



THE VALUE OF DELIVERING A BETTER BRANCH EXPERIENCE

Customer Market Research



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Research Methodology

Brickstream worked with Gartner Group to design an Internet survey for retail banking customers that explores the link between customer expectations, in-branch experiences, and financial outcomes. A.C. Nielsen administered the survey to 500 branch banking customers during November 2003. There was equal distribution across demographics including age, gender, income and education categories as well as rural/urban locations.

Although the sample in the aggregate is evenly divided according to age and gender, two-thirds of the respondents 55 and older were male, and the younger participants were more likely to be female. Annual household incomes of respondents to the banking survey range from less than \$35,000 to upwards of \$75,000 and are a little higher than the general U.S. population.

Incomes of the youngest age group (18 to 35 year olds) skew toward the lower end, while those of the middle age group (35 to 54 year olds) skew toward the higher end. These respondents tend to be on the well-educated side, more so than the general population. Men in the sample are more educated than women: 50% of men have at least a bachelor's degree, compared to only 35% of women.

A wide variety of banks, both large and small, were recently visited by survey respondents.

The Value of Delivering a Better Branch Experience

“Bankers have finally realized that branches matter – perhaps now more than ever as the number of merger deals is expected to increase, creating bigger banks that aren’t necessarily customer friendly. What customers experience at branches, similar to how they perceive retail outings, is critical to deepening their loyalty and increasing the amount of business they conduct with the bank. And that can mean greater profitability per customer, not to mention happier customers who are more than willing to spread the word to friends.”

Bank Technology News, Dec. 1, 2003

In the mind of the customer what constitutes a better branch experience? From a bank’s perspective, what is the financial impact of delivering a better experience? The answers to these questions have far-reaching implications on where banks focus investment to improve customer satisfaction, loyalty, and value. To assist bankers with these questions Brickstream initiated a custom research project to understand factually what retail banking customers want from their bank branch, how well banks are meeting those expectations, and the financial implication of performing – or not performing – up to those expectations.

with clear signage. Branch investments in additional amenities, such as coffee bars and customer lounges, do not add significantly to the customer experience.

WHAT CUSTOMERS REALLY WANT

- 1 Fast teller service
- 2 Convenient locations and long hours
- 3 Error-free banking
- 4 Availability of multiple channels
- 5 Quick service branch layouts

Executive Summary

The branch continues to have a central role in the customer banking relationship. The vast majority of customers visit their branches at least once per month, and the number of branch locations continues to grow. Customer service, more so than product selection or in-branch amenities, is the most important driver of a positive branch banking experience.

The failure to meet expectations for customer service has a real financial impact. Customer retention, growth in assets, and advocacy, are a direct result of the quality of the branch experience.

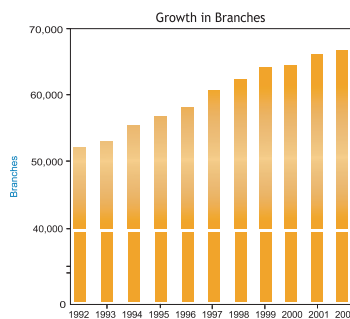
Speed and convenience are essential components of good customer service. Customers want to get in and out of the branch quickly. Customers become increasingly dissatisfied when there are five people in line in front of them and with waits that are longer than five minutes.

Consistency of the banking experience is critical. Nearly half of the customers would give their bank only two chances to fail before considering switching. Seventy percent of retail banking customers said that they have had at least one negative banking experience during the past year. Forty percent of respondents had up to five negative experiences in the last year.

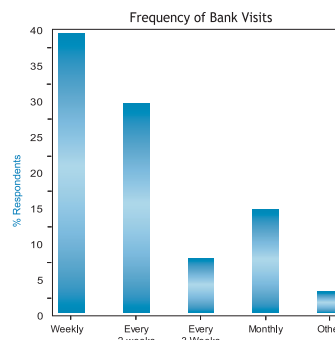
Customers also value branch formats that facilitate quick service, including high availability of assisted and self-service channels and an easy-to-navigate layout

This research suggests that banks should more aggressively prioritize investment and management attention towards exceeding expectations for branch customer service. Banks can make advocates of existing customers and win new customers by offering a clear choice in the marketplace – a branded value proposition based squarely on consistently delivering speed, convenience, reliability, and choice in the branch.

