

Youbiquity Finance – Retail Banking.

Consumers want banks to make digital self-service easier, using support technologies that build customer confidence and better relationships.



AVAYA



Youbiquity Finance: Tracking consumer attitudes to digital banking since 2012.



For nearly five years, BT and Avaya's Youbiquity Finance research has informed the channel strategies of some of the world's leading banks. From phone, email, internet self-service, apps and web-chat, to social media or video conferencing, the Youbiquity Finance research has revealed how consumers' expectations of financial service providers are changing:

- In 2012, 37% said they continually changed how they contact their bank (e.g. branch, web, phone) depending on their situation, while 24% wanted a mobile banking app.
- In 2014, the average number of channels consumers were using to contact financial providers had leapt from 4.3 to 6.2.

Youbiquity Finance is so called because consumers from Germany, France, Spain, the UK and USA value omni-channel strategies when dealing with financial service providers. This trend has continued as mobile banking has grown. The global financial crisis put more of a premium on high-quality customer interactions. It left banks grappling with the challenge of how to reconnect with consumers in ways that build customer confidence.

Now, in 2016, we have conducted our latest update of the Youbiquity Finance research. Based on the views of 3,014 respondents across Germany, Spain and the UK, this paper outlines the key trends in consumer behaviour in banking when it comes to sales and customer service channels.

Our research shows that financial service providers need to do more to build consumer confidence. Consumers want support technology, underwritten by person to person contact, that makes self-service easier - not just for everyday tasks but for more complicated transactions too. Many basic banking interactions such as account balance enquiries and payments have now been automated. Smartphone apps have made these tasks easier over the past three years. But there are many banking interactions being digitised which will require support for successful use by customers.

The number of consumers saying their bank puts its customers at the heart of their business has risen from 19% in 2014 to 33% in 2016 (UK).

The building blocks of better customer confidence and relationships are in place. UK banks have seen a significant increase in the number of customers saying they have a strong relationship with their bank - up from 29% to 35%. Banks in Spain and Germany do better on this though, with a figure of 40% and 59% respectively. In the UK, the number of consumers saying their bank puts its customers at the heart of their business has risen from 19% in 2014 to 33% in 2016.

What benefits do better relationships with customers bring for banks? Encouragingly, 41% of German consumers, 45% of Spanish consumers and 45% of UK consumers said they would consider buying insurance products from banks.

To build on this trend, our research revealed five barriers that make customers uneasy and damage customer relationships. These need to be overcome as each barrier raises the costs that banks face and reduces the revenues they can generate.

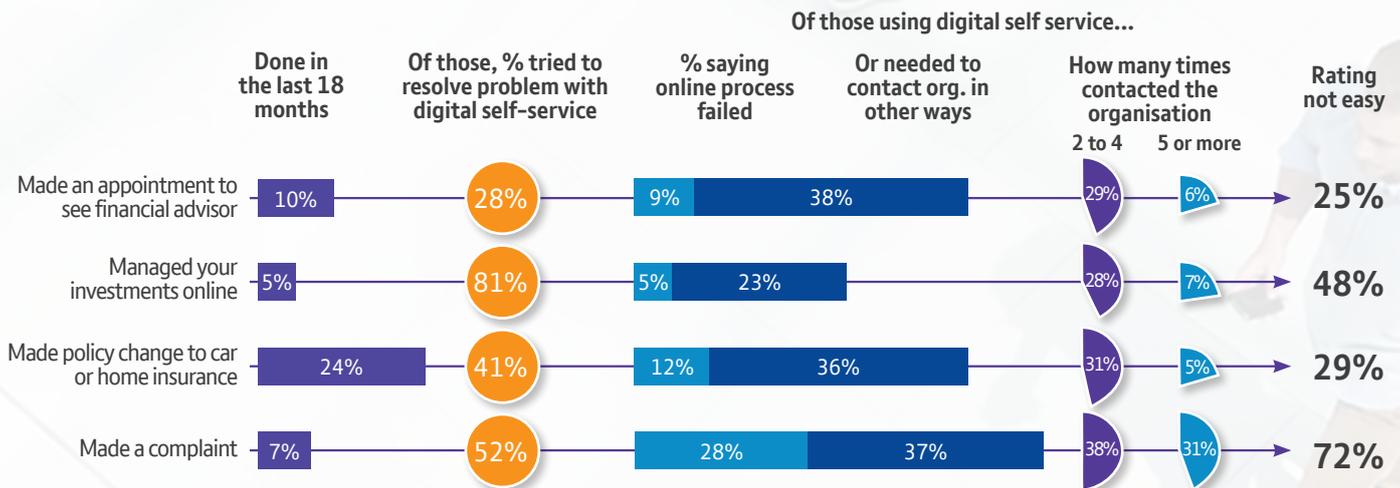
The research was carried out independently for BT and Avaya by Davies Hickman Partners. The data and views in this white paper have been prepared in good faith but neither BT nor Avaya nor the authors of the report can be held responsible for any actions or otherwise taken by those reading it.

