The long and the short of it: why consistent investment in customers matters to financial services

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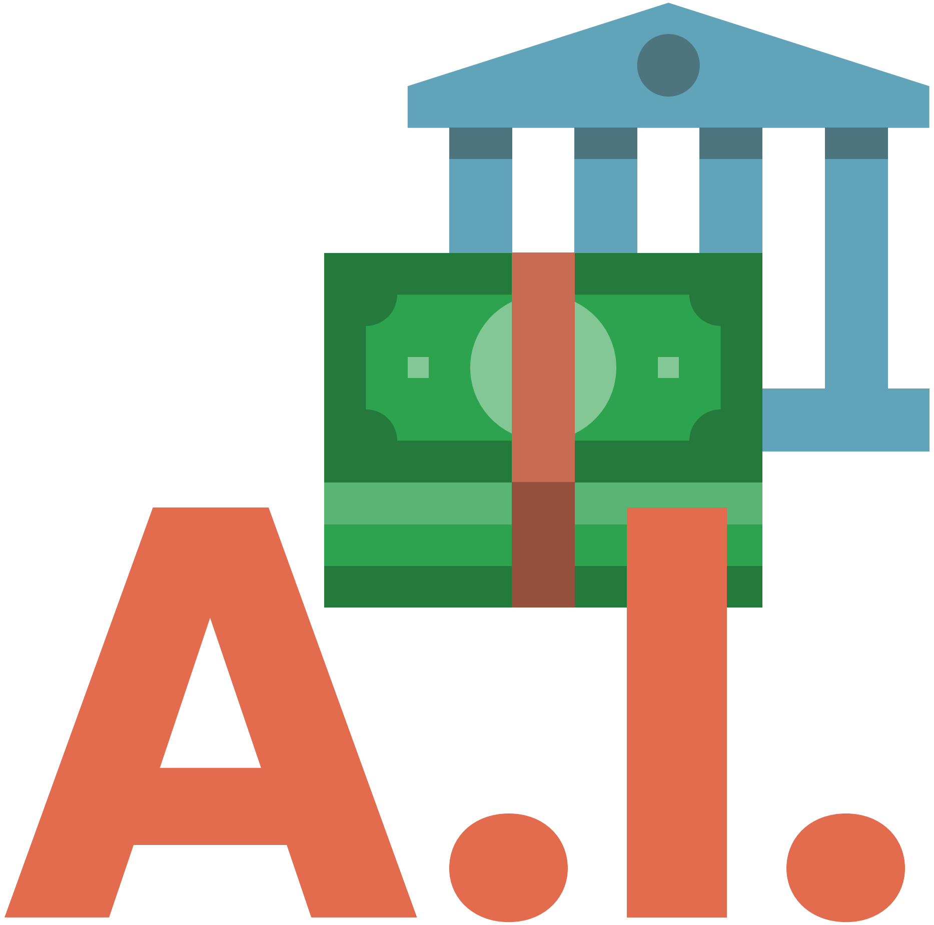
Introduction



We're used to hearing terms like overhaul and revolutionise, but - in the financial services industry - is there an appetite for this? Should we imagine a future where banking, investing and insurance are bundled together into one-click, AI-fuelled solutions? Or, should banks work on improving their digital experience by identifying pain points and reducing friction?

To answer these questions and more, we surveyed a multi-generational group of 2000 adults across the UK to understand their banking attitudes and preferences. In this report, we cover the themes of customer services, chatbots, generational trends, financial literacy and how some of the most vulnerable customers feel under-served.

