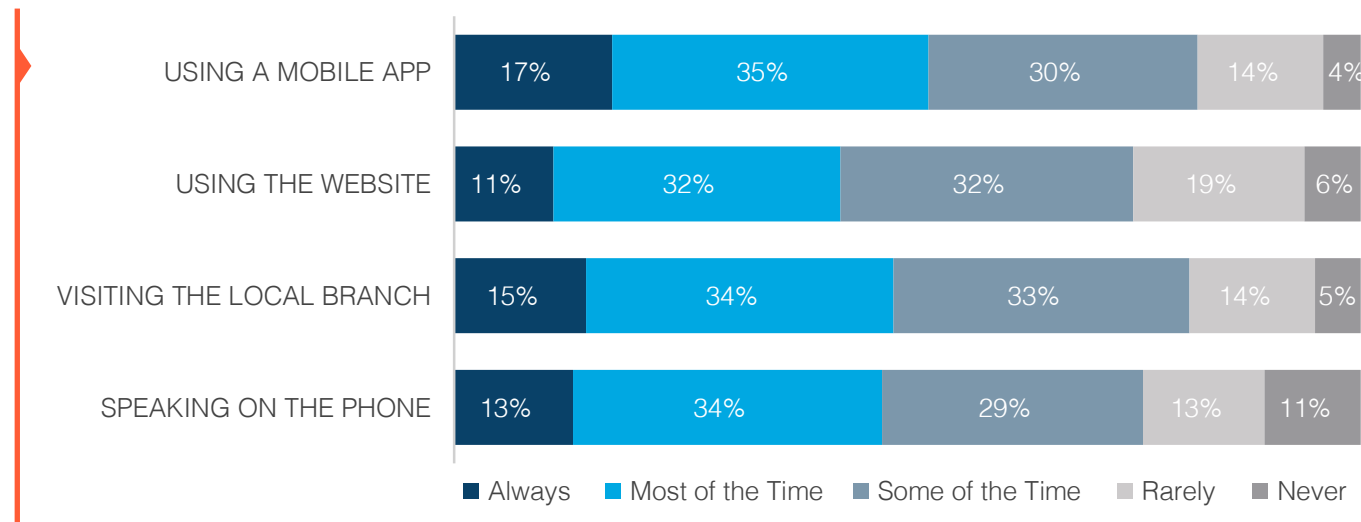


FIGURE 7. Level of Personalised Service Received by Preferred Banking Channel Overall

The challenge for banks is how to continue to provide that level of personalisation as more and more services go online. While mobile-first users don't believe it is essential to have a person to set up an account, most do still think it is important. Less than 10% of people have opened an account with the likes of Monzo, Starling or Revolut exclusively through their app. And while most people now prefer to check their balance, make payments, open a savings account and apply for a credit card online, almost half of people still prefer to apply for loans and get financial advice in a branch.

This is the next frontier of personalisation in banking. Institutions have provided a self-service, automated interface for many of the day-to-day banking activities. The next step is to empower customers to make some of the most complicated, important financial decisions of their lives through that system, with a product personally designed to meet their needs.

Technological developments will get us part of the way. Increasingly sophisticated deep learning algorithms paired with vast data centres and lightning quick internet connections already

provide the infrastructure to approve or deny financial products; and chatbots offer the possibility to have in-depth conversations about these financial products 24/7. As these technologies develop and are paired with more powerful predictive models, it opens up the opportunity to proactively provide customers with precisely what they need before they've even asked, and perhaps before they even knew.

While technology will power these recommendation engines to successfully provide the right offers, it's all based upon a deep understanding of your customer.

