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Global Retail Banking Consumer Trends

The Changing Shape of Consumer Banking Relationships

2020-2021 Global Retail Banking Consumer Survey and Report by Oracle Financial Services

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Introduction

Pop-Tarts vs. Peanut Butter: What Should Banks Be Providing?

Back in 2004, with Hurricane Frances steamrolling towards Florida, Walmart's data scientists were scrambling to create a forecast of their own: What last-minute grocery items would shoppers most likely buy before the hurricane hit?

They had reams of consumer data on their side, as well as recency, as another hurricane had devastated a region close by just two weeks prior. From it all, Walmart's data geeks arrived at an astonishing shopping forecast: Strawberry Pop-Tarts.

Local Walmarts quickly made room on their shelves for thousands more boxes of strawberry Pop-Tarts. And sure enough, they sold out within hours.

It is one of the early tales of the power of personal consumer data and personalization.

Wouldn't it be nice if it were that easy for consumer banks? Just figure out what people are in search of at the moment of need—a credit card to finance those many B&Q runs, for example—and offer it up on the digital equivalent of an aisle endcap.

But are Pop-Tarts really the right thing to buy with a hurricane approaching? Ask disaster and survival experts and a more realistic answer would be peanut butter. But Walmart—or the likes of Amazon—isn't obligated to provide the best option, just the most popular one.

Consumer banks, on the other hand, have a much different, more personal relationship with customers due to the intimacy of personal finances. Consumers trust their banks and trust that they won't be gouged or taken advantage.

Facing Continued Headwinds

Fast forward to 2020 banks face challenges that were unfathomable in 2004. Agile FinTechs are slicing off long-established customers with spending and payment products. And data-driven behemoths like Google, Apple, Amazon, and Alibaba are looming with personal finance solutions that likely eclipse the functionality of what legacy banks can yet offer. But will consumers trust their financial data to the likes of these companies?

Frankly, the data suggests maybe: 64% of young consumers would recommend their bank for various spending, savings, borrowing, and investing products. Yet 56% report they would be willing to switch to banking solutions offered by Google or Apple if/when they are brought to market.

56%

Would likely switch to a banking solution from Google or Apple

> "Young customers are seeking digital banking solutions that enable them to make personally relevant money choices in the moment—and don't require them to personally sort through paperwork or, worse, have to contact or talk to someone."

Tomorrow's banking won't be business as usual. It will be far more personal (and consequential) than ever before.

Let's Jump Right In

To help banking providers quickly glean insights from this report, we've broken it down by common product groupings and their popularity (e.g., current usage) among respondents.

The Big Picture

Overcoming the Shortsightedness of “Delight”

The Big Picture for Banks

Overcoming the Shortsightedness of “Delight”

No doubt, you’ve read industry report after industry report extolling the virtues and profitability of “delighting the customer,” but legacy banks can’t afford to squander expensive digital investments with shortsighted implementation and planning.

Buying strawberry Pop Tarts may be quick and “delightful” in the moment of purchase —they’re fast, cheap, and require little effort or thought—but could easily be considered shortsighted once days if not weeks of no electricity or services follow a hurricane.

What is “delight”rooted in?
Easy, Convenient, Targeted, Instant Gratification

What should banking be?
Relevant, Informative, Meaningful, Long-term

It’s Oracle’s view that banks should absolutely invest in technologies that let banks build and bring to market new products quickly and present them to customers at the moment of need.

However, we take the holistic view that some areas, such as digital payments and person-to-person transactions (i.e., the smaller transactions of the day), may be better left to third parties, so banks can focus time and capital on developing better, more personalized processes to help consumers through the big transactions of life, like buying a first home or securing a comfortable retirement.

Setting Unrealistic Expectations Is NOT Delightful

A common pitfall of chasing an Amazon like data-driven experience is that, when it comes to the intimacy of personal finances, banks are likely to have blind spots in their data and customer profiles. Continuously offering a customer a mortgage when they already have one elsewhere is SPAM; presenting a customer a credit offer and then denying the application is flat-out infuriating.

56%

Say their banking experience has improved during past two years

Interesting Finding

No Debit/Credit Cards?!

94% of the survey respondents are 30 years old or younger. This is their perceived ecosystem, even if an app uses a card number.