1. Customers need support for digital self-service – many interactions are failing.

The new Youbiquity Finance research shows that customers are trying to do more complicated transactions using digital self-service. Checking an account balance and making payments is now common behaviour. But consumers want to do other tasks through digital self-service, such as making an appointment, making an insurance claim or filing a complaint.

Many customers experience problems in trying to do these types of tasks. Sometimes online processes fail completely, leaving the customer no choice but to use other channels to contact the organisation. This not only makes life more difficult for customers, it also means providers are missing out on cost savings.

Digital self-service interactions often fail for consumers



Our analysis showed that one in two or more consumers rated complaint-handling and managing investments online as 'not easy'. For all interaction categories measured, the proportion of customers needing to contact an organisation more than five times was very high – 6% in the case of making an appointment to see a financial advisor.

When it comes to buying banking products using digital self-service, nearly three in four consumers say they experience problems. In many cases, customers needed support to complete these transactions successfully. Common problems experienced when buying banking products online include:

- 40% said the small print is unclear
- 29% had questions about the quote or price or rate
- 26% did not have all the information required for the application
- 23% had a problem with the online process or found it too complicated
- 22% said the process took too long to complete
- 20% said you can't use the 'back' button
- 20% said information on the website was incomplete
- 19% wanted reassurance from someone.

Solution - Supporting customers using digital self-service.

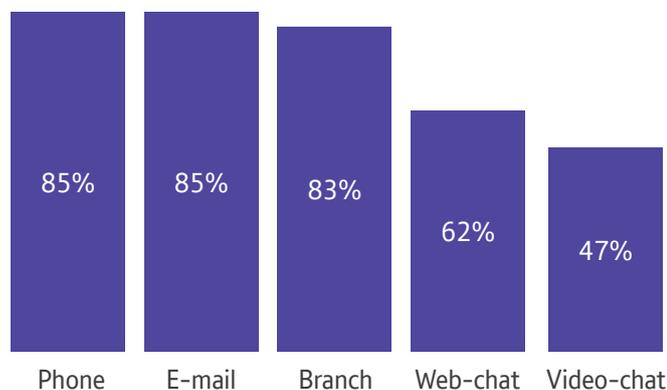
The research shows that consumers still want the option of making a phone call or visiting the branch for more complicated service issues. These two channels have retained their appeal to consumers since 2012 despite falling numbers of interactions. Banks are continually trying to improve the capability of digital self-service so that customers can use it for more complicated interactions. But the Youbiquity Finance research showed consumers still want help from a real person when things go wrong, or when they need guidance or reassurance.

85% of consumers in Germany, Spain and the UK wanted phone support when they are on a financial service providers' website

When it comes to other support channels, the proportion of consumers who would choose email to get help from their financial service provider has risen slightly between 2014 and 2016. Web-chat has become much more popular though, with demand from consumers up by more than 100% in Germany and the UK since 2012.

Support for digital self-service is popular

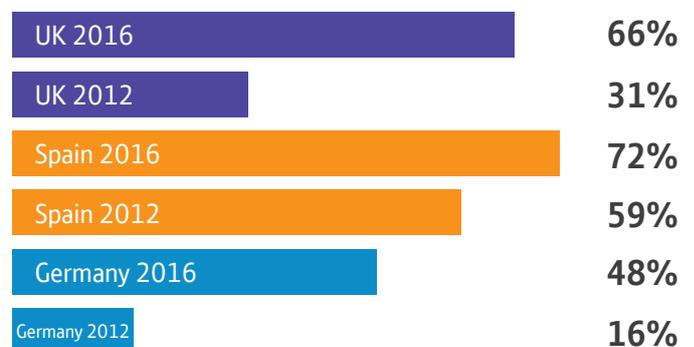
How interested would you be in the following if you need help when you are on a financial services provider's website?