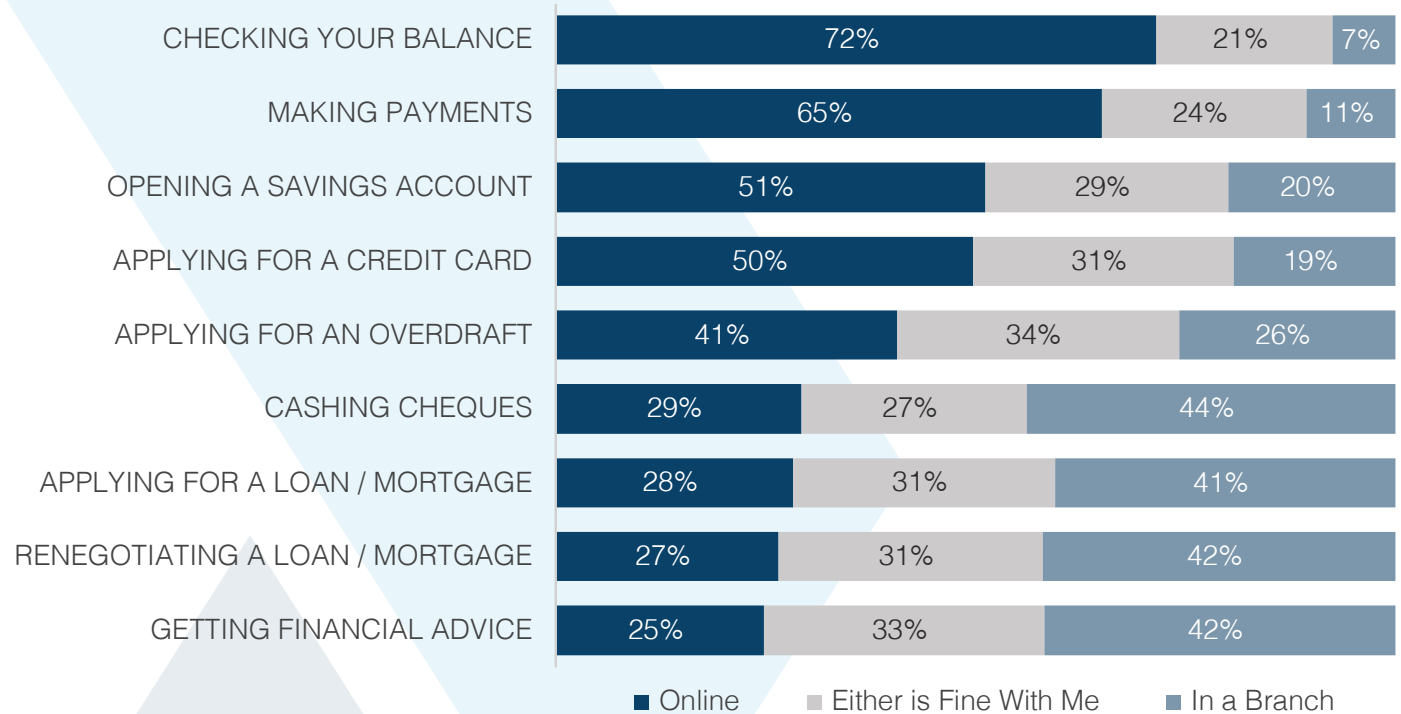


FIGURE 8. Preferred Banking Channel for Typical Banking Activities



MEETING THE FINANCIAL NEEDS OF THE MOMENT

We are living in unusual and financially stressful times. This is not news to any of us, but it is worth reflecting on some of the numbers. By August, 35% of people had either lost their job or faced a reduction in their income. 26% of people have received some form of payment relief on their active loans. 10% say they are struggling to make ends meet, while 26% are making ends meet but struggling to do more than that. 39% think they might lose their job in the next three months. 44% feel under financial stress a few times a month or more.

At the same time, two-thirds of people have increased or maintained their income, 45% of whom are saving more while 33% are spending more on household DIY. This growing gap between those who are struggling to put food on the table and those who are choosing whether to invest their money in their property or put it in their savings account is something the wider population are gradually taking note of too. 70% said the pandemic would increase the gap between the least and most well off⁶.

THE PANDEMIC RECOVERY WILL TAKE A LONG TIME, WHICH MAKES IT DIFFICULT TO FEEL OPTIMISTIC ABOUT THE FUTURE

BANKS PROVIDING SUPPORT TO SMALL BUSINESSES WILL BE ESSENTIAL TO THE ECONOMIC RECOVERY

THE PANDEMIC WILL INCREASE THE GAP BETWEEN THE LEAST AND MOST WELL OFF

THE YOUNGEST MEMBERS OF SOCIETY WILL TAKE ON THE BIGGEST ECONOMIC BURDEN FROM THE PANDEMIC

IT IS IMPORTANT THAT ANY ECONOMIC RECOVERY DOES NOT MAKE IT MORE DIFFICULT TO ACHIEVE THE GOVERNMENT'S TIMELINE TO BE "NET ZERO CARBON"

BANKS HAVE PROVIDED AN IMPORTANT LIFELINE TO PEOPLE AT THIS TIME

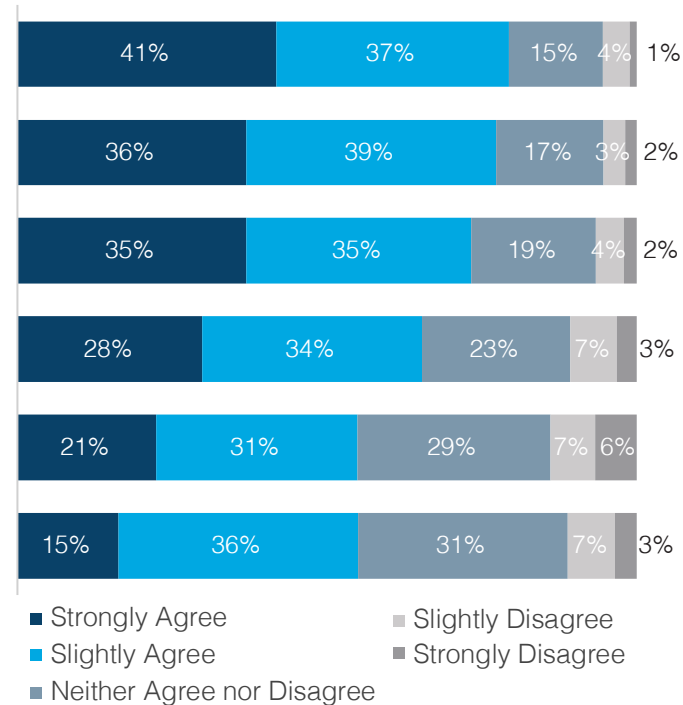


FIGURE 9. Attitudes to Financial Services During Pandemic

These diverse financial needs require an equally diverse and robust response from the banking sector, and most people in the U.K. have recognised the role of banks during this crisis. 75% believe banks providing support to small businesses will be essential to the economic recovery, while 51% say banks have provided an essential lifeline to people at this time. 42% of people think banks' response to the pandemic has been very good or excellent overall, and overall people have judged it to be significantly more positive than during the 2008 crisis.

Despite these entirely unique circumstances, some everyday banking needs remain. 25% of people say they are very likely to apply for a savings account this year, 16% for an investment account, 15% for a credit card, 13% for a current account and 12% for a mortgage. While this is happening under disrupted circumstances, people still need to make significant purchases and move their money around, and they rely on a stable banking industry to enable that.