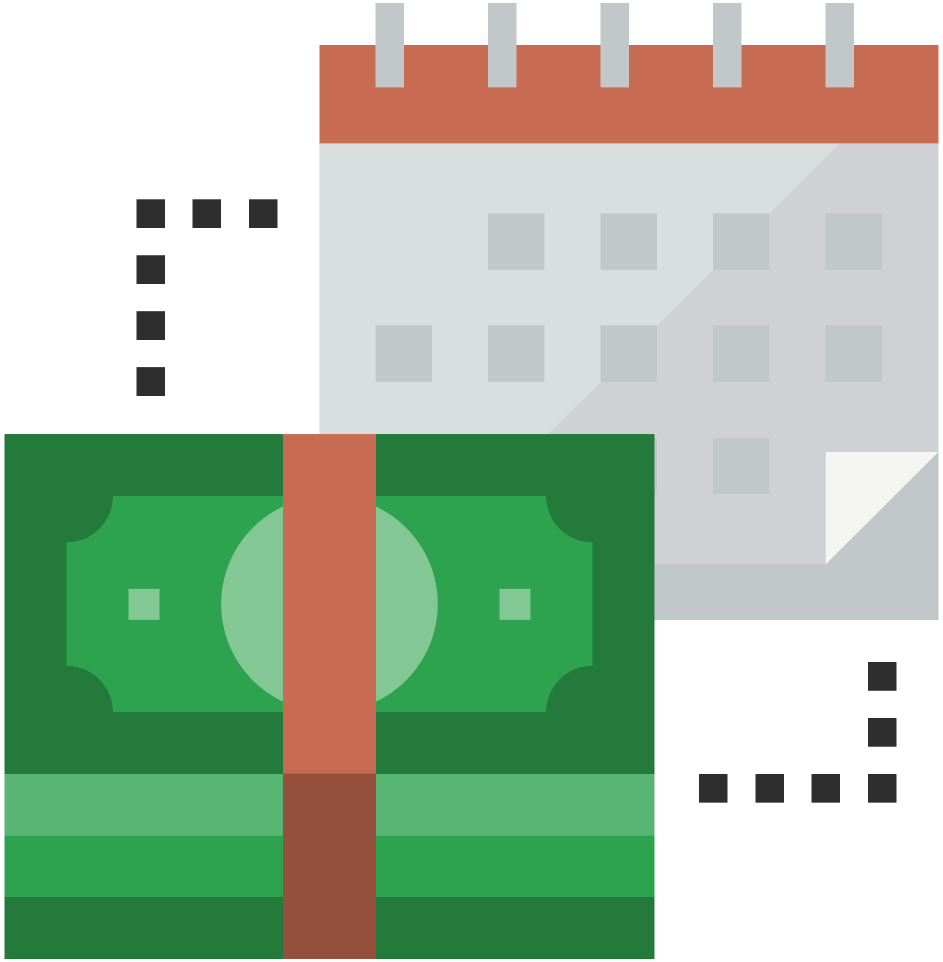
We also share guidance and solution-focused ideas that can help financial service businesses take steps to improve their digital product experience; by embracing new technologies, long-standing truths about brand positioning and what makes a service 'great', banks can look forward to higher customer satisfaction rates.

Making high-street branches more effective and reducing pressure on them

As we move further towards services being fully digitised, it's unsurprising that some participants shared frustrations that they're unable to access a brick-and-mortar version of their bank. In fact, 27% of 18-24 year-olds and 38% of over-55s reported that they find it annoying that they can't visit a local branch of their bank to get assistance. However, a majority of our qualitative participants reported that they haven't visited a local branch of their bank in some time, and many told us that if they were to go, they'd end up interacting with machines such as ATMs, rather than seeking in-person support.

A scenario that does support the demand for more branches is when older people need to make complex or significant transactions. We discovered that over 40% of those aged 45+ are wary of fraud (vs. less than 30% of younger groups). In terms of mitigating these concerns, 33% of 45+ and 48% of 55+ participants shared that they'd like to see the number of high-street branches increased, so that they have the reassurance of a cashier handling requests. Meanwhile, only 20% of the younger generations shared this view, which does speak to their savviness at being able to spot scams and preference for moving money with the convenience of a few clicks, rather than waiting in queues. However, this data still points to the fact that, across generations, some people simply do not trust themselves with their finances or digital money management and would prefer the support of a trained professional.

While demand for in-person support from different demographics in certain scenarios was to be expected, it'd be naive to imagine that reintroducing local bank branches would magically solve customer service issues; as part of our research we heard real-life customer tales of long waits, "Service was quite good, the woman was very helpful but [I] waited at least an hour-and-a-half in a queue. There were quite a lot of people in there that could have helped - but they were talking, laughing and looking at their phones" and restrictive opening times, "They had horrendous opening times, [I] ended up having to open a current account online".



Some banks, like Nationwide, are committed to keeping branches open. However, while this may be an attractive proposition, if the in-branch service is less than satisfactory, they may see a decrease in their brand's reputation and customer retention. Banks should collect real-time feedback from customers in the form of a simple survey, satisfaction rating or quick exit interviews, then prioritise the pain points they need to solve first.