The Branch is Still Important



Source: FDIC, 26th June 2003



Key Findings

Brick-and-mortar matters

Despite the rise of new channels such as Internet banking, the branch continues to be central to the banking relationship. The majority of customers say that they visit their branch weekly or biweekly, and 97% of customers visit their branch at least once a month. Nearly four out of five make a single transaction. Banking customers will visit the bank to deposit or withdraw funds 90% of the time. Few customers, only one in twenty, take the time to inquire about new banking services.

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Customer service matters

Respondents indicate they value customer service and competitive prices more than product selection and branch amenities. In fact, the top reason customers switch banks is poor customer service. Customer service attributes customers rank highest include, in order of importance:

1. Fast teller service
2. Convenient locations and long hours
3. Error-free banking
4. Availability of multiple channels
5. Quick service branch layouts

The market research discussed in this paper describes customer expectations for these service attributes and how well customers believe banks are meeting these expectations. The next section will address the financial implications of performing, or not performing, up to these expectations.

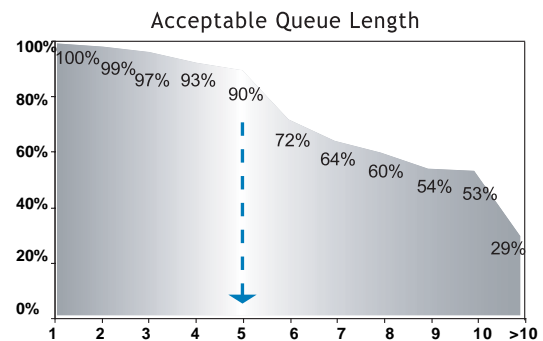
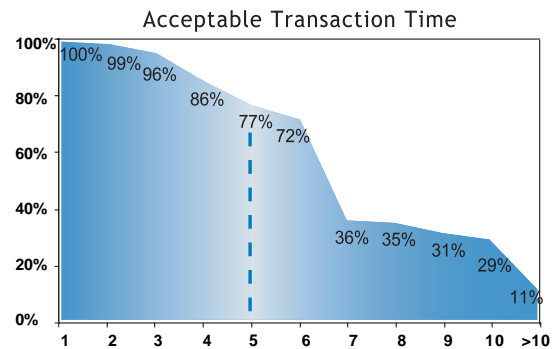
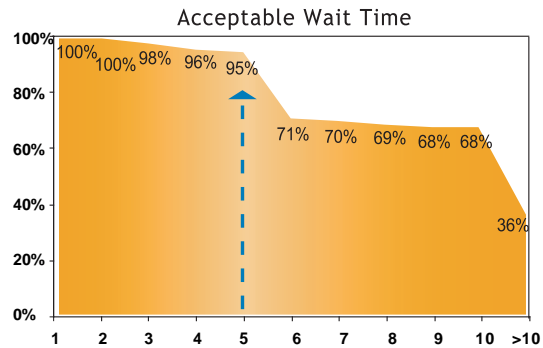
Fast Teller Experience

Customers focus on "five." Customers expect to wait in line less than five minutes and they expect bank transactions to take less than five minutes. Also, customers respond negatively when the number of customers standing in line exceeds 5 people.

Of the survey respondents, 29% stated that a wait time of more than five minutes was unacceptable and only 36% stated that they would remain in line if the wait time was longer than ten minutes. Two-thirds of the respondents found it unacceptable after 10 minutes. When waiting over five minutes for a transaction to be completed, 64% of the respondents classified the transaction time as unacceptable.

Customers were not only concerned about wait times; they were also concerned about the number of customers waiting in the teller lines. Almost 30% of those taking the survey stated that they would either not join a line or abandon a line if more than five customers were waiting. When customers observe a line length of ten or more only 29% stated they were willing to remain in line.

Focus On Five



Expectations for service differ depending on the type of transaction conducted. A transaction lasting up to 5 minutes is considered acceptable for the most common banking transactions, such as making a deposit or withdrawal. Customers will tolerate longer processing times for more complex transactions. For example, customers find 15 minutes an acceptable time to open or close an account.

Customers expect to wait in line less than 5 minutes.

How well are banks meeting these expectations? Three-quarters of the respondents say that customer service has stayed the same or declined over the past year. Teller wait time and longer-than-acceptable transaction times topped the list of negative experiences.

Long lines have caused one third of the respondents not to enter the branch at least once during the past year. In addition, 37% of bank customers say that they have abandoned the queue one or more times during the past year.

Nearly half of respondents felt that the time they spent at the teller window took an unacceptable amount of time at least once during the past year. While the majority of banking transactions take five minutes or less to complete, opening and/or closing an account or changing account information takes an unacceptable average of 18 minutes.