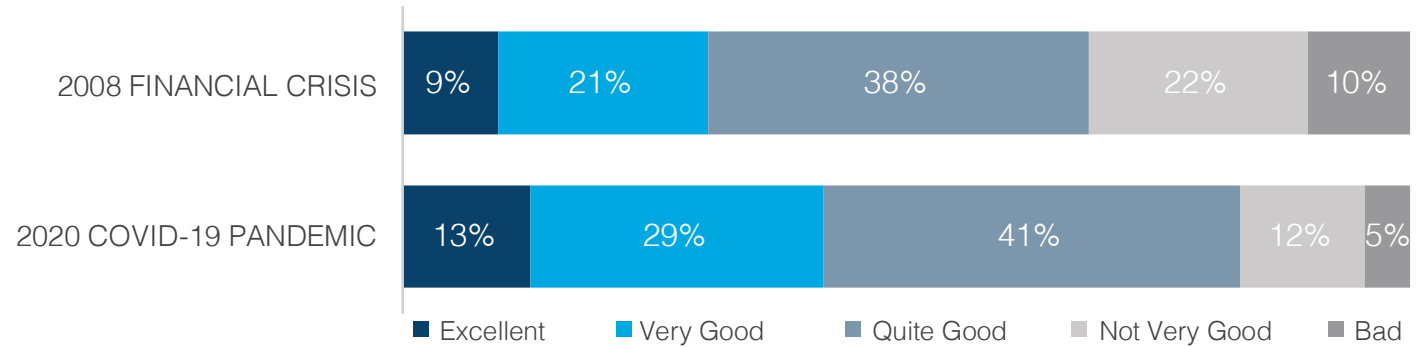


FIGURE 10. Bank Performance in Crises

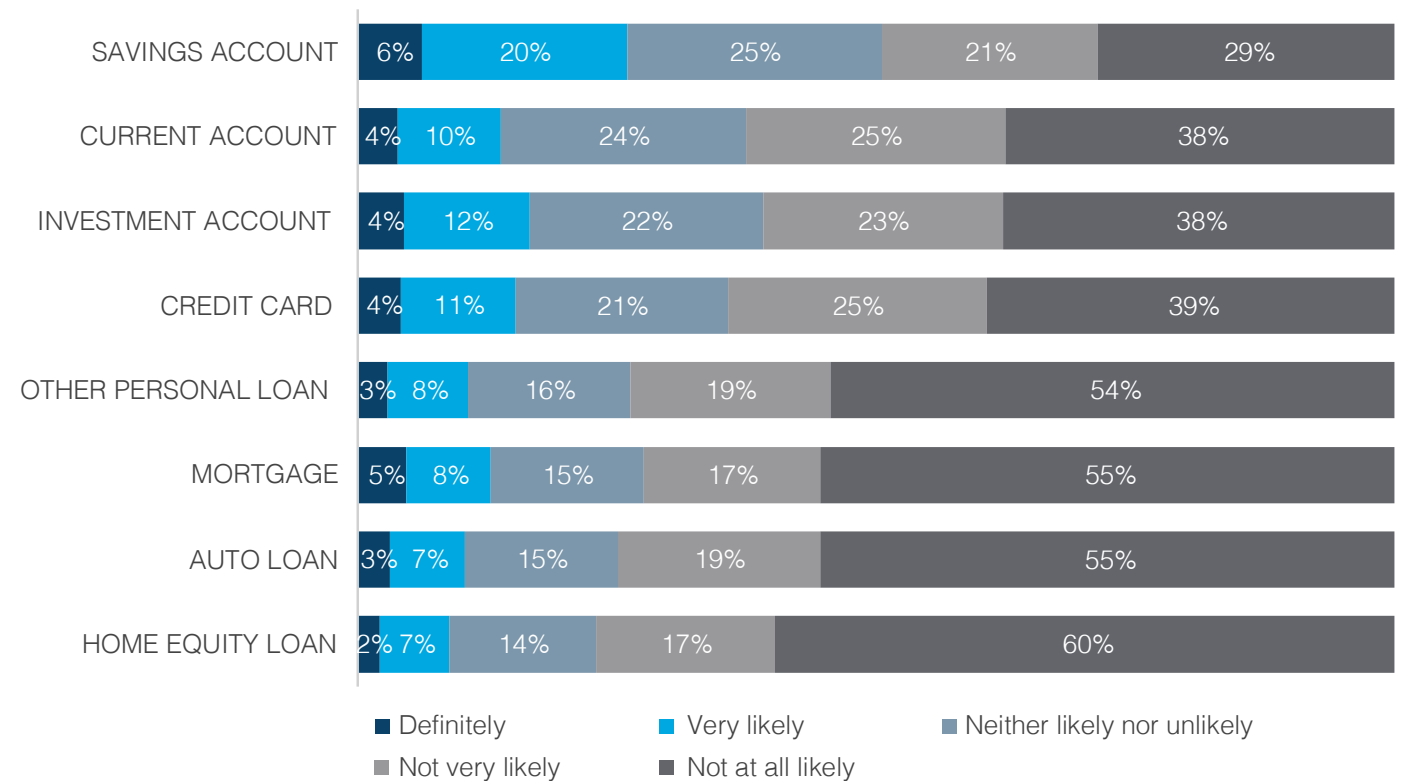


FIGURE 11. Likelihood to Apply for Account/Credit This Year

Savings accounts are most in demand. 3% of people say they are very likely to open a new savings account, while a further 23% are looking to switch or add to their current savings accounts. The most common ones owned currently are regular savings accounts, followed by easy-access savings and easy-access cash ISAs.

With savings interest rates at rock-bottom levels, some shopping around is expected. More than half of people are considering moving their money out of their current savings account, either to get the best time-limited deals on an equivalent account, moving to a different type of savings account, or moving away from savings accounts altogether. This is particularly true for high-income individuals.