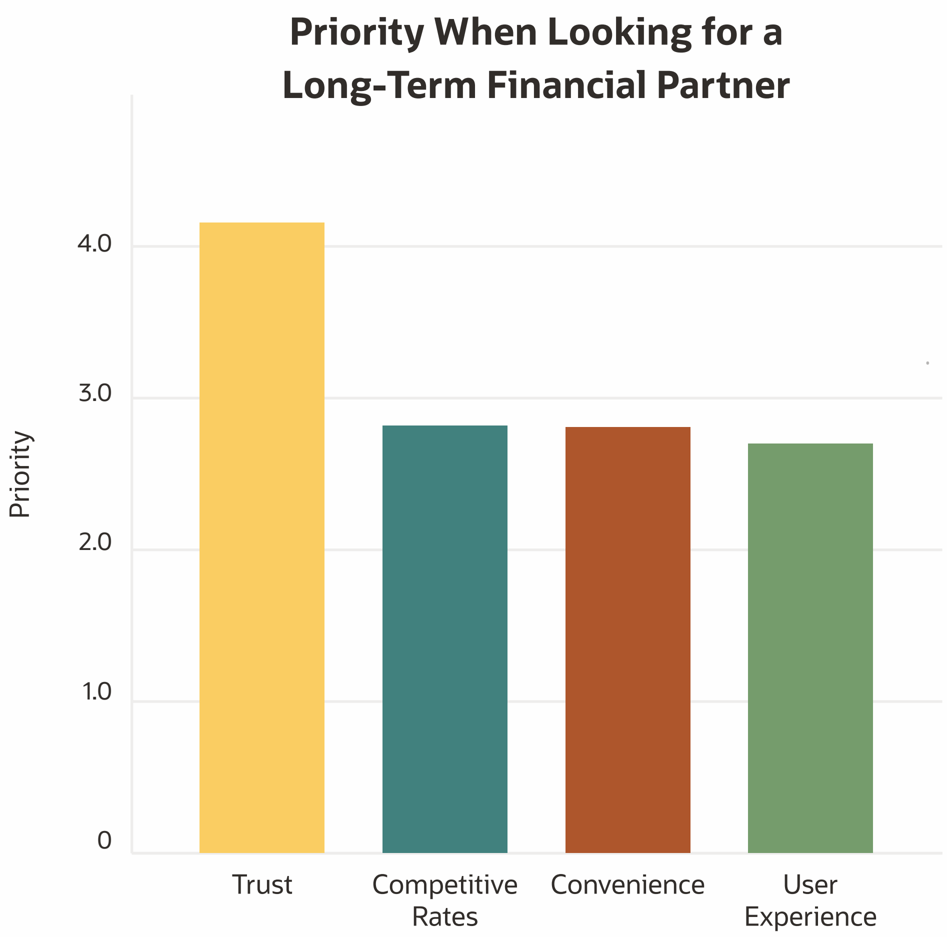
Top 5 "Used Very Often" Banking Solutions (Global)

Traditional offerings

1. Bank's Mobile App
2. Bank's Online Banking Platform
3. Bank's Physical Branches

New entrants

4. Digital Wallet (Apple Wallet, Google Wallet, etc.)
5. Digital Payments (Apple Pay, Alipay, WeChat Pay, etc.)



Leveraging Trust and Data to Deliver Meaningful Experiences

Banks are not altruistic, and their primary goal is profit. To that end, their greatest competitive advantage is the decades and terabytes of proprietary first-party data their consumers have bequeathed them. As technology vendors have been screaming for years: It's time banks put it all to effective use.

The challenge, however, is doing it in a way that builds rather than erodes trust (the #1 determining factor in choosing a long-term financial partner).

Walmart can sell a bajillion Pop-Tarts and banks can load up consumers with high-interest credit cards. But Walmart isn't the one that suffers if consumers are left with a bad taste in their mouths.

Payments

Payments Despite Reliability of Plastic, Viral Alternatives Capture Interest (and That's OK?)

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Despite Reliability of Plastic, Viral Alternatives Capture Interest (And That's OK?)

Digital payments have been a key storyline in the global push to digitize banking, as younger generations have embraced digital wallets, person-to-person payments and online payments with extreme gusto. While the popularity of digital payments has exploded, so do the questions about its costs and usefulness for legacy banks.

After all, the vast majority of digital payments—all the Venmo and Zelle and Cash App payments to pals—are miniscule. Given the very high initial costs and the ongoing money-losing proposition of adding digital payments to a bank service, it may be in a bank's best interest to simply let the myriad of third-party payment services have at it.

Satisfaction of Recent Payment Experience (5-point scale)

Traditional Plastic:	Alternative Payments:
4.10	**3.93**

20%

"Very likely" to use an alternative method for all payments in next 12 months

Customers Want in the Moment Offers and Personalization

There is no evidence these everyday miniscule transactions generate true long-term loyalty. If anything, consumers have shown a willingness, given the small size and "free to me" nature of digital payments, to experiment and jump from service to service, often driven by peer "influencers." And, when push comes to shove, the data reveals that an old-fashioned plastic card transaction is a better, more reliable experience to the Millennial and Gen Z generations.

What does matter to younger generations when selecting a payments provider is not what has traditionally generated interest and usage in the past. Traditionally, cash back rewards have been the gold standard for attracting and keeping customers, but today's younger customers want "in the moment" offers and personalization and likely find the redemption of cash rewards too tedious.

Top Factors When Choosing Payments Provider

- Loyalty program with personalized offers (tie)
- Fuss-free, easy transactions (tie)
- Cash back rewards — **Traditional offerings for banks**

Interesting Finding

Budgeting Tools = **Stickiness**

Respondents say personalized budgeting advice would be "most valuable" addition to their current payment solution but also report it being least important when choosing a new solution.