When considering solutions for customer acquisition and retention, leading banks should try different ways of highlighting the existing benefits across their messaging, both online and in-branch. That means thinking about more effective promotion of USPs such as 24/7 service, ease-of-use and managing finances conveniently. Carrying out this work, then running A/B tests to see whether the impact on the user and the business is positive or negative, would be an efficient way for banks to iterate on their current web content.

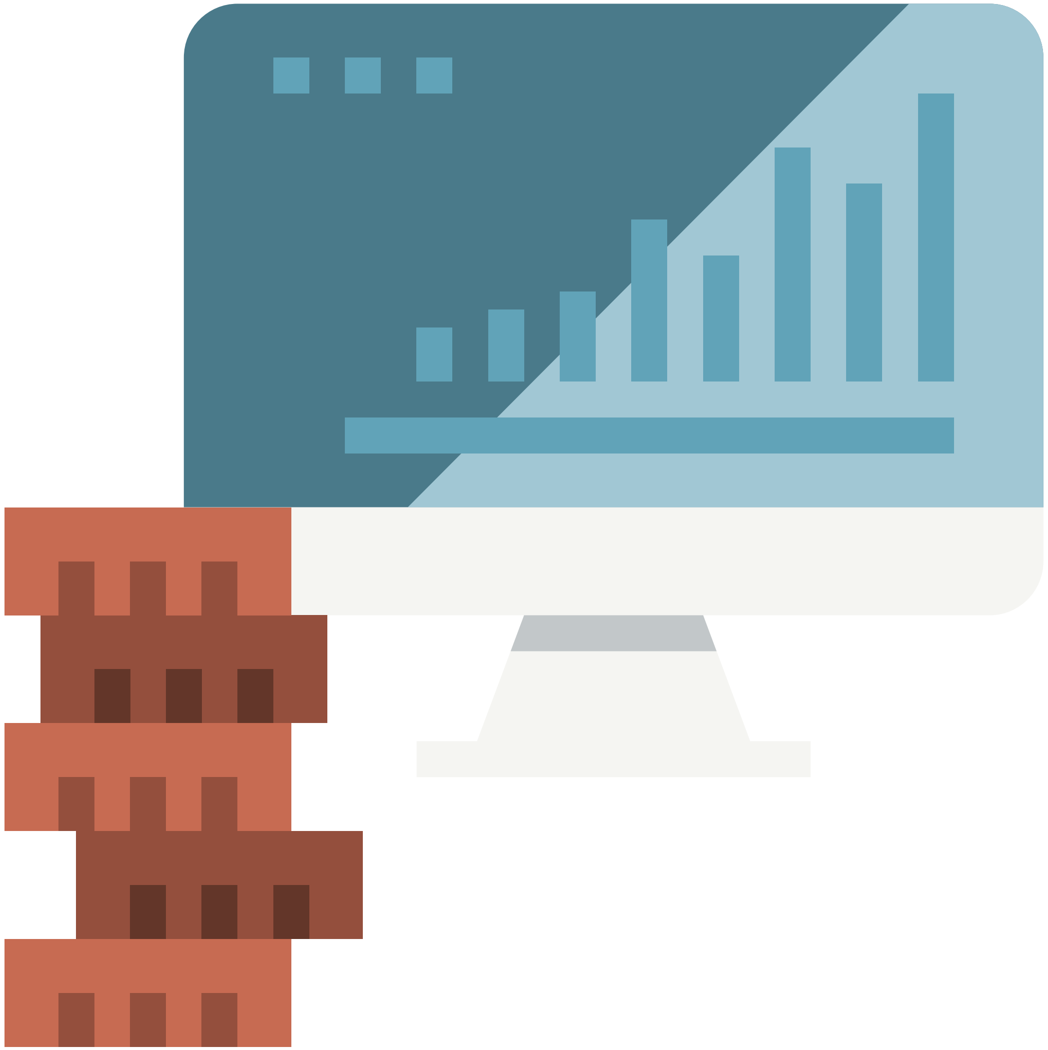
Alternatively, for a rewards-based strategy, some providers already offer incentives to support digital management and adoption. For example, "We'll provide you with 6 months free broadband and insurance, if you manage your ISA online". This is likely to raise digital loan and mortgage applications which, pre-pandemic, fewer than 20% of people took out and managed digitally.