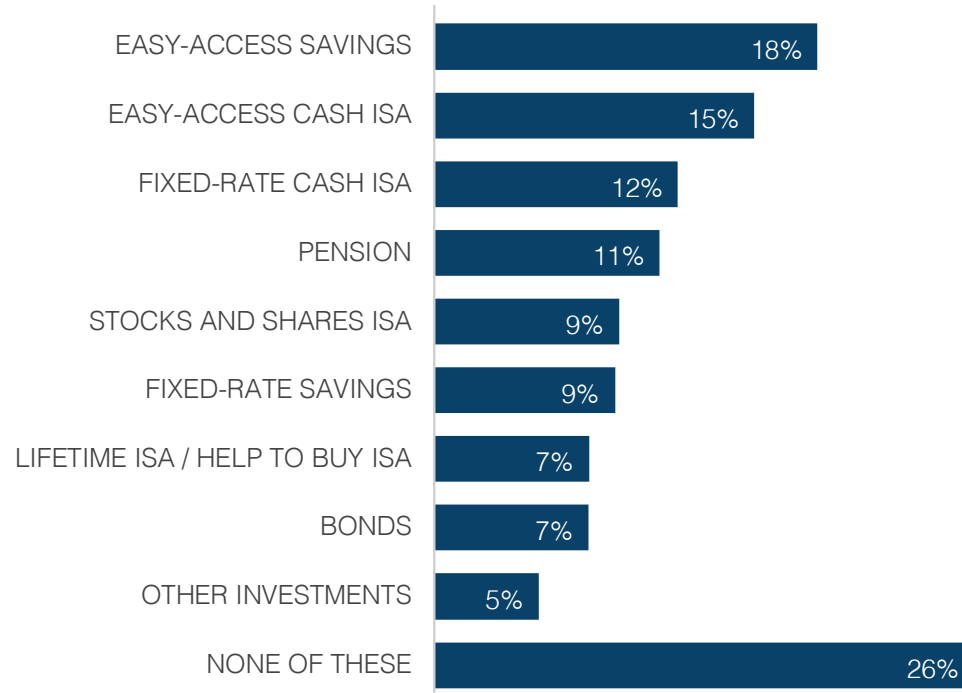


FIGURE 12. Savings/Investment Locations

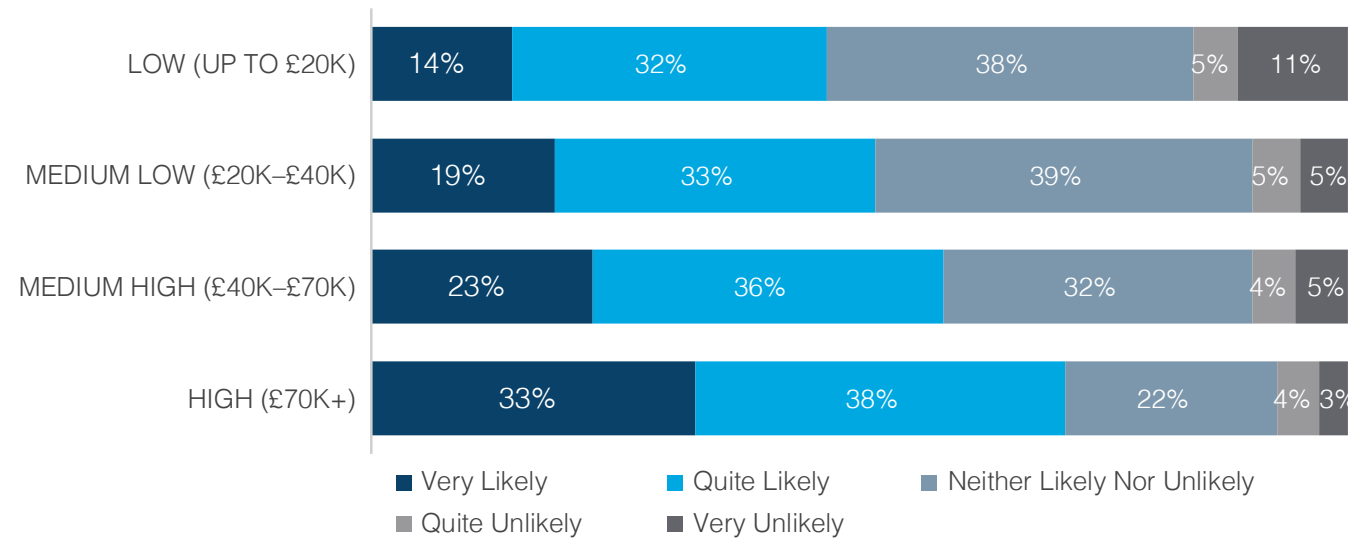


FIGURE 13. Likelihood to Use Savings Alternatives Due to Low Rates by Household Income Groups

For those working their way through these decisions, most people think they know what the best alternatives are, but they would like some extra financial advice. Younger generations are the least confident about what the best alternatives are and would most welcome financial advice. The challenge is connecting with them where they are, which further highlights the opportunity for more advanced personalisation in apps.

