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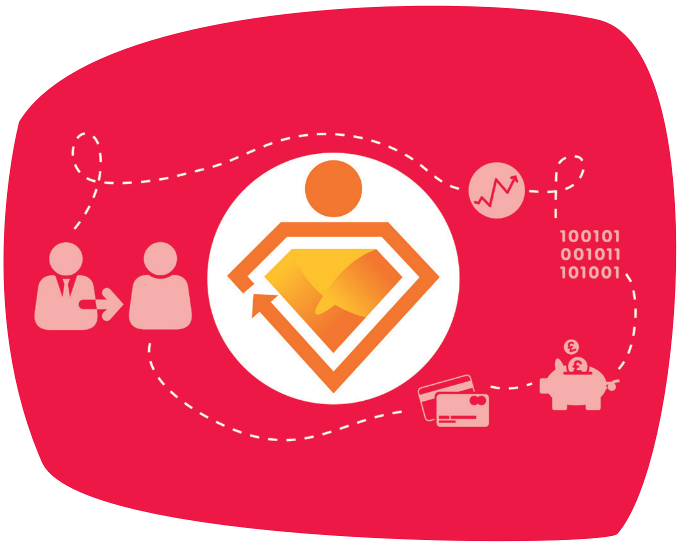
Customer Engagement 2016



Talking the consumer's language: financial services

2016

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Introduction

As marketers, we should always be striving to understand our customers and their experiences with our brand. It's the only way we can truly begin to learn what good looks like. It's for this reason that the DMA's Customer Engagement Committee decided to look more closely at the relationship between customers and the way they engage with brands, in this case financial service businesses in particular.

This report sets out the latest in an ongoing stream of customer engagement activity from the DMA, with a focus this time on the banks and other financial service providers that are such a significant part of our day-to-day lives.

Technology has already changed the face of many financial services businesses, bringing new players into the market and renewed energy into some more traditional businesses. This data-driven environment is also more measurable, quantifiable and process driven, which can afford even greater insight into customer behaviour and preferences.

This latest research shows that the vast majority of consumers are incredibly loyal to their banks, with three quarters not having changes provider for over 6 years and 40% having never changed bank. And this is just a short time after one of the worst banking crises in history.

The key to improving this loyalty even further lays in making every interaction with a customer seamless, flexible and intuitive. Whether it is improving a core function of the business or testing new virtual assistance, financial service providers must always optimise for convenience and put the customer first.

There is a wealth of opportunity for financial service brands to find innovative ways to engage their customers. To find out more about some of these new ways of interacting with consumers and how marketers can better engage customers in this digital world, read on.

Scott Logie
MD, REaD Group Insight
Chair, DMA Customer Engagement Committee

Relay42's perspective

Digital transformation is shaping a whole new standard for financial service providers (FSPs). In this constantly shifting marketing landscape, customers expect banks, insurers and wealth managers to function seamlessly. For their marketing departments, this means the need to form an acute understanding of why customers stick around – and why they might go.

This research zeroes in on the finance customer in the most invaluable way for marketers; from their fundamental expectations of the sector, to their latent desires for services, and most telling behaviours when it comes to managing money. It will create an impetus for FSPs to drive a strategy that differentiates, within an industry where, at first glance, passive customers could be mistaken for loyalists and invite dangerous levels of complacency.

This research points to a customer mind-set that is malleable to change. A desire for control, and an appetite for convenience through effective product comparison, helps competitive fintech disruptors level the playing field, as they benefit from agile technology development and less stringent regulations.

What traditional finance institutions have on their side is data: lots of it. For all the current and future service channels - from customer banking apps and face-to-face interactions to the want for smart chatbots to help manage accounts - the elephant in the room is data management, which connects every customer interaction. To compete on functionality in this world of rising standards, FSPs must know exactly who needs a product, when to offer it, and on which platform.

As the underused finance marketing mantra goes, with great data comes great accountability. Not only does this mean honouring a sensitive compliance framework through managing data responsibly, but also unifying it and using it in a meaningful way – to respond to change, and to actively engage customers beyond simply avoiding bumps in their banking journey.

62% of customers say they are loyal to their bank simply because they have no issues. As a marketer, are you willing to sit by and settle for this? Or are you ready to unearth untapped opportunities - like engaging, and upgrading the 20% of customers who added a service with another bank in the last year? That's real loyalty.

Tomas Salfischberger
CEO, Relay42

Organic's perspective

Banking is an industry dealing with an image problem. Since the 2008 financial fallout the sector has become a pariah in the eyes of the British public. In 2012, Organic undertook some consumer research on behalf of a private bank where one in five respondents felt banking was as corrupt an industry as arms dealing!

Yet people are remarkably loyal to their bank with 40% saying that they have never changed bank in their entire lives. But does this mean we are all happy with our banks? Almost two thirds of those asked said that they have never had an issue with their bank – so the banks must be doing something right. Although the industry as a whole might have a reputation problem, the customers' day-to-day experience seems to be acceptable.

Over the past ten years, the commoditisation and automation of the financial industries has been an accelerating trend. My high street bank branch has gone from having six counters to just one. Even then I rarely have to visit it at all. I have no complaints. Why then would one go through the rigmarole of changing their bank? When mistakes happen, banks are generally good at fixing them. So everything must be fine, right?

But bankers beware! Consumers were not clamouring to use Uber, Amazon or Airbnb when they first arrived on the scene. That didn't stop many of them changing their behaviours dramatically once they saw the value in doing so.

Perhaps the reason people don't change bank is because they don't see a real alternative in the marketplace. In terms of the core service of managing your money, banks don't tend to offer much in the way of differentiators, so why change?

A bank that wishes to capture the customer's attention needs to understand what the consumer is really thinking. Just because they aren't complaining doesn't mean they aren't interested in an alternative. As consumers adopt technology to help manage their lives in new and better ways, banks have the chance to see automation and digital as more than a cost cutting exercise, and instead as a way to deliver better and more engaging propositions to customers.

Enter the rise of the digital and challenger banks.

The challenge to banks is to add value whilst retaining the utility that currently exists. Given the importance of banks, they tend to play a small role in our personal management of money. Challenger banks, such as Mondo, puts the power in the consumers' hands by allowing them the control spending and keep detailed budgets – all on their phones.

Maybe customers want a bank that helps them get richer – or at least avoid getting poorer quite so quickly – by helping them manage their money. This has a lot more value big ad campaigns or a network of branches. Perhaps focusing on the former and not the later will provide a real reason for people to change banks. With the majority of the big bank's finances tied up maintaining current services and legacy IT, it is inevitable that most innovation will come from challengers initially, but the major financial institutions will soon learn adapt and adopt new approaches when it becomes a necessity.

Those that succeed will be those that take the time to understand what the customer wants and start to truly differentiate and add value. The first step to doing so is in reading this report. Organic is delighted to have been part of the team who put it together, to be able to help our clients and the wider industry apply this insight to their daily business and marketing activity.

James Moffat
Executive Director, Organic

Acxiom's perspective

Like the preceding *Talking the consumers' language: retail* report, this study into financial services reveals a degree of commoditisation around the core offering. The retail report told us it was 'the product' above all else that mattered most and it's the same when it comes to financial services, they simply 'have to work'; people want no issues, decent service and a minimum of fuss. Get this right and the research tells us we stand the best chance of retaining our customers with 40% of people never changing bank. But does this make life simple for banks and marketers? Is there less onus on today's marketer in financial services? Of course not, if only. Marketers must still win, keep, and grow customers and it's a complicated business.

Like most companies, banks and other financial services businesses still need to win new customers and the younger generation in particular expect, and are more likely to respond to, smart data-driven marketing. This is an area where marketers need to make the brand come alive for the prospects and can't rely on their experience of a service that works. They need to make their brand become the bank that can help them as a person, in the context of their life and needs.

As financial services wrestle with the power of the intermediaries, comparison sites and growing number of fintech companies, there's still a mighty battleground for cross sell. While the research shows us 43% of people have never added a new service from another bank, one fifth have in the last one to five years. In fact, this rises to over a quarter of customers between the ages of 25 and 44, where lifestyle changes such as marriage, house moves and children bring major financial services decisions. Here, relevance is everything in terms of getting the right product offering at a time that's neither too soon nor too late to be irrelevant. Yet again, the offer needs to be based around the person, people-based.

Finally, if it's just a case of keeping your existing customers, I don't believe it's as simple as having a product that works. The research shows an appetite for smart support services and a healthy degree of humanisation, even if offered through clever virtual assistants. This will become the new norm and viewed as part of the core service that needs to 'work'. It will be unacceptable to have clever new technology that in reality acts alone, in random or one-size-fits-all ways. As with the winning and cross-sell scenarios, marketers must be able to recognise their customers everywhere and connect their siloed data to really understand them and deliver a consistent, relevant customer experience everywhere, every time.