Email options remain very limited in banking relationships, mostly involving secure messaging services. Some banks have adopted web-chat - around one in six consumers in Germany, Spain and the UK have used web-chat to contact their bank. Around two in three are satisfied with the experience. Overall, that's probably a lower level of approval than for the telephone service of many banks, suggesting more needs to be done to lift customer experience.



Want web-chat option when on financial providers website if need help



Consumers who had used web-chat to contact their bank described the interaction in the following ways.

- **21%** said they were cut off too quickly
- **38%** said the agent showed the customer information online
- **30%** said the delay in response was too long
- **65%** said the agent had good German, Spanish or English.

2. Consumers expect to be served faster – they think they will have to wait too long.

Whatever the reality in minutes and seconds, many customers still feel they have to wait too long for sales and service from banks. In the case of sales – the ‘lifeblood’ of banks – 44% of German consumers, 53% of Spanish consumers and 40% of UK consumers say the process of opening an account takes too long.

Even for a range of everyday transactions, consumers expect they will have to wait too long – for example, to get an appointment, or speak to someone who knows about their issue. With consumers leading ever more busy lives, expecting to wait too long might just mean they walk on by the branch or put off organising that new current account until another day.

Consumers expect to have to wait too long for service from banks

I expect I will probably have to wait too long



Customers’ expectations around waiting times are heightened by other negative experiences. The research showed that 16% of German consumers, 23% of Spanish consumers and 13% of UK consumers say that when they last applied for a new banking or insurance product, the provider made a mistake that made the process slower. With burdensome regulatory, ID&V (identification and verification) and money-laundering requirements, there are many reasons why processes need proper diligence. Mistakes are inevitable, but speeding up processes, or supporting customers through them, is a key opportunity for banks.

Solution – Speeding up service delivery to customers

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57% expect a full response to a tweet or Facebook post within three hours

Consumers’ expectations can also change quickly though. While speed of service for phone calls may be static – three in four want the phone answered within 30 seconds – expectations for newer channels have spiralled. Two in three consumers expect a web-chat conversation to start straight away. Consumers also would like to get a full response within three hours using the following channels:

- 63% (email)
- 62% (an online form)
- 57% (a tweet or Facebook post).

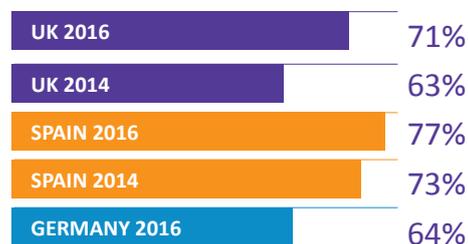
Consumers want banks to introduce some other changes too:

- 75% want 24-hour contact centres
- 75% would like to be able to book appointments with advisors online
- 84% want bank branches that can issue debit/credit cards immediately
- 66% like the idea of video-chat as it means they wouldn’t have to make an appointment

Even older technologies such as the phone can still be improved to make it easier and faster for customers and reduce call centre costs. The Youbiquity Finance research shows that customers are very open to using voice biometrics for ID&V – more so in 2016 than in 2012.

Voice biometrics popular for ID&V

Would like voice biometrics which identifies you when you call a bank or insurance company



Some consumers are choosing social media for quick and effective service or to resolve complaints. Around 12% of consumers say they’ve used social media to contact their bank, but for many, this was not a positive experience:

- 47% say it was convenient
- 28% say they got a better response than other ways of making contact
- 16% would recommend it to friends/family
- 25% were satisfied with the outcome of the response.

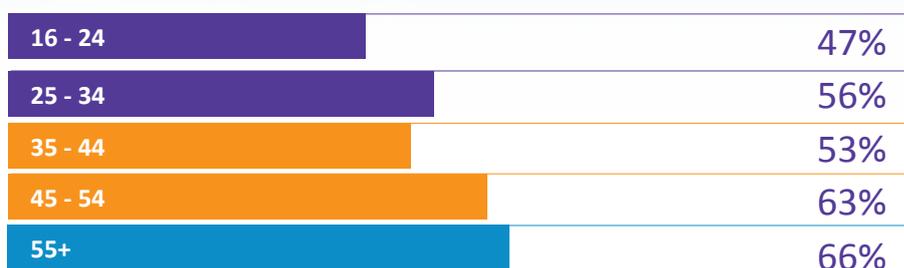


3. Consumers want help and advice from people, even in a digital world.

Despite the wealth of information available in the digital world about banking and insurance products, consumers still want help, guidance and advice so that they can make the right choices. Nearly one in two consumers say it's difficult to get independent advice you can trust about financial services (Germany 41%, Spain 61% and the UK 47%). The problem is worse for younger consumers, who although digitally adept are new to the market.