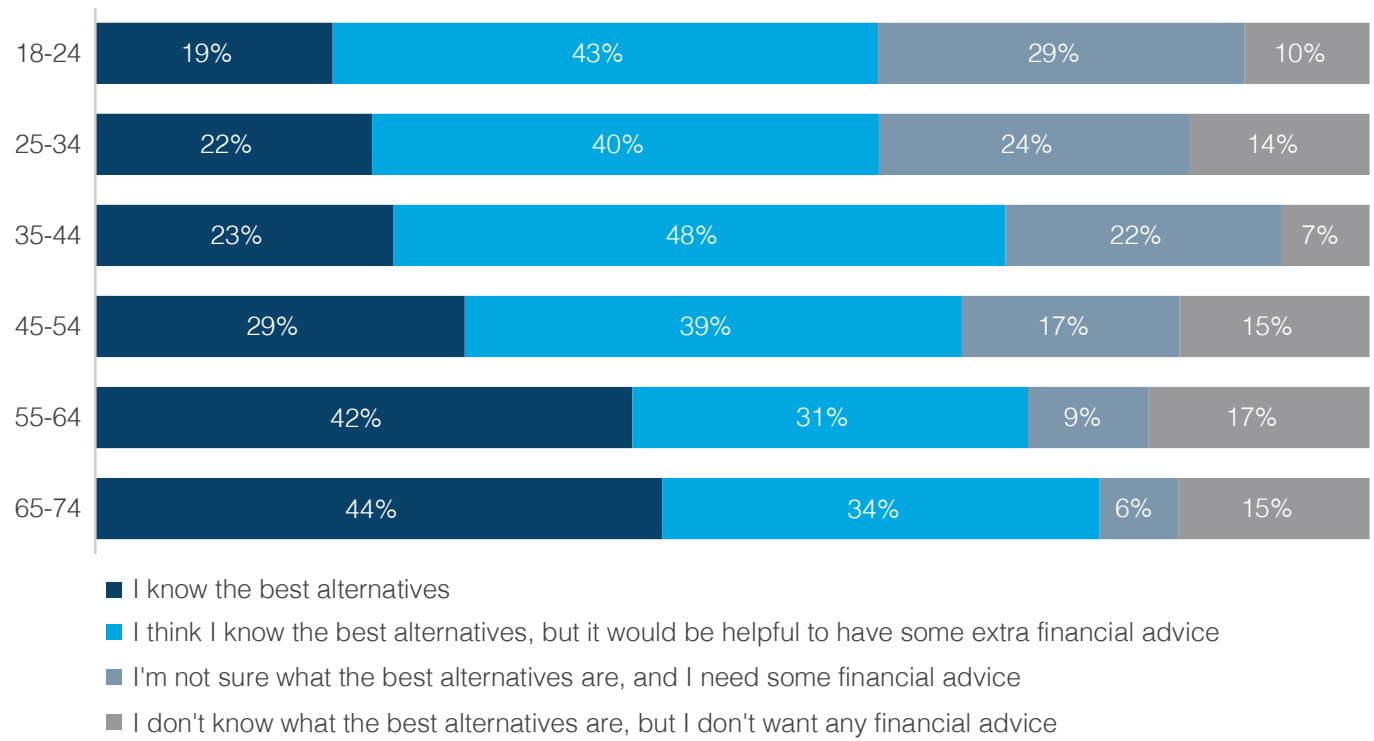


FIGURE 14. Knowledge of Best Savings Alternatives by Age Group



In these unusual economic times, the Bank of England have gone so far as to consider imposing negative interest rates in an effort to stimulate investment. If that were to happen, just 16% of savers said they would keep their money in those savings accounts and pay the fees. The majority would move their money into some form of investments, while others would keep the money themselves in cash. This splits heavily according to income levels.

On the other hand, following some regulatory changes, there have been significant changes to overdraft fees. More than half of people have access to an overdraft, and among those who do, more than half were aware of the interest rate hike. 43% appeared unaware there were any changes upcoming. Among those who were aware of the rate hike, the vast majority knew about the temporary pause in March.

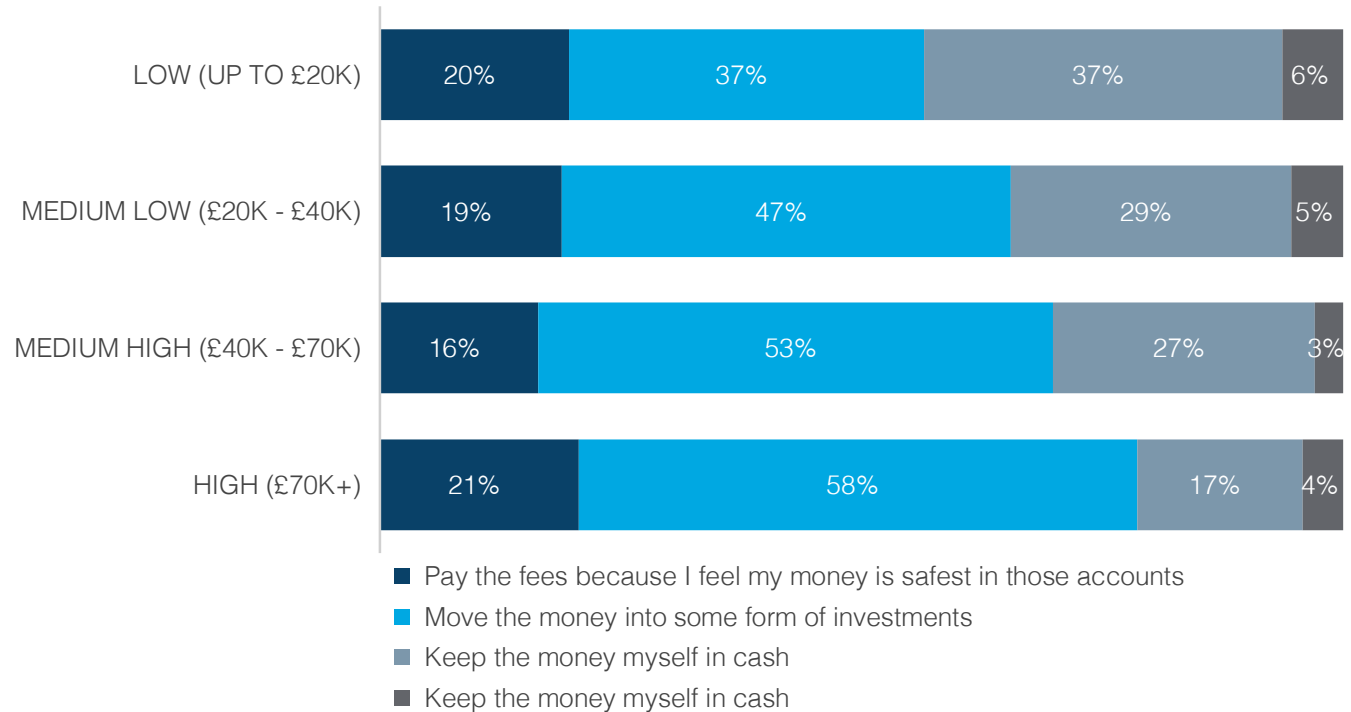


FIGURE 15. Response to Proposed Negative Interest Rate by Household Income Groups