By doing more with data and applying deeper analytical models based on digital browsing behaviour, banks can proactively serve customers using predictive analytics before they ever need a branch or to access customer service. An example of this would be identifying where users are blocked, such as revisiting particular sections of an application or failing to complete an action. Armed with these analytics reports, product teams can focus on reducing this kind of friction (but not eliminating it completely and accidentally misleading customers), by focusing on improving information architecture or implementing a progressive disclosure strategy, gradually revealing more information based on interaction levels. If these steps aren't impactful enough, creating alerts like push notifications would help customers to navigate significant blockers, as would implementing triggers that let customer service agents know to contact a customer who's frequently getting stuck in loops - thus, getting ahead of issues before they cause too much frustration.

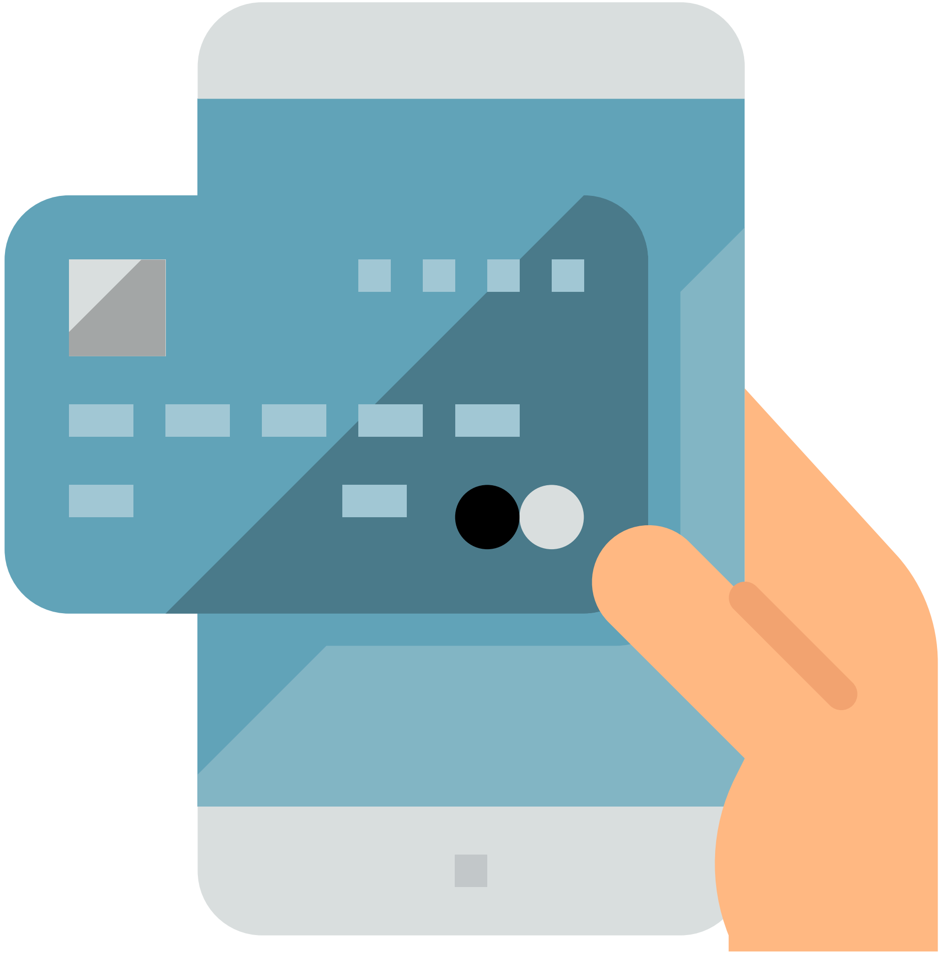
However, with digital there will always be missed services that customers simply can't access online, which forces them into a branch or to access customer service. For example, the small business owner that needs to bank cash daily/weekly or the homeowner who needs to get cash out to pay for weekly cleaning services. There are also customers in vulnerable situations who may need to amend or adjust their debt repayments.

Another way of thinking about the problem is considering what might happen if banks came to people. Despite the move to cashless, why can people not herald a courier or place a standing order for money delivery or the pick-up of cash from their home or work? This would be of particular use to older people, with the right checks and balances in place, and those paying for services in cash and receiving cash for them. Taking this idea further, imagine troubleshooting and support following a similar model; thus, decentralising the financial support while supporting digital financial inclusion.