Jed Mole
European Marketing Director, Acxiom

Executive Summary: a how-to for engagement

1. **Customers are habitually loyal to their banks:** three quarters of consumers revealed that they had not switched provider for at least 6 years, with 40% saying they have never changed bank.
2. **Functional satisfaction with banks is the top reason for staying:** 62% regard having no issues as one of the main reasons for their loyalty.
3. **Consumers are hungry for rewards for their loyalty and interactions:** relevant rewards can help to build stronger ties with customers. While 27% currently receive some form of reward, and would like to continue to do so, it is even more (44%) who would like to receive better returns for their loyalty.
4. **Consumers show strong appetite for services that optimise convenience**: nearly 60% are interested in a service that would automatically notify them of the best rates on savings accounts they could use.
5. **Personalised advice can give financial services a route to differentiation:** 58% of Gen Y (consumers born 1981-2000) are interested in a service which analysed consumers' daily habits to understand when they were most likely to over spend.
6. **An offline presence remains important:** while mobile banking now reaches a fifth of UK respondents, and online banking three-quarters, 45% of consumers also use branches as a way to manage finances.
7. **Consumers are interested in digital customer services that are delivered in intuitive ways:** 36% are interested in a service that delivers alerts regarding account activity via a social or chat messenger service, rising to 54% in the family lifestage.
8. **Virtual assistants could provide a gateway to humanised digital banking services:** 35% of consumers are interested in a service that gives access to a personal virtual assistant to help with banking tasks.

1. Loyalty and financial services

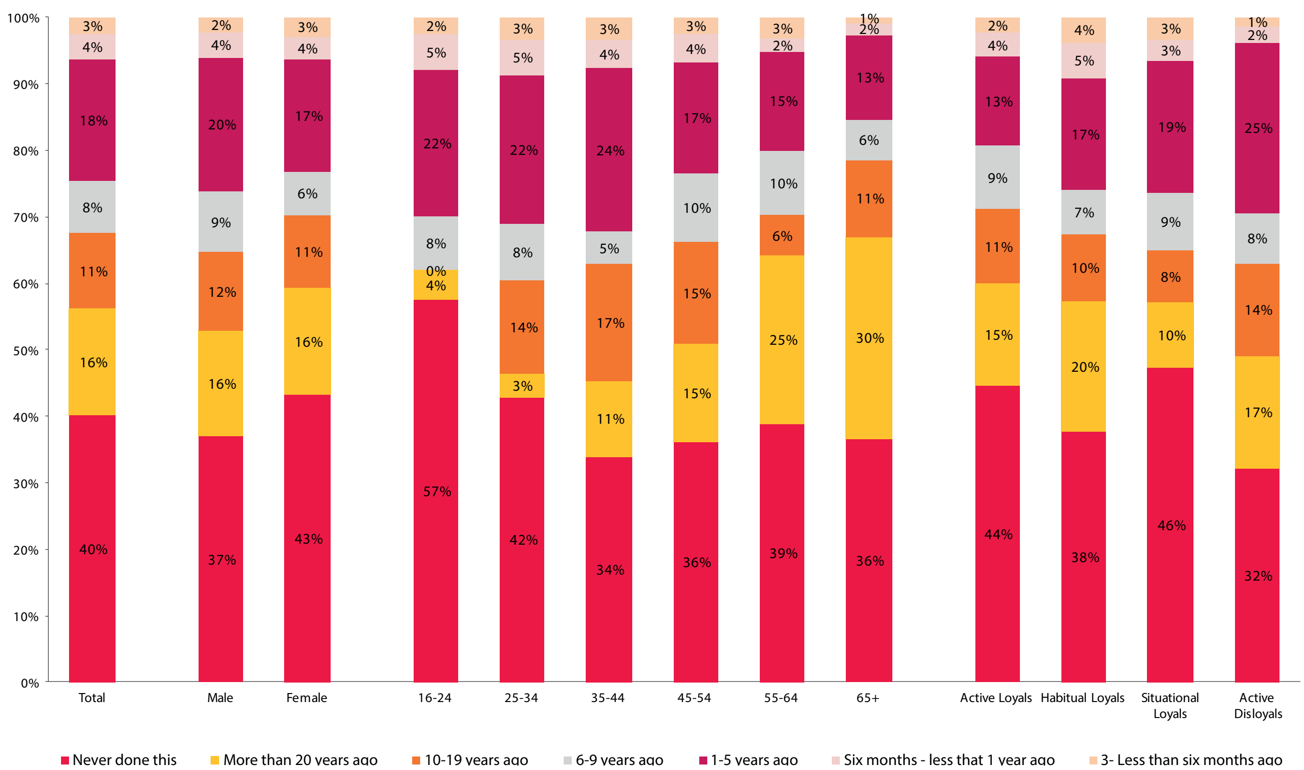
Market research is too often written in the language of marketers. To understand the language consumers really use to describe their interactions with their banks, brands and financial service providers the DMA conducted primary qualitative research with 1,000 consumers to uncover the terminology being used by consumers to discuss engagement experiences with retailers and financial services banks.

Using the findings, we designed a quantitative survey to delve deeper into consumer attitudes towards their favourite retailers and their financial service providers. This report details consumers' opinions to the latter and lays out the key findings (To see how consumers want to be engaged by retailers, read *Talking the consumers' language: retail*).

In this first section of the report we present the key findings from the research on how loyal consumers really are to their banks and outline what it is that characterises this engagement.

The reality of customer engagement with banks

When was the last time you changed the bank(s) you actively use?



To gain an understanding of how loyal consumers are to their banks, we asked them the last time they changed the bank they actively use. Three-quarters of customers revealed that they had not switched provider for at least six years, with 40% saying they had never changed bank. Even among the oldest age (e.g. 65+) bracket - who have had the most time to switch - 36% claimed to have always used the same bank they actively use, which raises an interesting question about whether this represents loyalty or function. The DMA and Future Foundation research *Data Privacy: what the consumer really thinks 2015* revealed banks were the most trusted organisation when it comes to holding personal data. An inherent level of trust in banks to keep our details safe – a core function of their services - may also be contributing to greater levels of loyalty.

This evidence of consumers' longstanding relationships with financial service providers (FSPs) contrasts to consumer loyalty towards retail brands. As discussed in Talking the consumers' language: retail, the tendency to compare retail brand offers is both more present and more aspirational: 76% agree that they are willing to spend time researching items/products in order to get the best value.

We also looked at banking loyalty by different consumer types first presented in Talking the consumers' language: retail, which characterises four distinct consumer approaches to loyalty:

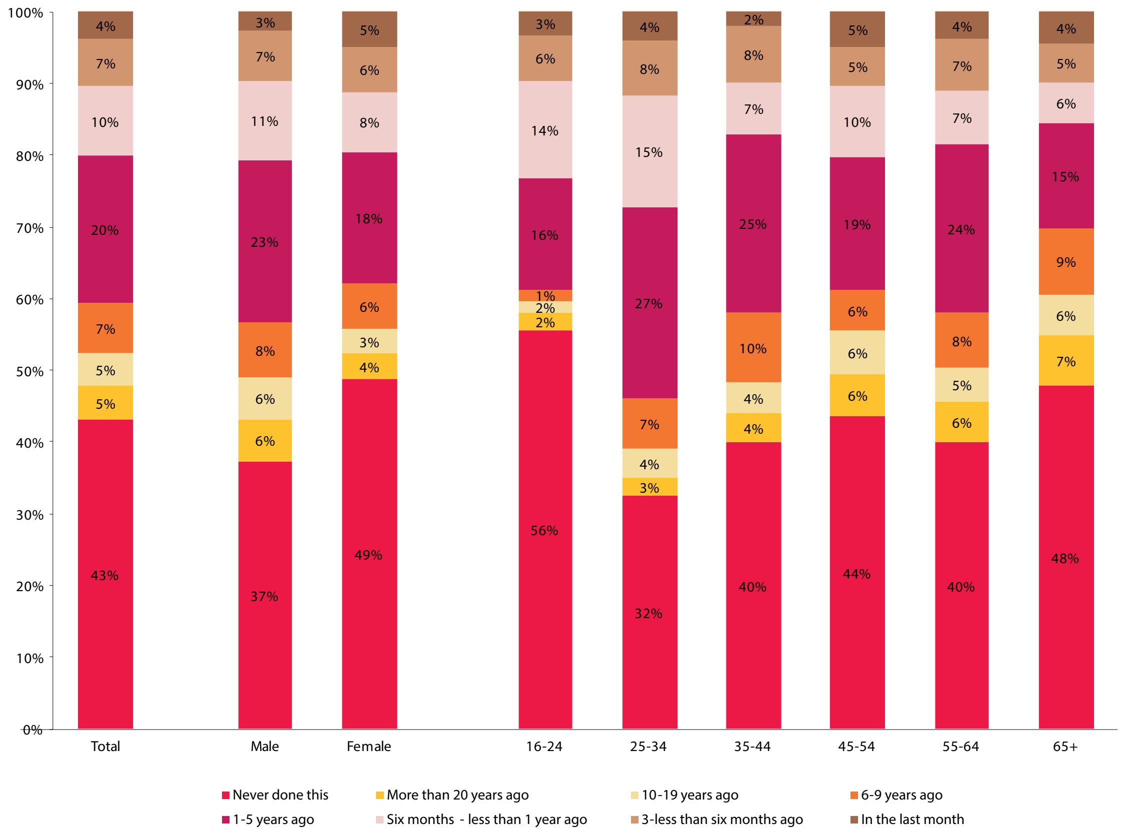
- **Active Loyals:** These people tend to stay loyal to brands/shops/sites for both everyday and important purchases.
- **Habitual Loyals:** These people tend to stay loyal for everyday purchases but less so for important purchases.
- **Situational Loyals:** These people tend to be loyal when making important purchases but are more flexible and fleeting when making everyday purchases.
- **Active Disloyals:** These people are much more likely to be disloyal in their approach to brands.