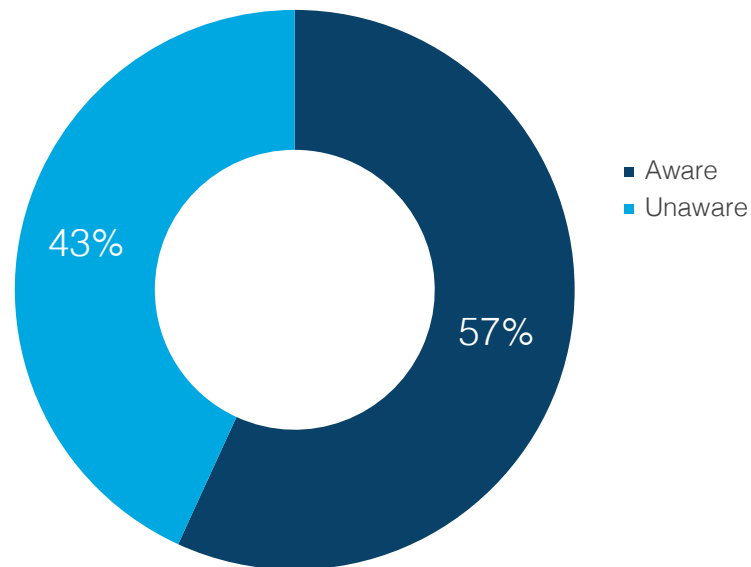


FIGURE 16. Awareness of Interest Rate Hike

However, even those who were aware of the change in interest rates did not have a clear idea of how they would respond to it. 25% said they were very likely to get a credit card instead, 22% were very likely to switch to a bank with better overdraft rates, and 20% were very likely to get a loan instead of an overdraft. In other words, there is no obvious alternative for people, and this is most likely another scenario where they would benefit from financial advice, or inertia will play a dominant role.

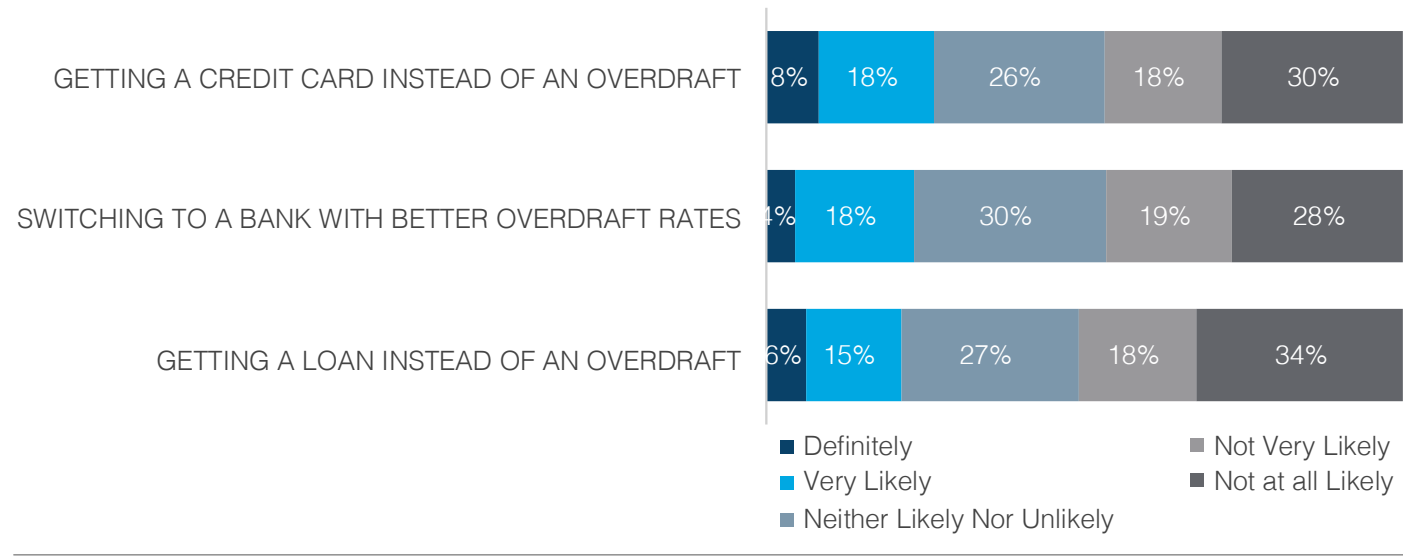


FIGURE 17. Likely Responses to Overdraft Hike



Throughout these disruptive economic times and with people's banking preferences changing—a consistent thread is found. Stable and reliable, customer-centric banks are essential to a functioning and evolving economy, providing the services people need in the places they most need them. Technology has been a lifeline for many by providing a connection to their banks when they needed it.

The move to digital banking has steadily accelerated over the last decade, but the pandemic has supercharged that. Having a great online banking website is now not only more important than having a good local branch, but it's also more important than fees, rates, range of products and quality financial advice. However, first and foremost, people want a bank that provides security and great customer service. Amongst all this change, the fundamental pillars remain.