Ultimately, there’s no expectation that there’s going to be more local bank branches built and, while we’re unlikely to see them immediately disappear, given the cost of living crisis and Consumer Duty changes, engagement with customers through other means is a better strategy. Another example of this is call handling being improved by leveraging AI for more effective and targeted services. This can happen during a call to help customer service teams, or through a live chat interface, and takes the form of a dynamic script that assists agents by providing answers and personalised recommendations based on outputs from the machine learning model that have successfully helped customers in similar scenarios.



The future may be chatbots, but at what cost?



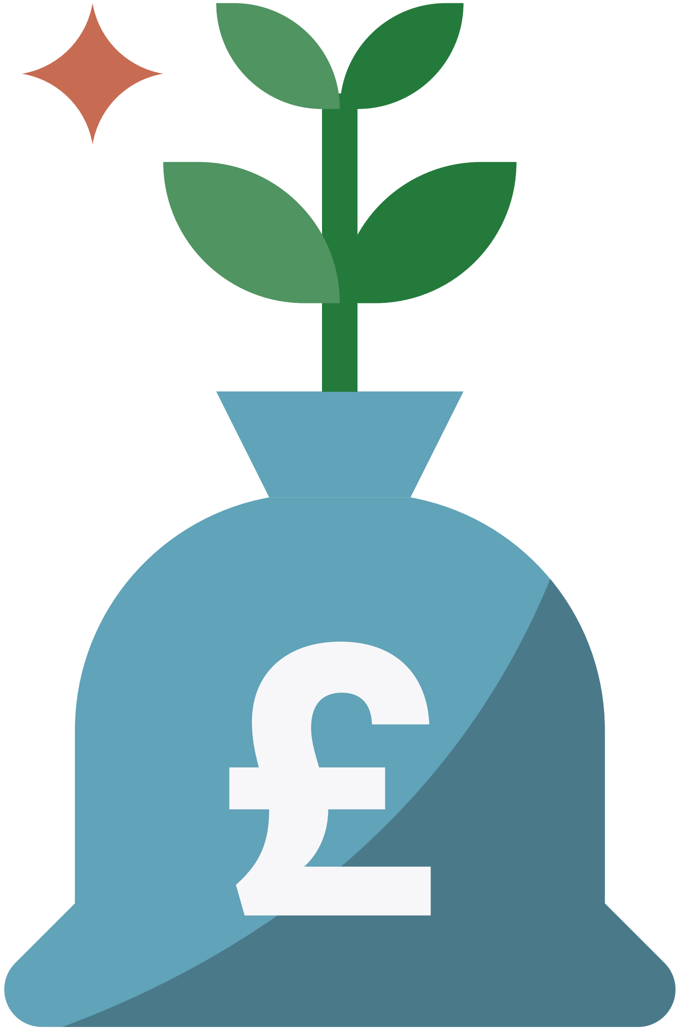
A question that's not unique to banking services is whether chatbots are a suitable replacement for human interactions. By outsourcing the most common customer service queries to chatbots, banks may be saving themselves money, but at what cost?

The data we gathered revealed that 47% of people think this form of technology isn't offering them the right levels of support. In fact, many see this kind of interface as a gatekeeper and will muddle through the interactions because they know they're going to end up speaking to a person in the end: "[You] never seem to get you to where you want to go. [They] get you to a certain point and you think, 'I should have just phoned'". We also heard theories that banks are trying to phase out human-to-human interactions entirely, "They can never answer a question that you put in there [...] Almost feels to me like [they] are trying to replace the human with the chatbot, I actually prefer to wait for 10 minutes for a human from the get go, you will end up having to wait for them anyway".

A strong theme that underpins these responses is that chatbots can only take you so far and that customers would prefer to phone their bank, rather than input information into chatbot software that results in the frustration of having to call when the AI doesn't have the knowledge to recognise what the customer is reporting and how to help them.

Despite this frustration, with the advancement of machine-learning models, next-generation solutions are getting better at anticipating queries and even analysing things like the customer's tone. However, for AI to work effectively, banks need to ensure that it's correctly implemented and rigorously tested. Quality assurance is crucial here, because if the technology is creating frustrating, fractured experiences, it's only going to further cement negative feelings towards getting practical help, support and advice from chatbots, despite marked improvement. So, with all of this in mind, what is the right interface for customer services?

A new approach and attitude to telephone banking



Even when customers are directed to phone for assistance, this doesn't always provide them with the help that they need. In fact, some customers even feel that this is a cynical move on the part of banks to drive traffic to their websites or apps, "There are so many options when trying to speak to somebody, they defer you to the website after being on the phone for ages, you seem to have to jump through lots of hoops [...] It feels like they do that on purpose so you go onto the website instead."