Thirty-two percent of Active Disloyals have never changed the financial service provider they actively use. This compares to 44% of the Active Loyals group. Sticking with banks is even prominent among those more disloyal consumers (when it comes to retail shopping). It's clear that brand loyalty is much more prevalent in consumer use of financial services than in retail.

We also note that men are more likely to change bank compared to women. Fourty-three percent of women have never changed bank compared to 37% of men.

Using a new banking provider

When was the last time you added a new service from a different bank?



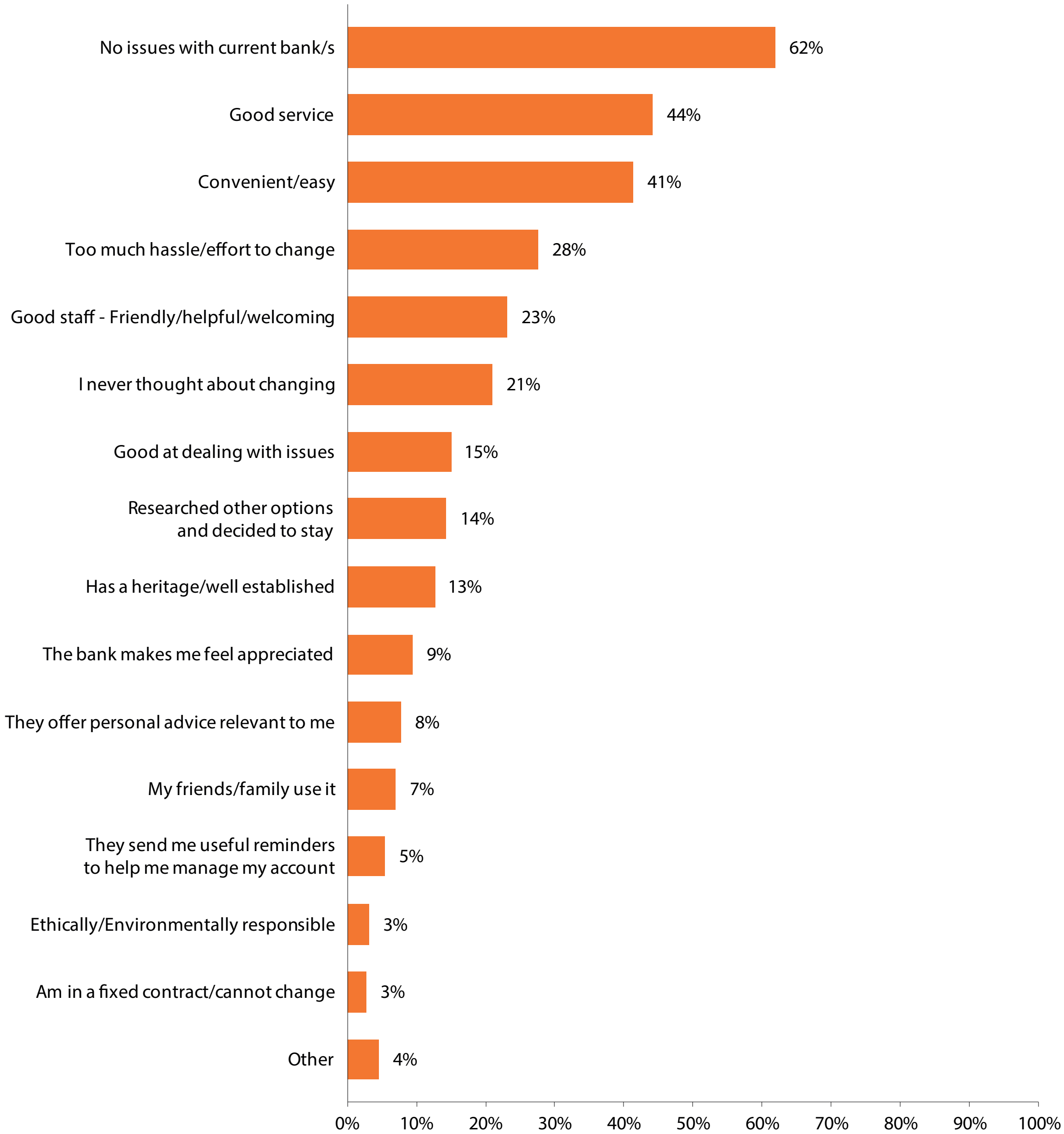
Given the growing range of financial services available in the market, we asked when consumers last added a new product from a different bank. Here consumers demonstrate a little more variation; 20% have added a new banking service from a new provider in the last year, whilst 43% of consumers claim to have never done this, with 25-34 year olds the least likely to have never done so (32%).

We note that nearly 50% women compared to 37% of men claim to have not have made any changes in their financial provision. This suggests that women tend to be less prone to taking on new financial services, and more likely to stick with their provider as long as they experience no issues. Functional service is of greater value to women.

Unlike consumer approaches to other categories where fierce price comparison and ruthless switching is rife, the tendency to stick with banking providers they use is much more prevalent with the financial service category. But what is it that characterises this tendency? What makes consumers more resistant to change their financial provider?

Engagement with banks | Why people stick

Why have you not changed the bank(s) you use for more than a year? Please select your top three reasons | Base all who have not changed bank(s) for more than a year



The top three reasons consumers give for not changing the banks they use are that they have experienced no issues, with a majority of 62% choosing this, followed by good service (44%) and convenience/ease (41%). Understandably consumers are least likely to switch if their bank is a seamless, problem-free provider for their financial needs.

As an essential utility in the background of consumers' lives, banking providers that can remain consistently issue-free retain customers. Ultimately consumer loyalty and engagement is driven by this core and fundamental need for function first.

This hierarchy, which places functional needs as a priority, mirrors the reasoning behind what makes consumers favour retailers in *Talking the consumers' language: retail*. Convenience, ease and service all featured highly (alongside good prices) and further reinforce the importance of honing and optimising the service of a customer's core needs. It is the power of delivering the core product well that drives much of consumers' loyalty.

Engagement with banks | Avoiding complacency

Three in ten consumers chose "too much hassle/effort to change" as a top reason why they haven't changed banks within the last year - suggesting that some loyalty towards banks is characterised by a sense of apathy or desire to avoid inconvenience, chore and work rather than pure satisfaction with their provider. With this in mind, it is the case that loyalty ties to banks may not be as strong as they may first appear.

Loyalty based solely on functional engagement creates other challenges. On one hand, focusing on functional engagement at first glance may seem to be an easy win for financial services: get the basics right and consumers won't need to think about other providers. However, this creates 1) a more competitive environment, with consumers desiring faultlessly consistent services and 2) makes differentiation between financial services brands less impactful. This places greater pressure on banks to both meet exacting standards and find other points of difference with which to engage customers.

Engagement with banks | The rise of financial technology start ups

Technological innovation driven by fintech start-ups is further accelerating consumer expectations and demands of what good service and convenience from financial services means today.

Fintech start ups focussed on improving key consumer pain points offer consumers a wave of alternative financial products and services. Of note include:

Tandem, a British digital-only bank, granted a banking license in December 2015 It has an aim of better, cooperative banking directed by its users, some of whom are invited to attend pre-launch events and give input on designs and functions. Finishing a round of crowd-funding in the spring of 2016, the bank is expected to launch its services to consumers by the end of 2016.

Number26 Launched in 2013 and expanded across Europe in early 2016, the Berlin-based digital bank offers a smartphone-based bank account that links to the user's **MasterCard**. Opening an account with Number26 is supposedly much simpler than opening one with a traditional bank. Number26 uses a video call to verify identity, asking prospective clients to show their passport to the webcam and answer a few questions, without the need to mail physical copies.

While traditional financial providers have scale on their side, ambitious and challenging fintech providers are able to operate with agility and speak closely to the mobile-first, on-demand mindset of today's consumers. The scale of investment seen in the fintech sector is impressive: more than $50 billion has been invested across 2,500 companies globally since 2010 (according to Accenture's Fintech and the evolving landscape: landing points for the industry).