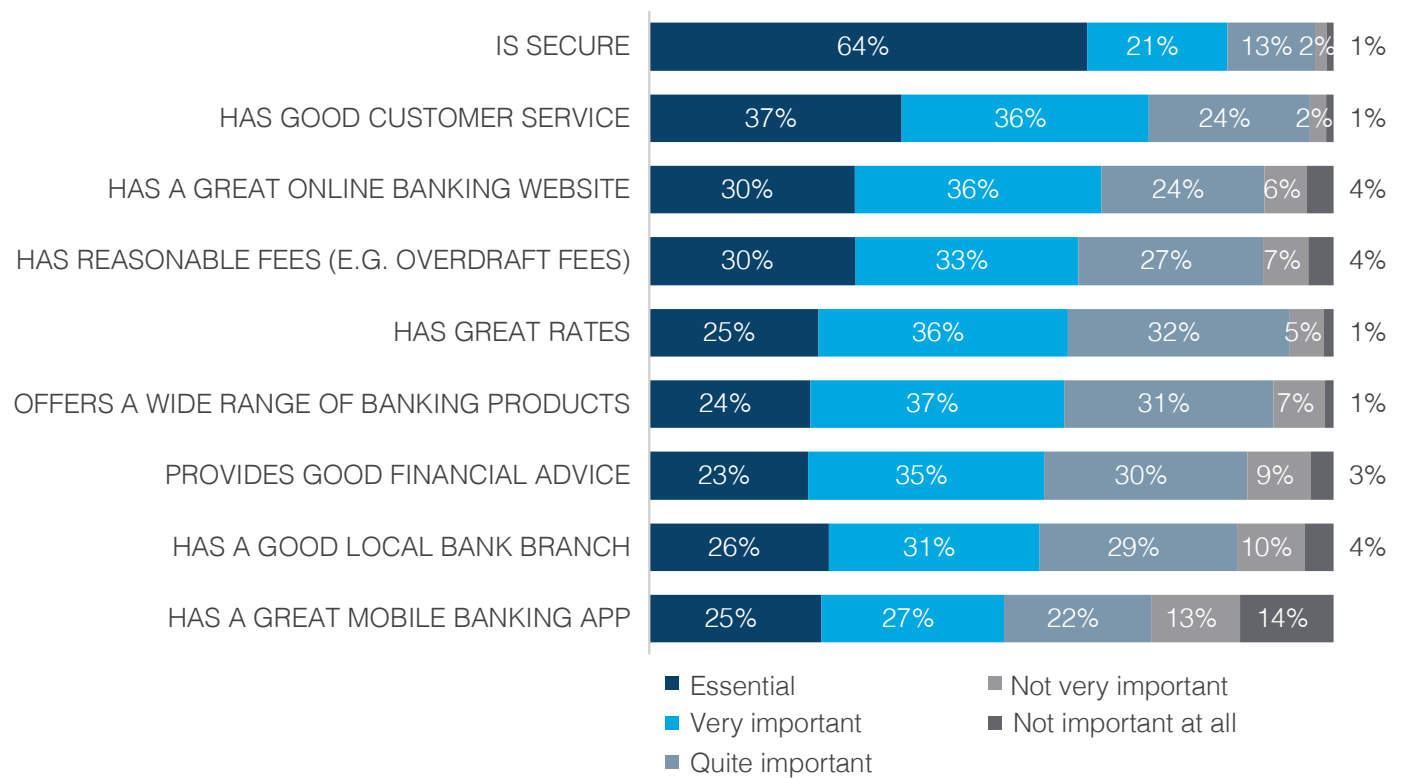


FIGURE 18. Important Factors in New Bank Choice



The relationships older and younger generations have with their banks are fundamentally similar in most ways. They all agree that security and customer service are more important than anything else, and they think product range, fees, rates and financial advice are similarly important. What does distinguish them is the relative importance between good customer service and a great banking app. For younger generations, it's now almost as important to have a great banking app. For older generations, good customer service is twice as important.

This underlines one of the defining challenges banks will face this decade. How can they prioritise providing great customer service while directing increasing levels of investment to digital transformation? A rising focus on personalisation can bridge the digital gap, and an ongoing commitment to knowing the customer can provide the platform that fuels both.