Younger people less confident in making financial decisions

I feel comfortable making all my own decisions about financial service products (eg investments, pensions, banking and insurance).



51% say they definitely want more staff that can provide advice on banking and insurance products

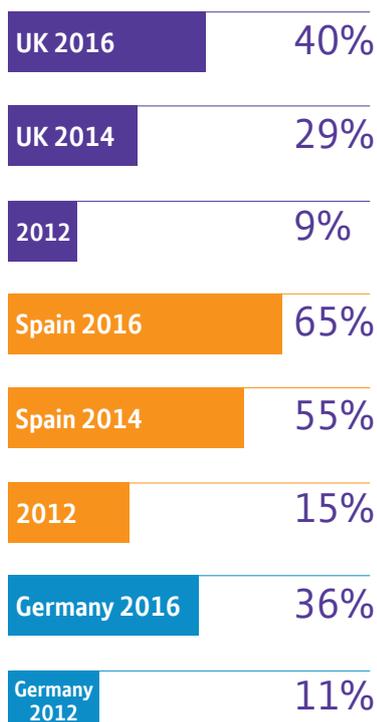
It's not surprising then that 51% say they definitely want more staff that can provide advice on banking and insurance products. In fact, another 40% say better advice would be useful. The Youbiquity Finance research shows a large increase in the numbers of consumers taking the time to have a cup of coffee in their bank branch, possibly associated with the provision of help and advice. There has been a 46% leap in the UK (from 15% in 2014 to 22% in 2016) in those saying they have had a cup of coffee in their bank branch. In Germany 41% have had a cup of coffee while in Spain the figure is lower at 16%.

Solution - Finding new ways to provide help, guidance and support to customers.

Consumers say that making choices about financial products is difficult, and behavioural finance studies confirm this perception repeatedly. The branch and phone remain key channels for consultation and support in banking and are the top choices for customers wanting support. Although volumes of contact by branch and phone are falling, customers use these channels for more complex and difficult matters. So they are as important as ever in the customer relationship with consumers.

The newest medium for providing help, guidance and advice to consumers is video chat or conferencing. Now more aware of its benefits, there has been a leap in the number of consumers who say they want video-chat. For example, 59% say a video conference would be a good way to resolve disputes or complaints with a bank or insurance provider.

Want video chat option when on financial providers' websites.



The Youbiquity Finance research shows a big rise in consumers using video in their everyday lives. Whether it's for watching the news, learning how to fix things, communicating with friends, or just for entertainment, video continues to grow in popularity. In many cases, it's replacing the written word.

So consumers can see the benefits of video. 55% agree that having conversations with advisors by video conference would help them understand the advice being given. As well, consumers expect the following benefits from video-chat conversations with banks:

- better relationships (63%)
- improved trust (57%)
- agents can explain issues more easily (66%)
- easier to see a document or information (65%)
- could be serviced straight away (67%)

Banks can also improve the branch environment so that it's set up for customers to get better guidance and advice. Some 63% say they want iPads in the branch so they can research products with branch assistants. Some 78% just want a friendly welcome as they walk in the door and creating a more up to date and consumer friendly environment is a focus for many banks.