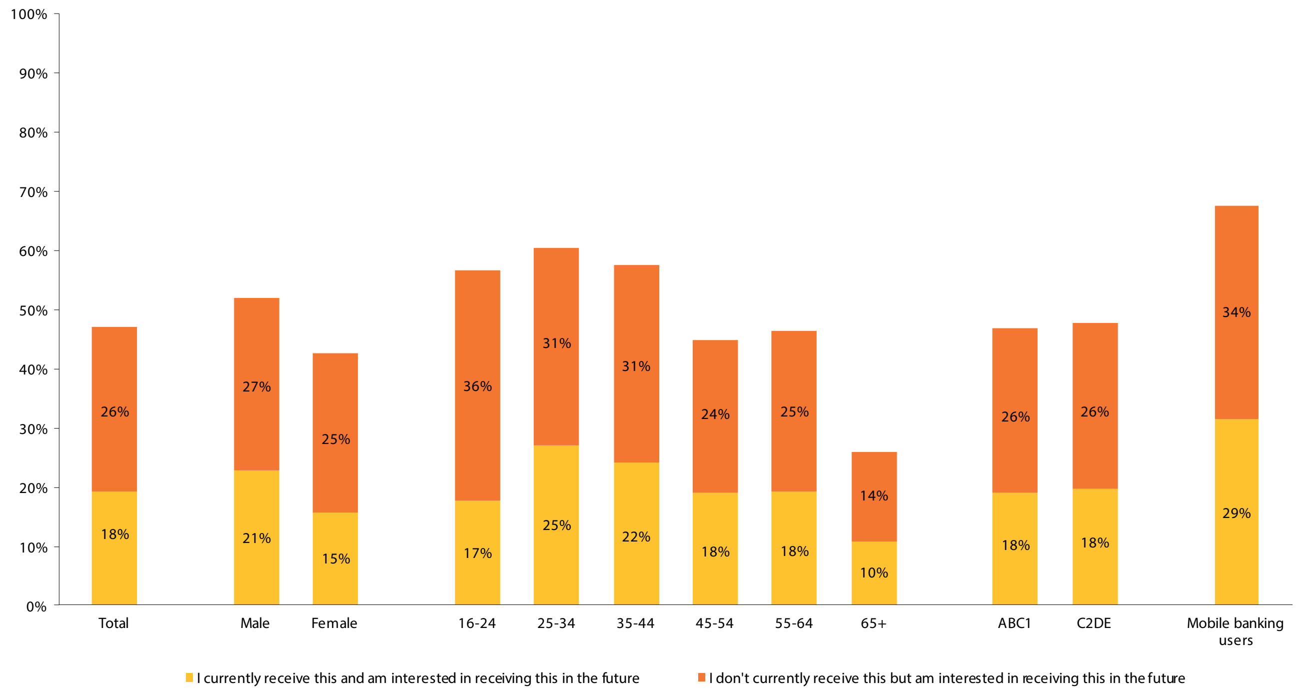
Therefore, a challenging climate emerges for traditional FSPs looking to gain and retain customer loyalty. No matter how passive consumers may seem, the fast changing dynamics of the financial services landscape cannot be ignored. Fintech is disrupting the industry, but creating opportunities for FSPs to respond to their innovations that are presenting consumers with new banking and financial management possibilities.

Next we look to the ways banks are currently responding, pinpoint the trends that will shape how financial service providers can stay ahead of consumer demands in the realms of service delivery & convenience, and how this can enable them to create valuable points of differentiation.

New rules for engagement

Optimised Convenience

Which of these do you receive or would be interested in receiving from your current bank(s)?
Text alerts regarding activity of my account (e.g. reminders to pay bills, when a transfer is made)

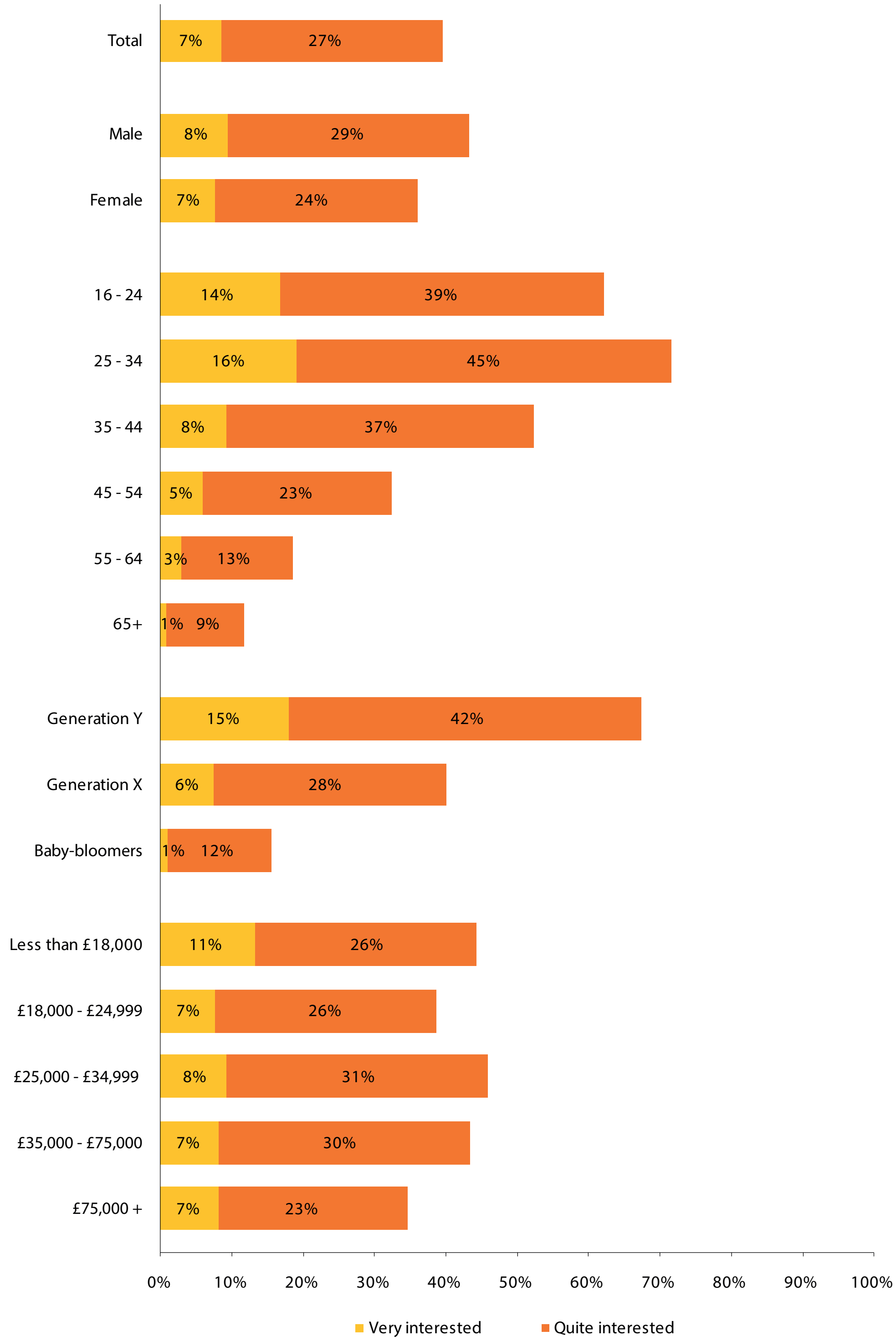


Four in 10 consumers named convenience as a top-three reason for staying with their bank. The rapid rise of mobile banking is a clear indicator of growing expectations for banking services at the touch of a button; 22% claim to use banking apps to manage finances.

Indeed, mobile banking is just one element of an increasingly on-demand lifestyle. A growing menu of services that can satisfy any need at a moment's notice mean consumers' expectations of convenience are being continually redesigned. From the research it is clear that there is a latent appetite for responsive, real-time communications from banking services.