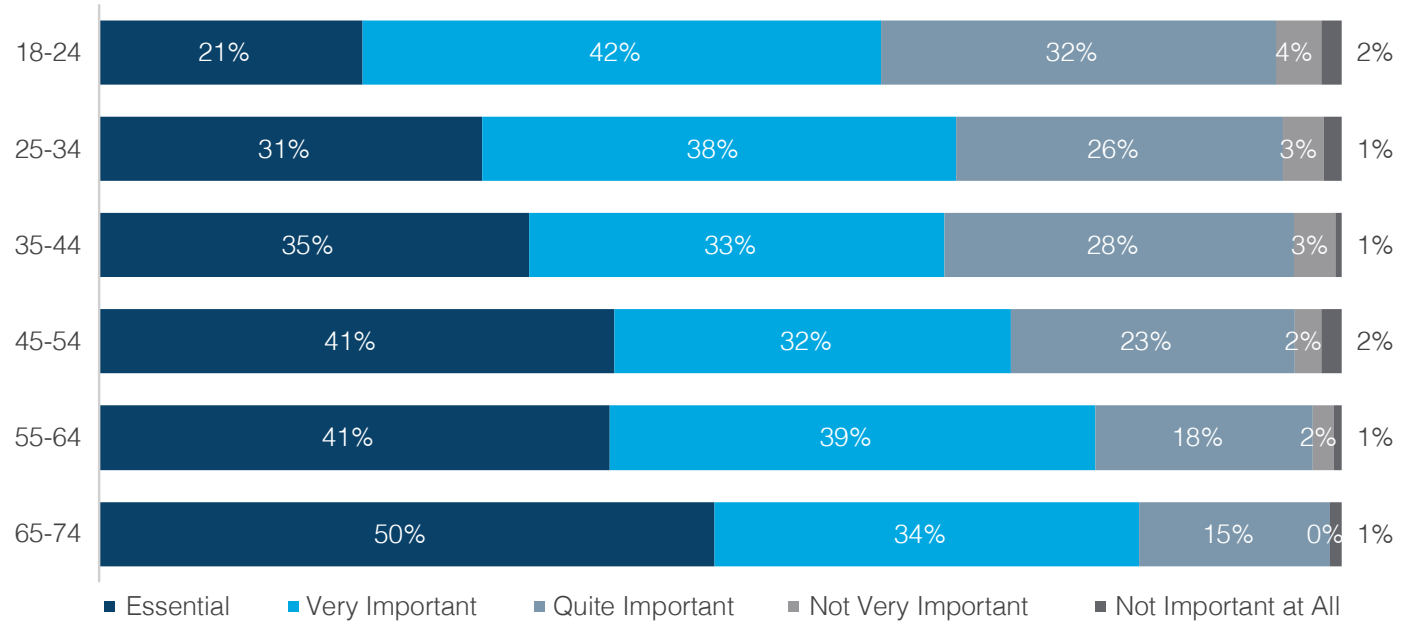


FIGURE 19. Importance of Having Good Customer Service by Age Group

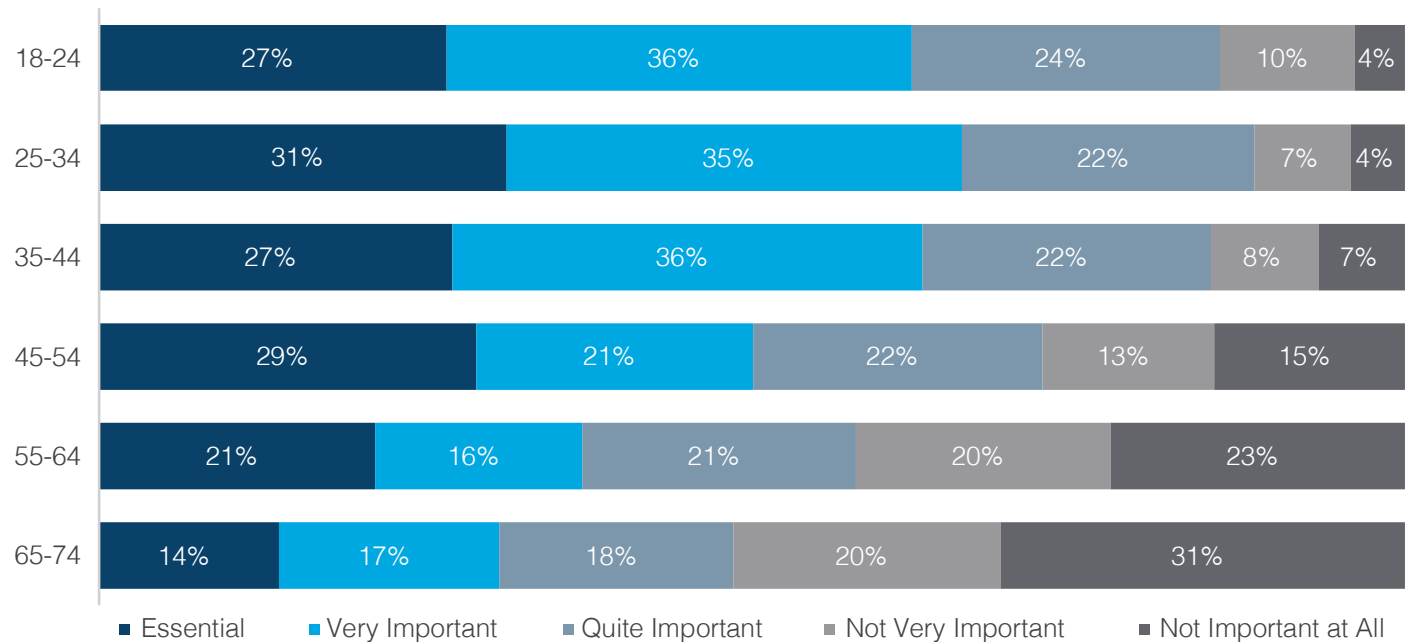


FIGURE 20. Importance of Having a Great Mobile Banking App by Age Group

HOW CAN ACXIOM HELP

Acxiom solutions can help you better connect with financial services customers by helping your organisation:

- **KNOW YOUR CUSTOMER** Understanding the characteristics, lifestyles and drivers of your customers and prospects is essential for any successful marketing campaign or effective person-level CRM strategy.
- **IDENTITY RESOLUTION** Recognising customers across channels and devices is key to people-based marketing. More than 50 years of identity resolution experience empowers us to recognise and evaluate customer data for a single view of the customer.
- **ACCESS THE BEST POSSIBLE INSIGHTS** Utilise geo-demographic data for enhancement and analytics, providing insights that enable you to better manage audiences, personalise customer experience across channels and create more profitable customer relationships.
- **ACTIVATE YOUR DATA** Acxiom activates data for clients across our network of more than 500 partners, including the largest marketing technology platforms.

¹Media Nations UK 2019, Ofcom; ²Online Nation 2020, Ofcom; ³Internet sales as a percentage of total retail sales, ONS; ⁴How do Brits find love?, YouGov; ⁵Online banking penetration in the UK, Statista; ⁶UK Payment Markets Summary 2019, UK Finance; ⁷The Growth Of Digital Banking Report, CACI

ABOUT ACXIOM

Acxiom is a customer intelligence company that provides data-driven solutions to enable the world's best marketers to better understand their customers to create better experiences and business growth. A leader in customer data management, identity, and the ethical use of data for more than 50 years, Acxiom helps thousands of clients and partners around the globe work together to create millions of better customer experiences, every day. Acxiom is a registered trademark of Acxiom LLC and is part of The Interpublic Group of Companies (IPG). For more information, visit [Acxiom.co.uk](https://www.acxiom.co.uk).

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