4. Mobile banking needs better functionality to grow.

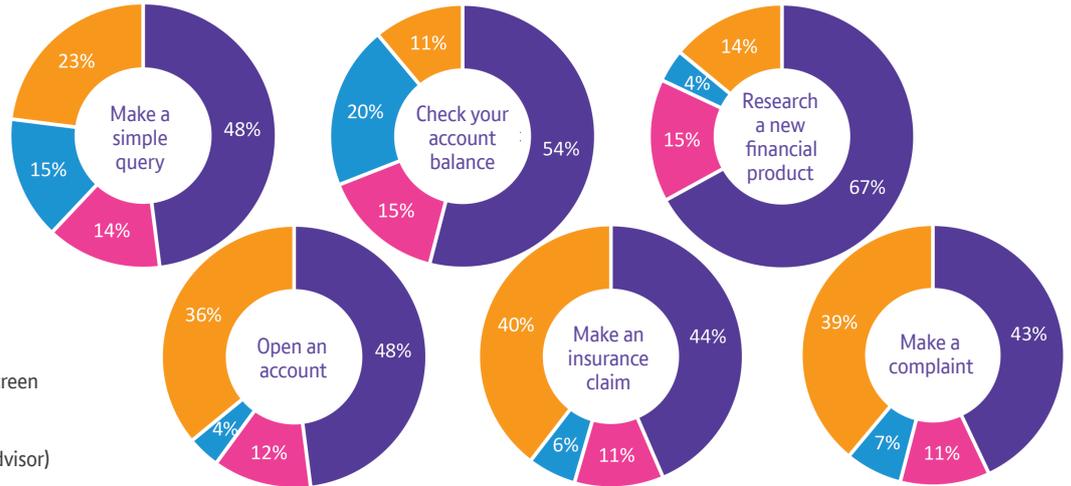
Many more consumers are now using smartphone banking apps, but there are increasing reports that this take-up growth has slowed. Our research showed that accessing accounts via PC or Mac remains very popular, with consumers using the following two to three times a week or more:

- online banking via PC or Mac browser (50%)
- online banking via an app or smartphone (27%)
- via a smartphone internet browser (19%)
- via app on a tablet (17%)
- via tablet internet browser (16%)

There are limits to what smartphone banking apps can do though. When it comes to more complicated transactions, or applying for products like mortgages, our research showed that customers prefer to use a larger screen or use other channels, including visiting the branch, writing or phoning.

Large screens most popular for financial services research and complicated interactions.

- Use a PC or Mac with a large screen
- Use a tablet with a medium sized screen
- Use a smartphone
- Other (eg phone, branch or meet advisor)



Solution - Making smartphone banking smarter.

The Youbiquity Finance research shows that there has been a leap in the number of people who would welcome smartphone apps with email or web-chat built in. Visual IVR would be popular too, making phone calls easier and quicker to make for consumers.

Improving financial services App functionality

Want Smartphone banking Apps which make it easy to e-mail, chat or call staff when you want.



Many consumers now use their smartphone as a notebook and use their devices for basic banking: 7% say they use Apple Pay once a week or more. So it's important that they can access their device while in the branch. The research showed that some 81% want wi-fi access at the branch so they can use their phones or tablets. As with branch staff being provided with tablets, this would enable co-browsing and a more collaborative approach to guidance and advice.

5. Banks need to build better ‘digital’ relationships with consumers to drive sales while reducing costs.

Our research showed that banks have improved the quality of their relationship with consumers over the past few years, in the UK at least. However, the proportion of customers who would consider another supplier remains very high, and in Spain and the UK in particular, there are significant opportunities to strengthen the relationship further. Building these relationships can become more difficult as digital self-service takes hold though, because it reduces the opportunity for person-to-person contact, either over the phone or face-to-face.