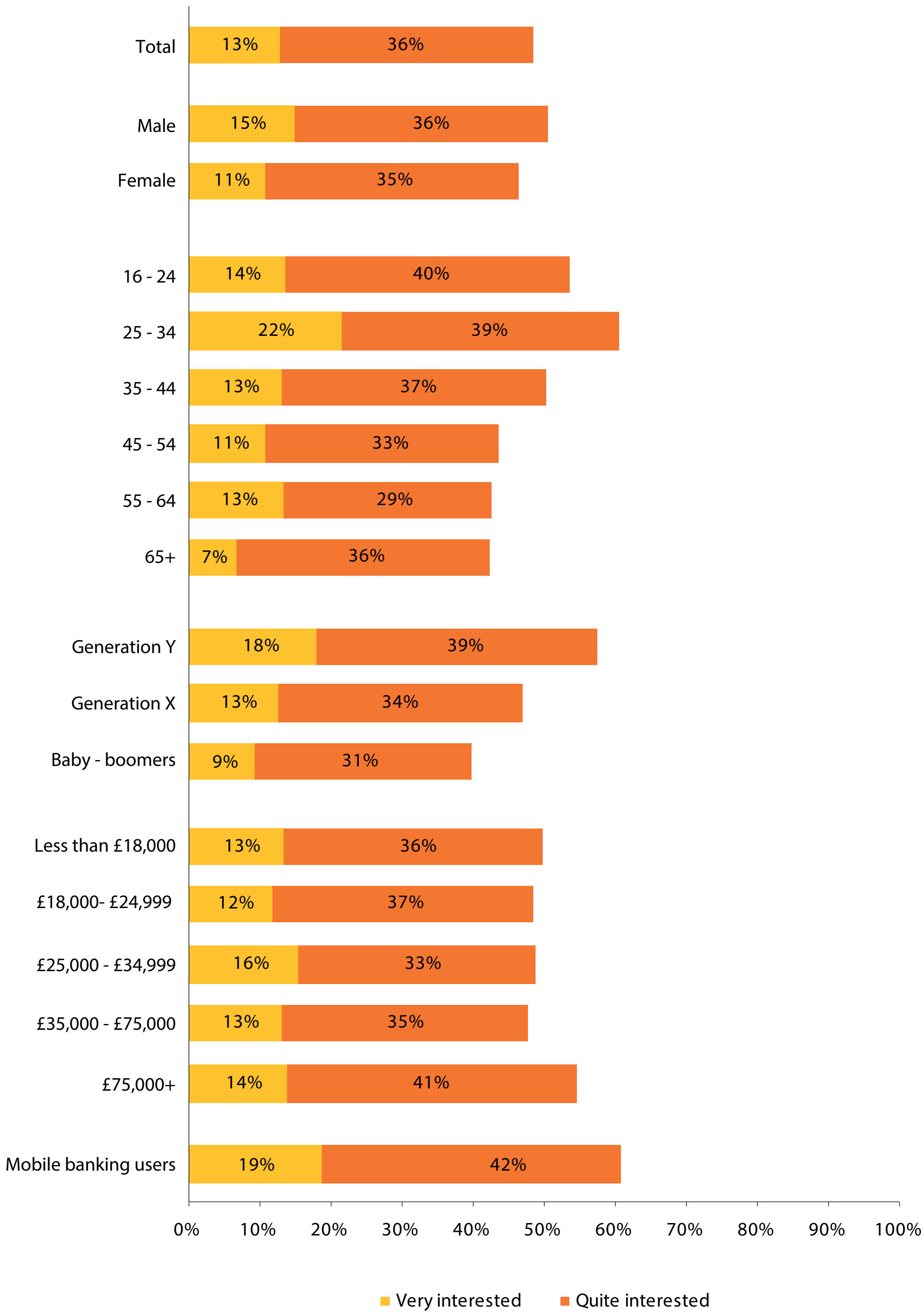
When asked if they received or would be interested in receiving text alerts from their bank, four in ten consumers were positive. This rises to 63% among those who currently use mobile banking apps. Comparatively, nearly half of consumers (49%) are interested in receiving email alerts, with just under a fifth (18%) receiving these currently.

"How interested would you be in receiving the following services from your bank?" | A service which gave you real time suggestions of how you could adjust your spending to meet your budget or saving goals | 2016



Contextualised alerts, based on an understanding of a customer's behaviour and lifestyle, are well placed to create a new level of convenience in financial service provision. Analysis of customer data can allow financial service providers to offer customers advice tied to their individual and specific needs - such as reminders to stay on-track for saving for an upcoming holiday, wedding or event. A third of consumers are interested in real-time suggestions of how they could stay on-track with a savings goal. This rises to 61% of 25-34 year olds.

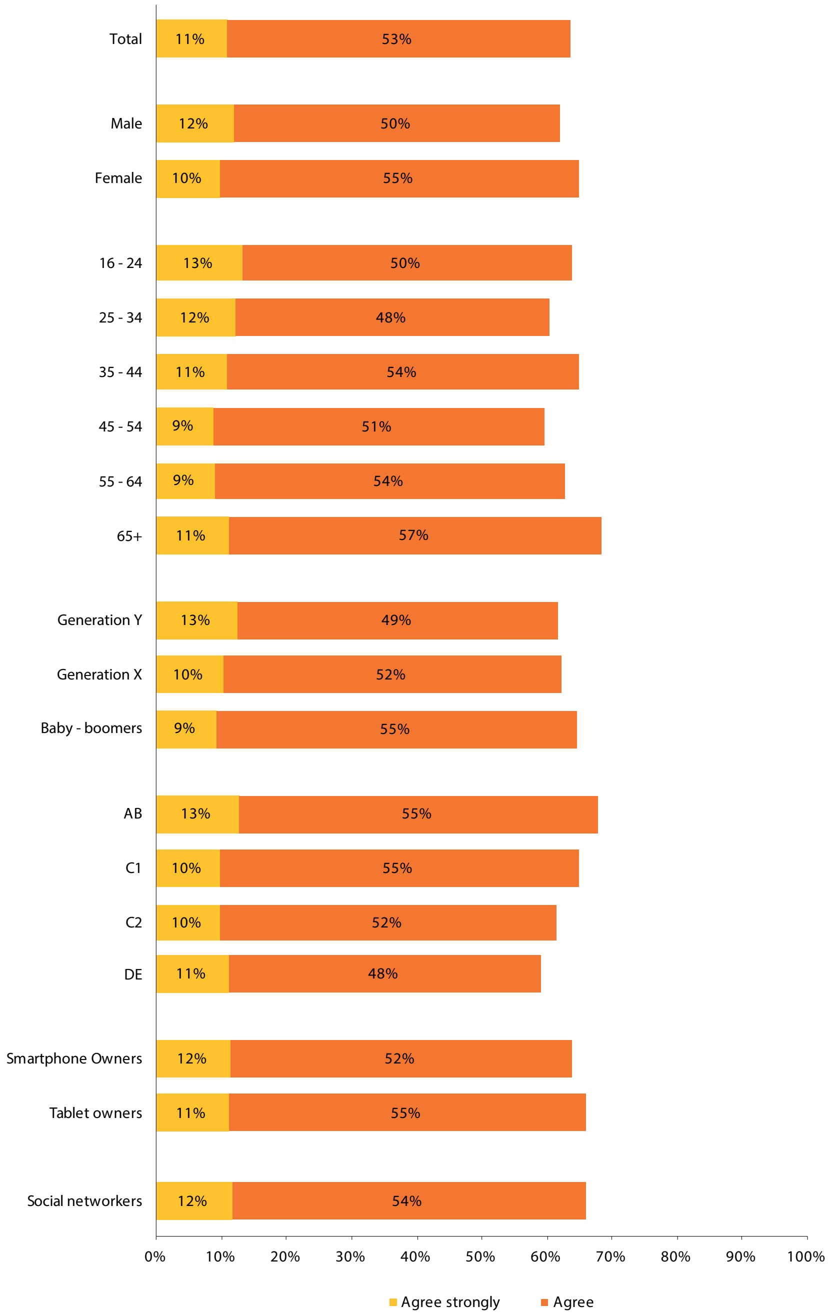
"How interested would you be in receiving the following services from your bank?" | A service that verified your I.D. by recognising your face so you didn't have to remember a password | 2016



We also see significant levels of interest in future services that push FSP communication into even more personalised realms. Half of consumers show appetite for facial recognition services that verified one's I.D. and removed the need to have to remember a password. Again current mobile banking users show even stronger interest at 61%. This interest is telling as to where consumer focus lies - the core need for ease. Removing complicated password procedures through facial recognition may be able to minimise a current barrier to an easy, convenient banking process.

Masters of Control

The almost universal appeal of control | "I try to appear under control of my life at all times" | % who agree strongly or agree