However, not all participants shared these suspicions. In contrast, one customer reported that they've, "Left banks to switch to ones I know have their call centres in the UK and will let me speak to someone." Comments like these prove that there's still a strong demand for being able to call a customer service support line. When considering this point, it's good to keep demographic trends in mind. For example, telephone banking is often more familiar to the elderly and vulnerable population. They know this channel well: it's immediate, authentic and reassuring. Given the success with this group, banks should consider extending or, at the very least, improving their telephone offering for all.

While challengers like Monzo and Starling almost entirely rely on real-time messaging to connect with customers, when it comes to supporting complicated requests in high-pressure situations, other routes beyond digital self-service still need to be accessible. In fact, the highest rated bank for customer satisfaction in the UK is First Direct and they're committed to providing a customer service helpline that's been praised for its professionalism and efficiency.

A short-term but significant investment all banks can make in this space is retraining staff to offer more comprehensive advice over the phone, in line with regulatory compliance and in an approachable manner. Taking this step, if delivered correctly, will bridge the gap between online and over-the-phone methods of complying with Consumer Duty. Indeed, if banks are able to build customer service experiences that are robust and flexible enough to adapt to people's changing circumstances, while remaining compliant, this would be a profoundly positive thing for the business and the customers.

Across the entire customer service funnel, it's also important to design from the point-of-view of customers who may be under severe levels of stress. Practically, this means avoiding complex navigation systems, automated operators and poor-quality hold music. Customers can't be expected to retain lots of information at once, especially neurodiverse people or those who are multi-tasking, so banks need to consider sharing supplementary information after the call, either via the app or email, making it easier for customers to refer back to and use in the future, particularly at a time when more frequent contact is to be expected. Some other alternatives are optional automated reminders about tasks, offering spending caps or a selection of rules applied to spending activity.

Navigating and bridging generational gaps

It's important to consider how generational differences impact expectations when it comes to customer service and banks must strive to bridge any gaps. Across all age groups, the ability to speak to a human is important and this trend grew as the age group increased:

- **34% of 25 to 34-year-olds would like to speak to a human**
- **43% of 35 to 54-year-olds would like to speak to a human**
- **53% of 55+ year-olds would like to speak to a human**

Reviewing this data, it's clear that the majority of younger people wouldn't choose to call a customer service line because they're used to solving issues within apps.

Looking into the future, some banks plan to launch financial super-apps that will serve younger generations through the ages. In support of this approach, we found that under-35s are 3-times more likely than over-35s to want to manage their finances in one place. When asked to explain why, a common theme we uncovered was that people like to feel a sense of autonomy and control; therefore, giving customers the option to streamline their financial services makes sense for banks, as part of a long-term strategy.

However, as we've been uncovering, the best tactic for banks in this current climate is to solve common customer complaints for short-term improvements, rather than thinking too far ahead. For example, almost all age groups found policy documents hard to understand; a range of 23-26% of participants reported this issue. However, over 55s were the least annoyed with policy documents and they were also the least likely to indicate they didn't understand language on financial products.The reason behind this is likely to be because they have higher financial literacy levels, have had, or used, the products for longer or simply have less of them to oversee and manage.

With that said, difficulty understanding 'legalese' was a multi-generational theme: 1 in 4 participants reported that they find it hard to understand the terms and conditions of their banking products. This highlights the need for banks and other financial providers to simplify their T&Cs and use more accessible language to improve transparency and customer comprehension, particularly in relation to big-ticket items like loans, mortgages and other credit products. One solution would be to analyse where customers are dropping off and pinpointing where they're reporting confusion. Digital teams within banks can then optimise how/where the information is presented by focusing on improving the hierarchy and reducing the cognitive load on customers.

Further generational gaps were revealed in the data, younger adults (18-34 year olds) reported that they're more annoyed when asked about their financial services experience, than the older generations (on average by 10%). One suggestion as to why this might be the case is that younger generations don't feel as valued by their banks. In terms of our participants, 14% of under-35s shared that they've felt judged by their bank compared to only 6% of over-45s. If banks want to avoid alienating age groups, they must provide more informative resources to improve the financial literacy of every customer segment. This will help to reduce the number of inbound queries and improve self-service, but only if it's designed in the right way. However, this doesn't mean education-for-education's sake or typical methods of learning; if banks want to take this approach they need to understand how their customers would want to consume this media, and the form it should take, then work this into marketing and communication strategies and digital product roadmaps.