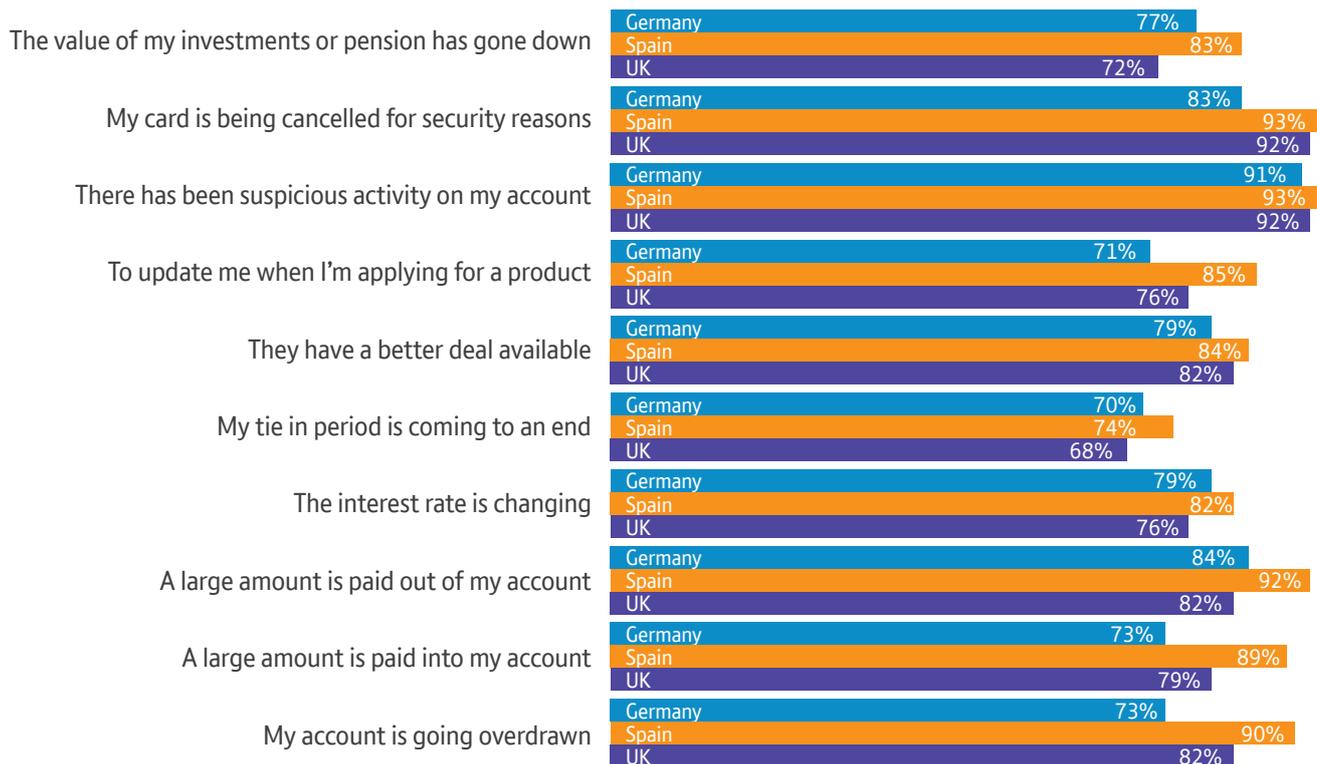
How can technology help build digital relationships?

Person-to-person communication drives emotional engagement as many academic studies have shown. So phone, branch and video-chat have great potential to create a connection whenever customers need reassurance, help or guidance. Web-chat can help build confidence too, with 54% saying that being able to see things on the screen makes web-chat more valuable than a call. 57% like having a record of the conversation.

But as the number of visits to branches and call numbers fall, banks need to find ways to engage with customers. Technology can help and there has been a strong growth in consumers saying they expect notifications from their bank, with more proactive service on a range of issues welcomed. These messages can demonstrate banks care and want to interact with their customers.

Consumers expect proactive service.

Would like instant update from your bank (by text, phone, push notification or e-mail) when tie-in period is coming to an end?



To improve this messaging, consumers say they may be willing to share their GPS location with their bank or insurance company. This data could provide insights which would help financial providers improve their offering to customers in Germany, Spain and the UK in terms of both marketing and service communications. 'Internet of things' or 'smart' technologies could provide more data for banks to improve their service offering to customers in the future.