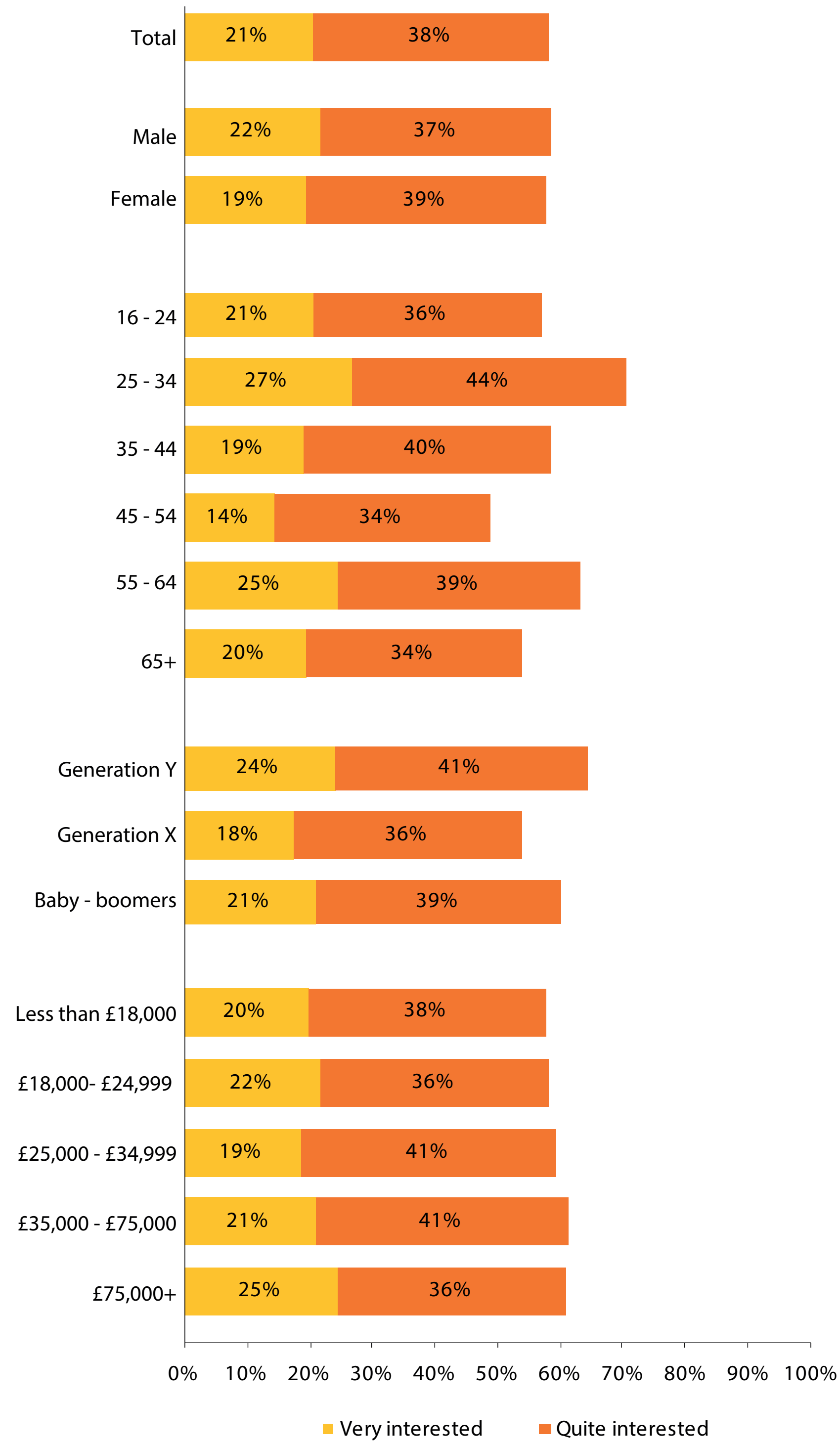


Innovations that automate services and eradicate the chore of financial management are also of interest to consumers. Not only do consumers want FSPs to aid the convenience of day-to-day interactions but to genuinely ease the burden of staying on top of one's financial investments, savings and budgeting, to help reach the goal of financial control.

The search for control in life is an overarching driver that affects consumer behaviour; across many areas of consumption, the pressure to navigate the daily challenges of budgeting desirably, working efficiently, using free-time optimally places control as a central aspiration of consumers today.

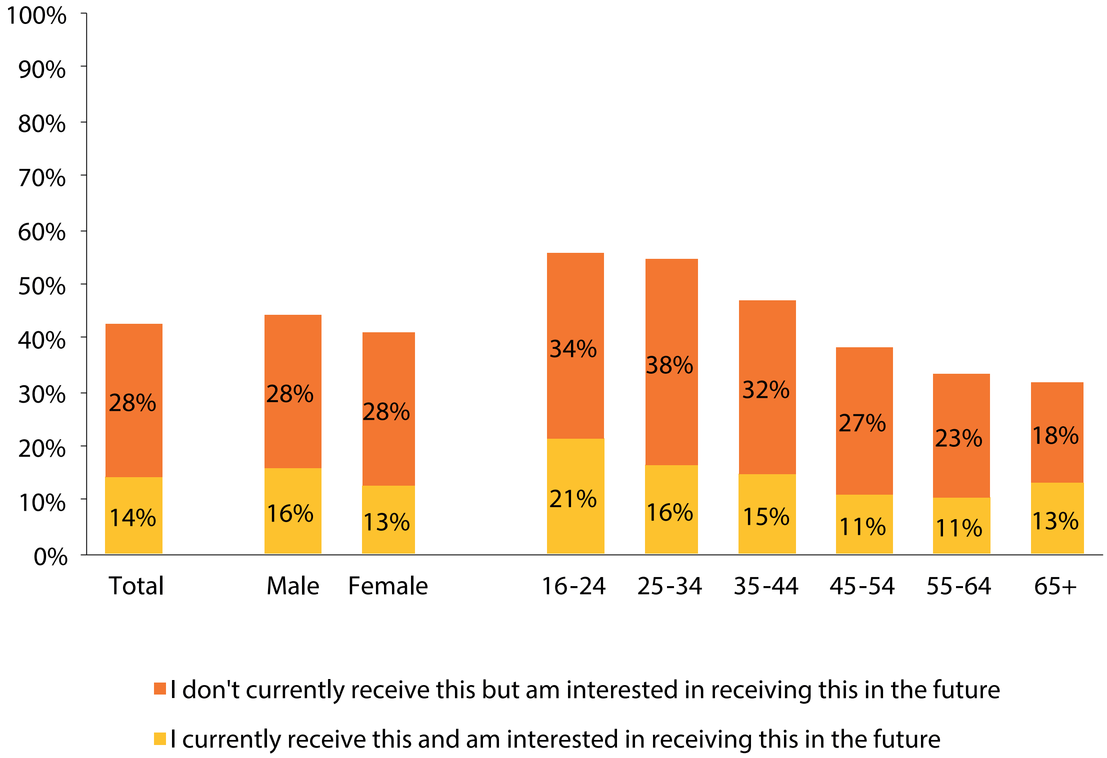
Clearly, the rise of data collection has been a major contributor. Consumers can identify and eliminate inefficiencies in their everyday routines by making use of the information gathered by various tracking devices and tools in order to make data-driven, personalised improvements day-to-day.

"How interested would you be in receiving the following services from your bank?" | A service that updated you automatically on which savings accounts you could be using to benefit from the best rates | 2016



Any tools that provide consumers with a sense of control and help consumers to stay on-track with their life goals are of serious appeal. Within the context of financial services, the narrative of control can be met through clever use of customer data and automation, and echoes consumer preference: nearly 60% of consumers are interested in a service that would automatically notify them of the best rates on savings accounts they could use.

Which of these do you receive or would be interested in receiving from your current bank(s)? Personalised recommendations/advice about how I can better manage my money



There is an element of risk; if effective product comparison becomes easier to master at an individual and instant basis, consumers that lack the impetus to switch providers may be more inclined to do so.

In response, it is important for FSPs to foster more personal and relevant bonds with customers that also help them to maintain a sense of feeling in control of their finances. Customer data can be transformed into insightful advice, and enable banks to create a unique point of difference through their personalised service to customers. Already a minority of consumers want to continue to receive personalised advice from their banks (14%), and over a quarter are interested in receiving this in the future (28%).

Overcoming budgeting hurdles through personalisation

Particularly, among younger consumers, services that aim to give a sense of personalised control over finances are appealing, especially when they are put in context with consumers' wider life goals and lifestyles. For example, Generation Y (consumers born 1981-2000) are experiencing key financial stages in their lives; aiming for career progression, aspiring to get onto the housing ladder, starting a family, or planning a first investment. Brands that go beyond the functional, and offer support at an individual basis that can genuinely impact people's life goals and sense of achievement, will resonate with this group.

Indeed, the Millennial generation show the strongest desire for assistance in understanding their own spending behaviours, and are open to sharing their personal data - even biometric data - to find their purchasing patterns.

- 58% of Gen Y are interested in a service which analysed their daily habits to understand when they were most likely to over spend.
- 48% of Gen Y are interested in a service which analysed their mood to understand when they were most likely to over spend.

The appetite for a life of "Cruise Control" especially among those at a lifestage where financial planning is becoming a more pressing priority is clear: providing financial services that are directly relevant to people's individual life goals can provide a new route for engagement.

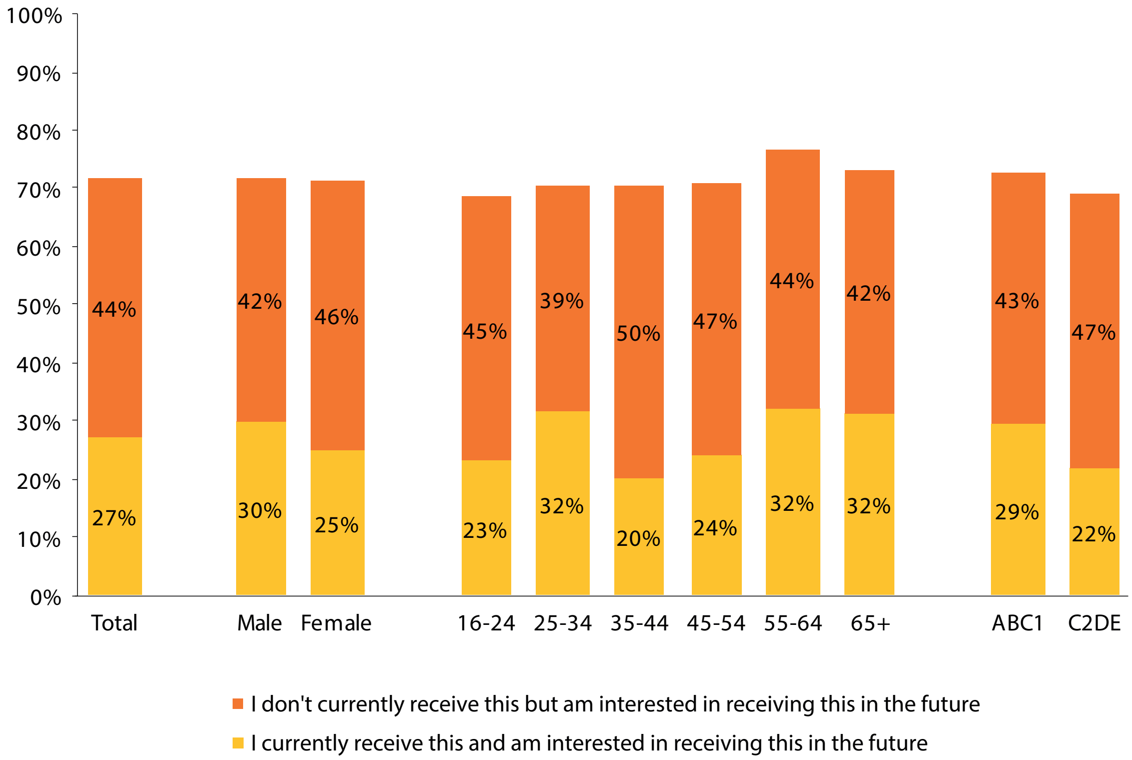
Whilst the prospect of mapping data to provide customers with financial planning support may be a challenging one - requiring the collaboration of third parties and of course the consent of the individual - the benefits of data sharing are key to communicate to consumers.