Taking this approach means resisting overwhelming customers with unimportant links to sales-related material and focusing on content that can help people learn about performing key tasks, creating confidence and reducing the likelihood of mistakes being made or frustration building.

Helping people manage their money more effectively

When it comes to being in control of their finances, making the most of their money and achieving their financial goals, we found that 25-34s want more help from their bank. Due to a movement towards improved financial literacy and with financial support becoming decentralised, this group expects financial providers to help and support them. And, despite the fact that many customers aren't expected to stay loyal to their bank, or fully trust them, it does feel like there's room to grow and improve in this space.

Importantly, this issue isn't unique to younger generations; almost half (44%) of customers believe that banks need to do more to help them make more informed financial decisions. In the absence of banks providing this service adequately and impartially, people are turning to different sources to get guidance; in fact, 46% of over 35s that we interviewed shared that they'd count Martin Lewis' Money Saving Expert site as their first stop for financial information and advice.

So, there's definitely an appetite for more education-led initiatives by banks and this is where education, product design roadmaps and generative AI can meet to solve this problem. For example, providing customers with access to recommendation engines that make smart suggestions on money management and ways to increase wealth, or avoid debt without prescribing a product. This isn't a radical concept, we're already seeing this in practice with some banks grouping subscriptions and giving you the option to proactively cancel direct debits.

Another method of folding learning into digital experiences is through overlays offering tips and tricks, based on spending and product data, which can be toggled on-or-off depending on a customer's preference. Based on our work with banks, we know cloud-based wizards and assistants exist but their timeline for deployment seems uncertain. Risks to the bank's model, compliance and technical considerations are all delaying deployment and, therefore, the realisation of value for customers and banks from taking these steps forwards. Of course, when considering these use cases, the connection to the broader product experience will be key, as will the quality of the content that forms part of any educational context.

Another way that financial services can expand their services is through Open Banking. Traditional banks

can use this to their advantage because connecting to Open Banking sources saves them having to build new services in-house, which means that they can keep costs relatively low, while increasing their cross-selling opportunities. For example, banks can integrate third-party fintech systems, such as wealth management tools, to help customers keep track of their savings, investments and other financial products with different providers.

Applying data to improve customer support

The data from our survey also points to a perceived lack of support from banks: 58% of customers shared that they're unsure if they consider their bank "supportive". This apathetic feeling is likely down to issues with customer services, lack of personalised assistance or inadequate communication. Perhaps unsurprisingly, 26% of participants we surveyed think that their banking experience is impersonal.

Given this, another short-term we've seen is some banks making their services more personalised and relative to the surrounding environment. However, this must be bolstered by building stronger relationships with their customers by understanding their needs and providing adequate support in-line with financial climate fluctuations. A medium-term answer to this challenge is refining targeted recommendations of products and adjacent services, with longer-term positioning around understanding and supporting the aspirational needs, wants and desires of customers.

Most crucially, educational content and any new product or service offerings need to be relevant to the customer. Offering irrelevant products to account holders isn't going to help them learn anything about their money, nor will they buy the products or services being recommended. Worse still, it's a wasted opportunity, and only serves to show the customer how little the bank knows about them and how poorly their data has been applied. If a bank is able to harness its customer data effectively and sensitively, it would be possible to provide relevant, situational messaging that boosts a customer's financial literacy over time, helping them to make more informed decisions, whilst connecting them to relevant products and services.

Of course, complexity occurs when a customer holds multiple bank accounts or financial products across different providers. For example, many couples will hold a series of individual accounts but have an additional joint account or management account where larger financial transactions are made, thus fragmenting the financial picture and obscuring what educational recommendations would be relevant. However, despite this, a combination of AI and Open Banking can help establish a more complete picture of customer(s), plus their accounts and transactions, and avoid making assumptions when key data is unavailable from a single-account view.

That said, implementing smart recommendations is perhaps part of a longer-term solution. Again, banks must look at shorter-term user experience improvements to provide a more personalised service. Undoubtedly, it needs to be easier for customers to manage certain products successfully online. For example, reviewing mortgage debt and adjusting payments in-line with available savings. So, when deciding on how they're going to optimise personalisation, or any other user experience improvements, it's important for banks to consider which financial products and services need to be prioritised. To get this done seamlessly, leaders in this space need to think of ways to immediately reprioritise and influence existing backlogs. This reprioritising should be done based on the current climate and customer priorities to realise value rapidly, both for the bank in terms of financial performance and long-term brand building.