Overall, customers are less satisfied with customer service at the larger national banks than other banks. Longer wait times in line and longer transaction times lead to lower ratings compared to smaller community banks.

Three-quarters of the respondents say that customer service has stayed the same or declined over the past year.

Convenient and Long Hours

Branch locations and hours of availability are a major factor in determining a customer's banking provider. Customers expect bank locations to be conveniently located near their homes and places of business. Urban banking customers place special emphasis on longer hours and weekend openings.

Between 1992 and 2002 the number of bank branches in the U.S. grew by 27%, according to the FDIC. Despite this growth in number of locations, however, respondents scored banks below average on having convenient locations and extended hours. In fact, this was the largest gap between customer expectations and bank performance of any question asked in the survey.

Error-free Banking

One in eight customers give account mismanagement or bank errors as a top reason for switching banks. Examples cited include accidental removal of account funds and incorrect statements.

About a third of the respondents indicated that they had found an error in a banking transaction at least once in past year; 12% found an error more than once in the past year.

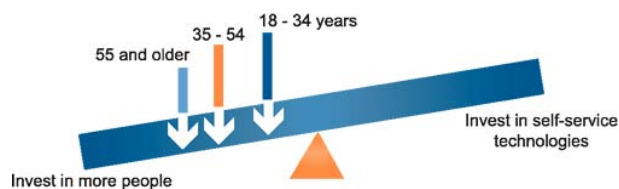
Availability of Multiple Channels

Customers want the choice of conducting transactions at a teller window or using a self-service channel, such as an ATM. Two-thirds of the customers surveyed prefer service from a human teller.

Customers do not place high importance on the availability of newer banking channels, such as Internet banking kiosks. However younger banking customers surveyed were more open to technological enhancements than their older counterparts. They were three times more amenable to self-service points than other customer groups, particularly for drive-thru tellers and ATMs. Customers over 54 years old prefer service from a human teller.

The majority of customers feel that banks are meeting expectations in availability of self-service channels although two-thirds say that availability has stayed the same or declined within the last year. Most customers do not expect to change their banking habits by increasing their use of self-service channels to conduct transactions. For example, customers rated Internet banking kiosks and deposit drop-boxes as the two banking items of lowest importance. The latter reflects the difficulty in migrating deposit transactions to self-service channels.

Customers Expect the Human Touch



Customers say banks are not meeting expectations in teller availability; shortfalls exist in staffing all teller stations to ensure minimum wait time in line and fast service at the counter. Customers would also like to see associates conduct transactions while they wait in line.

Quick Service Branch Layout

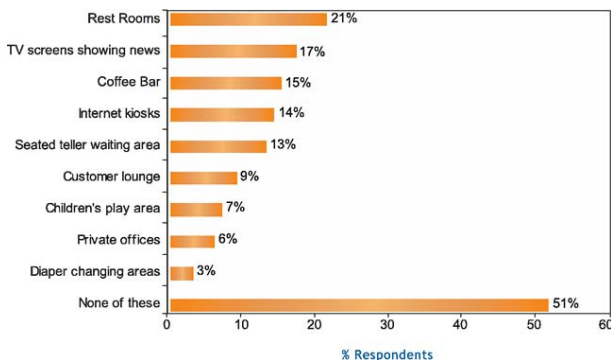
Customers prefer banks branch layouts and features such as prominent signage that facilitate speed of service versus other branch amenities such as coffee bars and customer lounges. Customers want to be able to enter, complete a transaction, and exit the branch as quickly as possible and without confusion. Customers also prefer to be self-directed. Having doorway greeters at the entrance who direct customers to appropriate lines or self-service areas is not viewed favorably.

Customers want to be able to enter, complete a transaction, and exit the branch as quickly as possible and without confusion.

Three-quarters of banking customers surveyed have not seen any improvement in branch layouts in the past year, despite investments by banks in this area.

When it comes to additional branch amenities, the majority of customers do not feel they significantly enhance the branch experience. Basic amenities like restrooms score highest. Internet kiosks, news TVs and children's play areas are disproportionately important to younger customers. Only 4% of customers say additional amenities including drive-through windows, play areas and customer lounges are important enough reasons to switch banks.

Just the Basics



In-branch marketing does not rank highly in importance according to respondents. Nevertheless, Bank performance in this area significantly outweighs expectations. Take-away literature was the highest ranked branch marketing medium, compared with infomercials, interactive kiosks, window displays and posters.