Government regulation is also moving towards more data sharing. In the Competition and Market's Authority's report published in August 2016 reforms were outlined that would allow the principle of "open banking" by 2018. One of the key outcomes of this would mean consumers will be able to securely share their personal data with banks and third party providers to allow them to make informed choices about banking products based on their personal requirements.

Reward Me More

One of the clearest findings of *Talking the consumers' language: retail* was that consumers are seeking more reward and recognition from brands in return for their loyalty: half of consumers believe they should be rewarded if they recommend products to friends and family, and almost half believe brands should respond to comments people make about them on social networks.

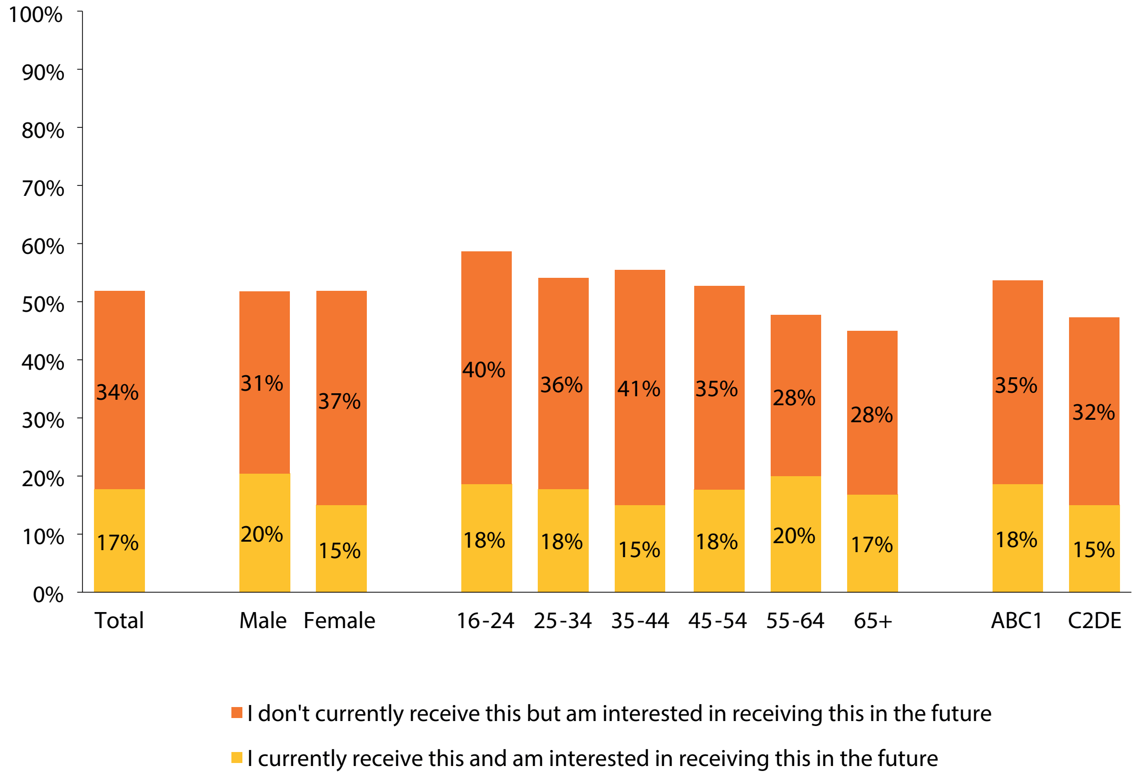
"Which of these do you receive or would be interested in receiving from your current bank(s)? Rewards for my loyalty



Consumer expectation from FSPs for receiving rewards is unanimous across age, gender and social grade breaks. While 27% currently receive some form of reward and would like to continue to do so, 44% would like to receive better returns for their loyalty, revealing a significant gap between what consumers are receiving, and what they expect to receive for their custom.

These growing expectations reflect a wider change in the customer mindset; consumers today are better versed in the value of their custom, and are seeking more reciprocal relationships with the brands and companies they interact with. Where consumers can both influence brands and be rewarded in more tangible and transparent ways, we see a new powerful form of customer brand engagement emerging.

"Which of these do you receive or would be interested in receiving from your current bank(s)? Access to exclusive offers/deals e.g. discounts for other brands/shops/sites



While many financial services providers currently have rewards schemes and offers available, there is an appetite from consumers for greater incentives or for banks to more clearly communicate the reward incentives available to them.

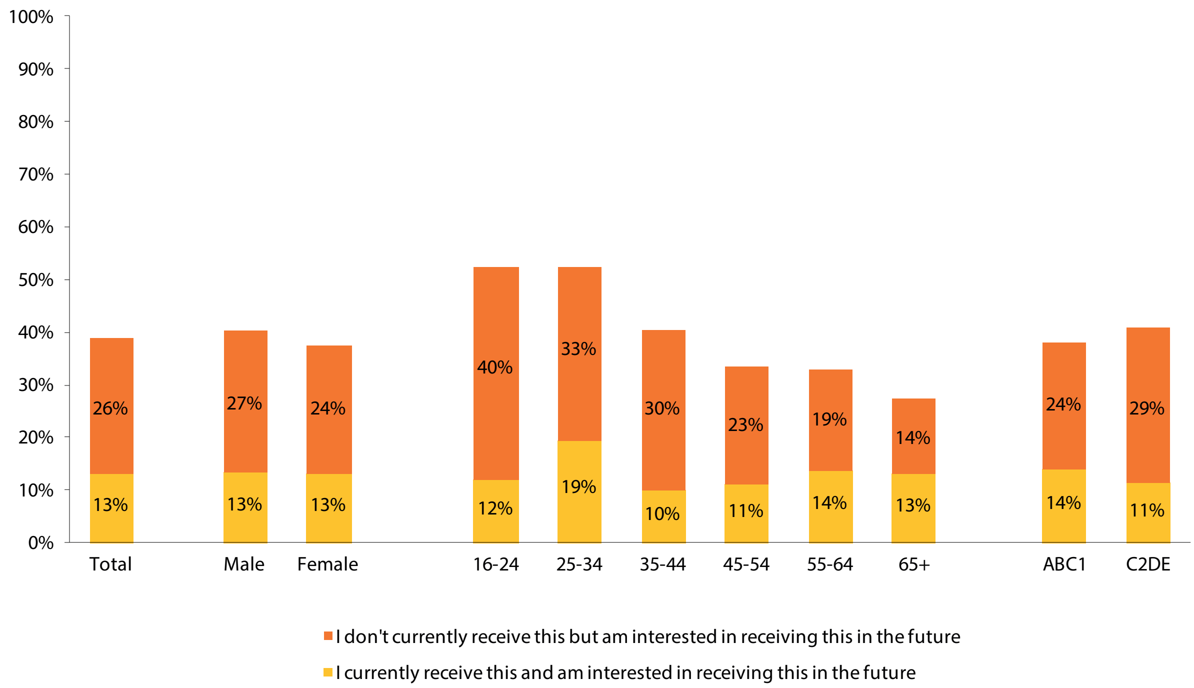
In comparison to other reward schemes more commonly offered by retailers, we asked consumers if they receive exclusive offers/deals for other brands/shops/sites. Again it is interesting to note the preference gap: 24% want to continue to receive exclusive offers/deals, 39% would like to receive them but don't currently.

Banks that work to build a more reward-filled engagement strategy may be able to reach another level of satisfaction from customers.

With this in mind, 62% of consumers agree that they would like it if loyalty offers they receive from brands/shops/sites related more closely to what they like, again highlighting a gap between what brands are offering and consumers' desires. Consumers are looking for relevant loyalty rewards - rewards that can be delivered through data-driven strategies.