How to avoid failing vulnerable customers

Access to the right support and educational materials is felt most profoundly by vulnerable groups. In terms of people we surveyed, 67% of customers are either unsure or think that banks don't do a satisfactory job of serving vulnerable, elderly, disabled or digitally or financially illiterate customers. This indicates that a lot more needs to be done in terms of integrating accessible technologies and designing-for-all, rather than the average experience. And, is supported by the largely untapped market for services for the 20% of the population considered to be neurodivergent.

This is particularly pertinent given the change in definition of vulnerability, as described under Consumer Duty. Financial products and services exist alongside people's lives, which are full of variables. Recognising this and designing with flexibility, comprehension and support at the core of financial product offerings is crucial for providers to comply with the FCA.

The fact that banks aren't seen to provide satisfactory services to vulnerable groups is a significant factor in low customer trust. In the research we conducted, 24% of participants said that they believe that banks don't care about helping customers navigate out of debt and feel that it's in their interest not to. Brand perception problems aren't unique to the financial services industry, but banks certainly need to address the lack-of-trust when it comes to their attitudes towards vulnerable or indebted customers by making significant changes. This means breaking down the stigma of debt and looking to facilitate advice, planning and open dialogue to solve debt-related problems.

Whilst banks have been bailed out by the government, many of the younger customers we surveyed revealed that they currently depend on their overdraft funds (27% of 25 to 34-year-olds) and some have to rely on borrowing more on their credit cards or resort to buy-now-pay-later services (21% of 25 to 34-year-olds). Naturally, in this current climate, the burden of financial worries is not restricted to younger generations; the older participants we surveyed also reported financial worries: 24% of 34 to 44-year-olds shared that they're concerned about renewing their mortgage, while 21% are paying for more on credit. Given this, the gap between banking profits and those struggling to pay off the interest on their loans remains a topical and emotionally charged issue, which adds to the risk of banks being perceived as out-of-touch.

Although initiatives in this space by HSBC to improve financial access have been admirable, there still appears to be a brand experience gap felt by those who're excluded, or are at risk of being excluded, from financial services due to their vulnerability or financial circumstances. When planning and releasing these initiatives, deep consideration needs to go into mapping a customer's lifetime with a bank, so that it's fully inclusive. That means the products banks release, beyond access to current accounts, need to consider every kind of extenuating circumstance; for example poor or no credit history and beyond.

Moreover, while these initiatives and the people they help are never likely to be the core revenue driver for a bank, promoting financial inclusion through design and standards is the right thing to do. Plus, financial stability is never guaranteed, so by designing inclusively, banks are future-proofing their offering in line with Consumer Duty, while being more ethically-driven, as well.

Improving customer experience for long-term success

Both the quantitative and qualitative data we collected told the story that, rather than racing ahead into a future where every interaction is streamlined down to the millisecond, investing in improved customer services and optimising user interfaces, by combining experience-led thinking and smart technologies, should be the focus for financial service providers. However, as this report has highlighted, user experience, marketing and technological enablement are not mutually exclusive; financial products do not exist in isolation, every change by every team has an impact. Given that, design and technology must be packaged together to provide the most impact.

Let's apply this thinking to tackling a pressing topic that was revealed in this report - improving the customer service experience: whether this entails removing blockers to reduce inbound queries, sharing more educational content with customers, or deploying solutions that can enrich how customer service agents handle queries in real-time, we believe that taking a holistic approach that spans products, services and the systems that support people doing their jobs, is the next frontier for improving financial services.

It’s clear that fostering a customer-first culture is the way to drive this strategy forward, especially as we head towards an increasingly precarious financial environment and with Consumer Duty compliance falling under the microscope. For banks and financial providers, there are lucrative opportunities on the horizon, but also challenges. To deliver transformative shifts in services that offer healthy ROIs and add value to the customer, banks need to form strategies that balance user experience with business requirements, relative to the prevailing environment. Given this shift, Product teams should be incentivised not on features shipped from a backlog but how well timely their delivery was on getting something live that solves a known customer issue. Using this approach to achieve long-term success will make customers feel more supported and less frustrated, while also appeasing investors and executives.

To discuss our findings in greater detail email us on contact@foolproof.co.uk

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