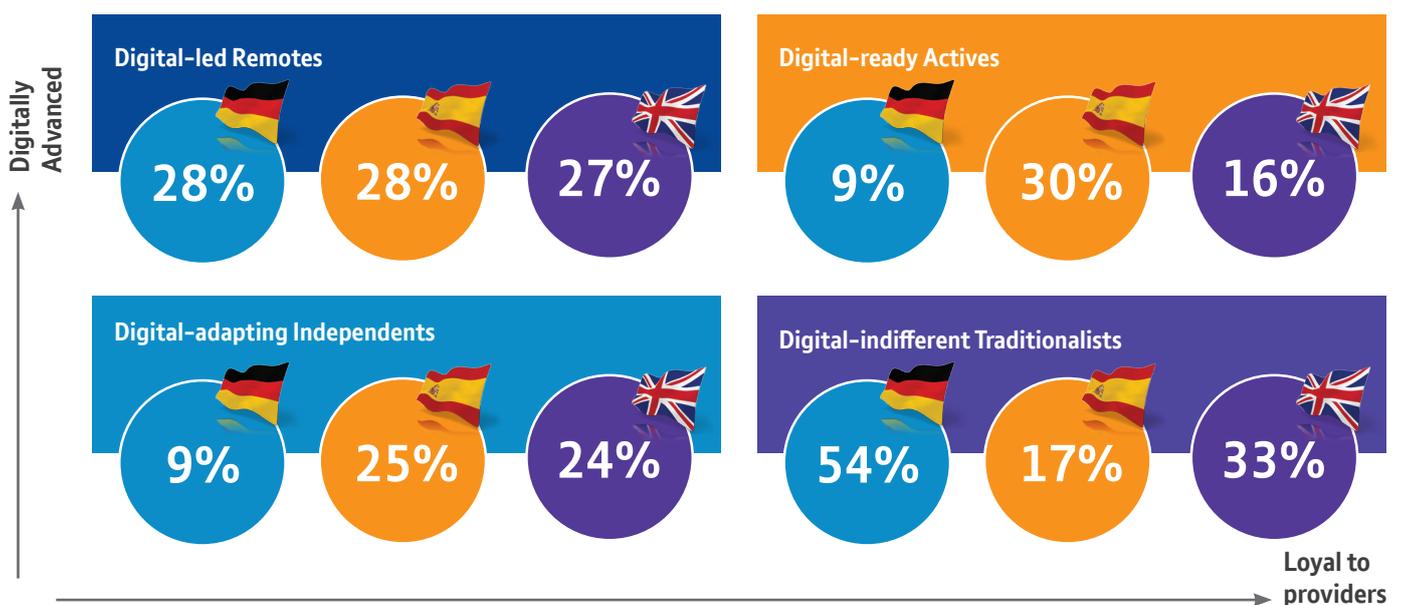
Wearables – some consumers willing to share personal data

How willing would you be to allow your insurance company or bank to have access to data from the following if it meant you received a better product, service or price?	UK		Spain		Germany	
	Very willing	Possibly willing	Very willing	Possibly willing	Very willing	Possibly willing
An item of wearable technology which shows how active you are eg steps taken	17%	35%	16%	38%	12%	31%
A sensor which measures energy usage in your house	31%	44%	23%	43%	21%	43%
Your social media profile	10%	21%	11%	30%	7%	20%
Your GPS location from your smartphone	12%	31%	13%	31%	8%	23%
Your payment history	18%	37%	15%	39%	8%	27%

Clearly, not all consumers will be open to using new digital self-service or more advanced 'Internet of Things' technologies. The media and social media often includes comments from the public reflecting their preferences for branch banking or indeed phone calls. To introduce new technologies to build digital relationships, banks need to consider the attitudes, needs and preferences of different segments of the Germany, Spanish and UK populations.

To address these differences, the Youbiquity Finance segmentation divides customers according to the strength of their relationship with financial service providers and their sophistication in using technology. Using factoring and clustering, it divides the 3,015 research respondents into four segments reflecting their willingness to engage with financial services providers and the technologies they are most comfortable using for these interactions.

The Youbiquity Finance consumer segmentation – size



The Youbiquity Finance consumer segmentation

Digital-led Remotes

Use a new channel strategy – Need to create customer engagement

- Biggest users of web-chat and social media to contact banks and insurance providers
- Less use of voice and face to face
- Offer advice and information as least confident making financial decisions

Age – Youngest age group. Under 35s – 47% (30% average)

Gender – Men 48%, Women 52%

Income – Slightly higher

Digital-adapting Independents

Develop win-back channel strategies – re-build loyalty

- Generally less happy with providers than the other segments
- Willing to use new technology to access better products and services
- Think providers should have better service levels – 24 hour call centres

Age – Most middle-aged group. Aged 35 to 54 – 48% (37% average)

Gender – Men 49%, Women 51%

Income – Slightly higher

Digital-ready Actives

Build on existing relationship strengths – Beta test innovations

- Best relationship with their banks, willing to follow innovations from banks and insurance
- Change channels most often, want free Wi-Fi, use digital options and want video chat
- More loyal, engaged and active – will negotiate on price

Age – Average age group. Under 35s – 32% (30% average)

Gender – Men 47%, Women 53%

Income – Slightly lower

Digital-indifferent Traditionalists

Maintain traditional channels – be consistent

- Good relationship with banks, expect providers to market products to them
- Rely on face to face and the phone
- Provide lots of support on new channels
- Less likely to need guidance but more loyal to providers

Age – Oldest age group. Over 55s 50% (33% average)

Gender – Men 55%, Women 45%

Income – Slightly lower

Offices worldwide

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