Maintaining human engagement in a digitised world

Which of these do you receive or would be interested in receiving from your current bank(s)? Invites to review my finances one-on-one with a customer service representative at my branch



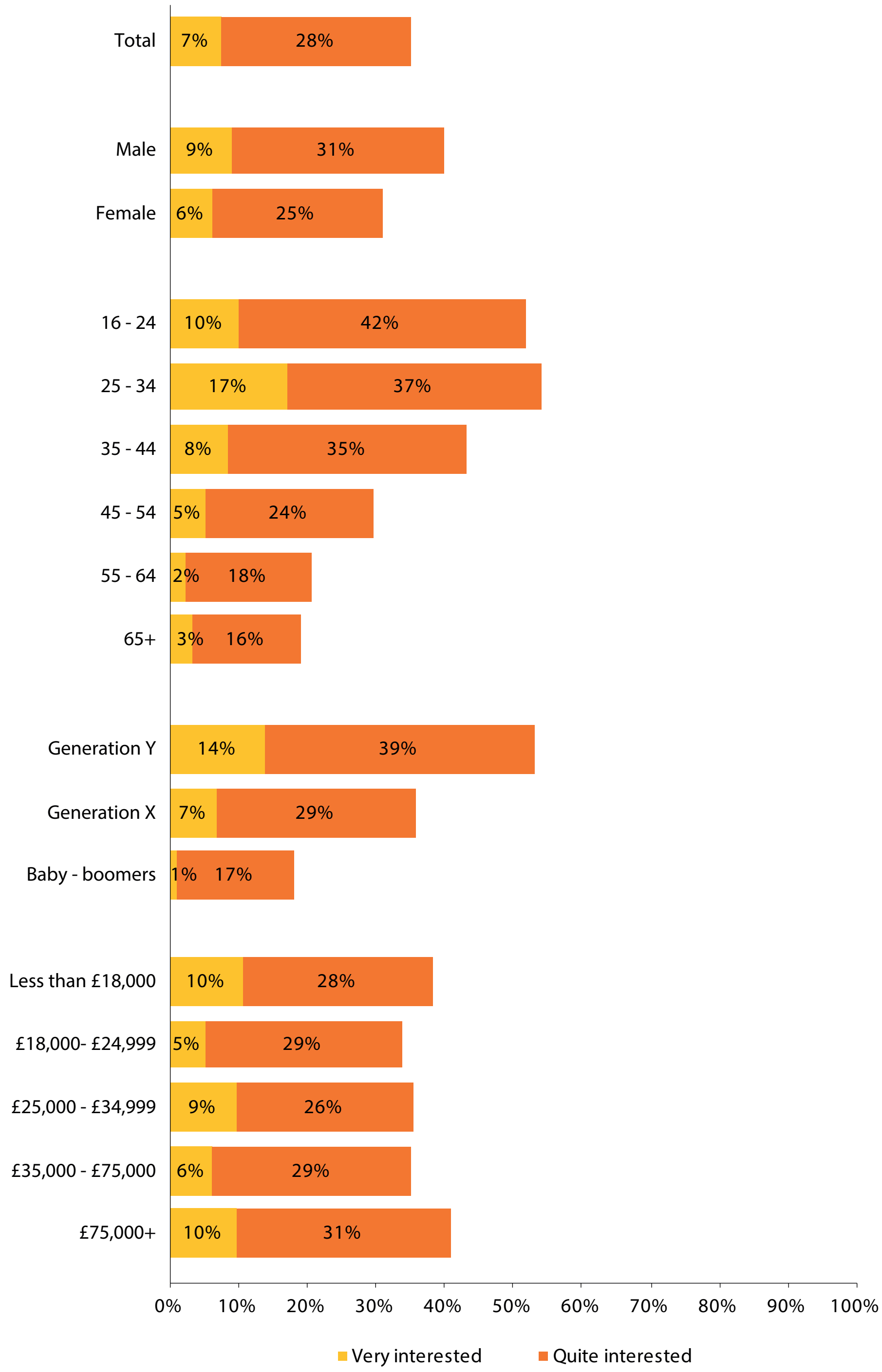
It is evident that consumers have a strong appetite for personal, branch-based banking services even considering the shift towards more automated and online banking services; whilst three-quarters of customers use online banking to manage finances, 45% go into branches. Elsewhere consumers show significant appetite for banks to deliver personal financial advice, such as financial reviews, in an offline environment.

As consumers still clearly value the benefits of human customer service, a future emerges where banks better humanise digital touchpoints and widen the services available to customers digitally. This is the multichannel world where every brand touchpoint needs to flex to be adaptable to meet the customer's needs, no matter how and when they choose to interact.

When gauging interest in artificially intelligent banking services, it is the youngest consumers (aged 16-24) who are most interested, and interest is highest in services that are accessible via familiar chat messenger platforms, compared to using voice commands. This suggests that consumers will be more welcoming of services that do not require a learning curve - but are recognisable and regularly used.

1. 36% are interested in a service that sends them alerts regarding activity of their account (e.g. reminders to pay bills, when a transfer is made) via a chat messenger service (e.g. Facebook Messenger, WhatsApp), rising to 54% in the family lifestage.
2. 33% are interested in a service from their bank that allows them to speak to a customer service assistant via a chat messenger app to ask questions about issues. This rises to 54% of 25-34s.
3. 31% are interested in a service that allows them to speak to a customer service assistant via a chat messenger to carry out banking tasks, rising to 53% of Gen Y.

"How interested would you be in receiving the following services from your bank?" | A service that gave you access to a dedicated personal virtual assistant you could speak to at any time to help you with your banking tasks | 2016



Further advancements in artificial intelligence (A.I.) present the possibility of even greater automation of banking services that traditionally have relied on human expertise. With the arrival of intelligent virtual assistants, personalised one-to-one banking could be possible at scale. Even considering potential limitations of A.I.'s understanding of human emotions, behaviour and language, there is little doubt that greater automation will seriously disrupt what consumers can expect from digital banking.

Over a third of consumers (35%) are interested in having access to a personal virtual assistant dedicated to them. Of note is that income levels did not significantly impact levels of interest, rather age was the most significant differentiator.

Conclusions

To conclude we highlight some of the key implications for financial service providers. What are the key overarching strategies that will resonate with what consumers look for, expect and desire from their financial providers?

1. **Focus first on improving the core functions and needs underpinning customer satisfaction and engagement:** by aiming to make banking processes seamless, flexible and intuitive to use regardless of touchpoint, financial service providers can continue to satisfy customers whose loyalty is largely dependent on their service satisfaction levels. Fintech is driving innovation in the financial services sector; it is hard not to estimate that consumers will only remain satisfied with those banks that continue to evolve to meeting rising demands and simplify/optimise banking processes that fit with the multi-channel world.

2. **Empower consumers to take control of their finances effortlessly:** in an age where control is a driving ambition across various aspects of consumers' lives, banks have an opportunity to extend their service provision to give consumers a greater sense of *informed control* over their spending, saving and other financial behaviours, through the use of personal, relevant advice. This requires banks to gain a better understanding of their customers' habits, goals and ambitions. This, in particular, is of high relevance to younger consumers looking for ways to improve their financial management.

3. **Create digital banking solutions that have a human touch:** artificial intelligence assistance technology could create desired dedicated personal banking customer services representatives, making one-to-one engagement at scale possible for the financial sector. Banks need to focus on how the much-valued benefits of online banking can be enhanced by additional access to virtual customer services. The application of new technologies should focus on eliminating customer pain points within core banking needs.

4. **Reward:** it is clear that consumers have a strong appetite for reward for their continued relationship with their financial service providers. Brands that seek to reward customers for this can ultimately strengthen their bonds in the long term, and foster a kind of engagement that goes beyond the functional. When brands reward customers positively, they are made to feel wanted and are incentivised to continue to engage. Further when loyalty rewards are made to feel well-earned and unique to individuals through personalisation, customer engagement can grow even stronger.

Methodology

This research was conducted in two parts: a qualitative survey and a quantitative survey.

Questions for both surveys were scripted in collaboration with DMA and the DMA Customer Engagement Committee. The quantitative survey was designed with Future Foundation.

The qualitative research piece, designed by the DMA and the DMA Customer Engagement Committee, sought to investigate the language consumers used when describing experiences with brands and banks. In February 2016, 34 questions were asked to 1000 consumers, asked in 10 different three to four question surveys, using Toluna Quick surveys' panel of more than nine million UK representative consumers. Respondents were demographically representative based on gender and age and were not told of the purpose of the research prior to consenting to take part in the study.

Data from this survey was analysed by the DMA Marketing and Insight team. The language consumers used to refer to their experiences with financial service providers and retailers were then used to design the quantitative research piece.

For this research in May 2016, Future Foundation set interlocking nationally representative quotas on age and gender and had independent quotas for region. This ensured the sample was representative of the UK population and required minimal corrective weighting. Participants were naïve to the purpose of the questionnaire prior to consenting to participate. One thousand UK-representative respondents were contacted via Research Now's proprietary panel. Research Now is an independent single source for permission-based data collection across the globe. Their UK panel currently has more than 320,000 active panellists.

The analysis of the data and the loyalty segmentation was conducted in-house by the quantitative analysis team of Future Foundation. Unless referenced, all data included in this report is taken from this survey.

The report was compiled in collaboration by Future Foundation, DMA, the DMA Customer Engagement Committee, and representatives from Relay42, Organic and Acxiom.

The report was art-worked by the in-house DMA design team and hosted on the DMA website www.dma.org.uk

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The company has grown to include over 30 marketing professionals across their offices in Exeter and London, and now works with major national and international brands including Samsung, Direct Line Group, Nectar and The Body Shop.
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