Financial Impact

The survey findings unequivocally show the primary importance respondents place on superior customer service. The failure to consistently meet customer expectations for service has a real financial impact, expressed through changes in customer retention, growth in assets, and advocacy. There is considerable room for improvement.

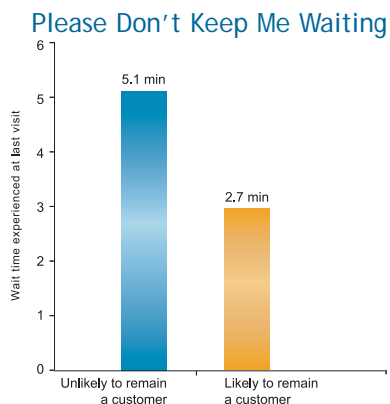
Twenty percent of customers at risk of leaving their current banking provider said customer service had declined and are unsure or unlikely to continue their relationship with their current bank. Three-quarters are unsure or unlikely to shift more assets to their current bank. Over 30% are unsure or unlikely to recommend their bank to others.

Nearly half of the customers would give their bank only two chances to fail before considering switching.

Three Strikes and You're Out

Delivering a consistent banking experience is critical. Nearly half of the customers would give their bank only two chances to fail before considering switching. Some 70% of retail banking customers said that they have had at least one negative banking experience during the past year. Forty percent of respondents had up to five negative experiences in the last year.

Respondents who say they are unlikely to remain a customer had twice as many negative experiences as respondents who are very likely to remain a customer. Fast teller service topped the list of negative experiences; this included long queues and longer-than-acceptable transaction times at the counter.



Additionally, a strong correlation exists between the amount of time a customer has to wait in line and their likelihood to remain a customer. Individuals unlikely to remain customers wait almost twice as long in line as those who say they are likely to continue their banking relationship.

Other top reasons customers cited for switching banks included rates and service charges, inconvenient locations or opening hours, and bank errors and mismanagement.

Watch Out for New Customers

Newer customers, who have been with the bank less than three years are a particularly vulnerable customer group. They are less satisfied overall and are less likely to remain a customer or to recommend the bank to others. The transaction and wait times they report at their last visit are longer and they have more customers ahead of them in line. Over the past year they cite more instances of transactions taking longer than expected and waiting in wrong lines. Three in four will switch banks if the typical wait time is 20 minutes.

Loyalty Doesn't Always Count

Most customers surveyed have been with their bank for five or more years. Forty percent have belonged to their bank for at least 10 years. Loyalty does not, however, readily translate into additional opportunities for the banks. While two-thirds of the respondents say they plan to stay with their current bank, it is less likely that they will expand the banking relationship. Less than half of the customers are able or willing to use additional services and fewer still (16%) expect to shift more of their assets to their bank.

Individuals unlikely to remain customers wait almost twice as long in line as those who say they are likely to continue their banking relationship.

Survey Implications

Based on the findings from this survey, banks should aggressively prioritize investment and management attention towards meeting and exceeding expectations for branch customer service. Banks can make advocates of existing customers and win new customers by offering a clear choice in the marketplace – a branded value proposition based squarely on speed, convenience, reliability, and choice in the branch.

The findings in this survey point to these immediate opportunities:

- **Focus on five.**
Implement and continuously monitor a service level policy that keeps wait times and counter transaction times under five minutes.
- **Re-evaluate the convenience of existing locations.**
Consider expanding the number of branches with extended and weekend opening hours, particularly in urban areas.
- **Ruthlessly focus on quality in handling customer transactions.**
Quality improvement approaches, such as Six Sigma, offer rigorous methods of reducing the number of defects in transaction processes.
- **Improve the availability and choice of channels.**
Offer the right mix of assisted and self-service channels to meet local needs. Remove unused teller stations to improve customer perceptions.
- **Refocus branch development investments.**
Create easy-to-navigate layouts that facilitate speed of service. Reevaluate investments in newer amenities, such as coffee bars and customer lounges.

About Brickstream

Brickstream provides next generation business intelligence solutions that enable financial services institutions to collect and analyze in-store customer behavior in real-time. This understanding is used to continuously improve service operations, staffing allocation, channel migration, and branch design initiatives. The result is a better branch experience, driving improvements in customer satisfaction, loyalty, and value. Brickstream works with major financial institutions on both sides of the Atlantic, such as Bank of America, Royal Bank of Canada, Lloyds TSB, Wells Fargo, SunTrust, and HBOS Plc.

For further information about this survey please contact Brickstream at [1.866.274.2578](tel:1.866.274.2578) or info@brickstream.com.