Savings

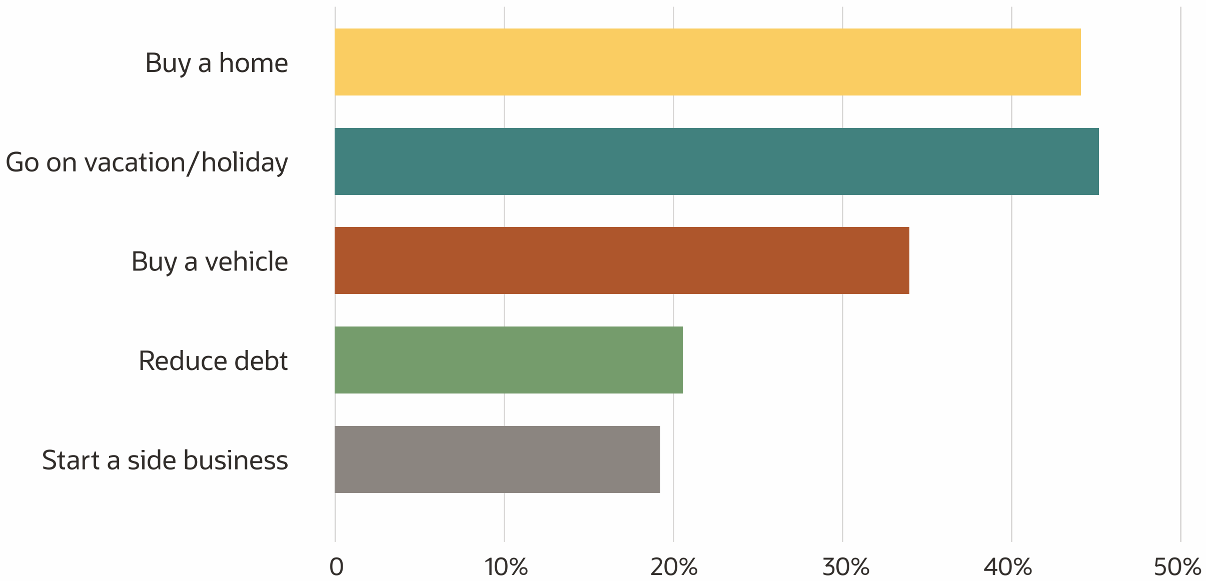
Consumers Choose Reputation Over Rates and Even Recommendations

Savings

Reputation Over Rates and Even Recommendations

While younger consumers have no qualms experimenting with a myriad of emerging payment providers, one thing is clear: When it comes to protecting and building their hard-earned savings, they have little interest in working with anyone but well-established banks.

Primary Savings Goals



When it comes to their savings, young consumers strongly favor traditional banks.

Are “High Interest CDs” the Stale Pop Tarts of Banking?

For several years now, an emerging global trend in retail banking has been the rise of secondary “direct banks” or slim online-only banks with often minimal product slates consisting of high-interest savings and certificate accounts. Their target market is very specific and well known: “rate shoppers,” who have no problem moving around chunks of their money to capture the best deposit rates available with little thought given to loyalty, experience or even service. Some of these banks don’t even offer mobile apps or telephone customer service.

While extremely successful of garnering deposits through affiliate marketing and recommendation engines, these banks now face a remarkable low rate environment far beyond what’s been seen in the last decade. Those short-term savings accounts are now quickly being drained, those now very high-interest CDs are liabilities on the balance sheet, and consumers are refinancing out of the downstream loan product produced with the original deposits.

Interesting Finding

Familiarity Still Matters Most

Even if another bank offered the desired savings recommendations and plans, only 17% of consumers would be “very likely” to move accounts and 53% said they stay put anyways.

Savers Want Assistance in Reaching Their Goals

Savings accounts are the anchors of banking and the key to driving long-term, multi-account customer relationships. As expected, most younger banking customers are ushered into their first bank accounts by their parents and at their parents' preferred institution. It's one of the beautiful, reliable traditions of banking. Even so, it helps to offer the carrots that attract switchers and new customers—or keep restless current ones in the fold.

Top Factors When Choosing a Savings Account

1. Provides personalized savings plans and advice for reaching a specific goal
2. Rewards for reaching savings milestones
3. A strong reputation (security, reliability)

According to the data, top draws for today's young banking customers are personalized tools, calculators and content to help them make the most of their savings and reach their goals. Additionally, basic recommendation tools based on trends in spending can help savers maximize future income.

Many banks have added a range of tracking features and sub-accounts to help users focus their savings toward financial goals such as buying a home or a car, which naturally sets up a future offer of credit.

"Most Valuable" Features to Help Save in the Future

1. Monthly recommendations based on spending habits
2. Monthly recommendations based on similar customers (age, location, habits)
3. Account proactively moves funds into higher-yielding accounts

Borrowing

Personalization and Process Matter, Especially as Loan Amounts Grow

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Personalization and Process Matter, Especially as Loan Amounts Grow

Banking study says younger consumers want less human contact, not more. They don't want to have to visit or call their bank for assistance with their accounts. But, when it comes to their biggest life purchases (a home or a car), they absolutely want to hear from their banks—and often.

The longer and more personally important the loan is, the higher the levels of interaction, transparency and access desired.

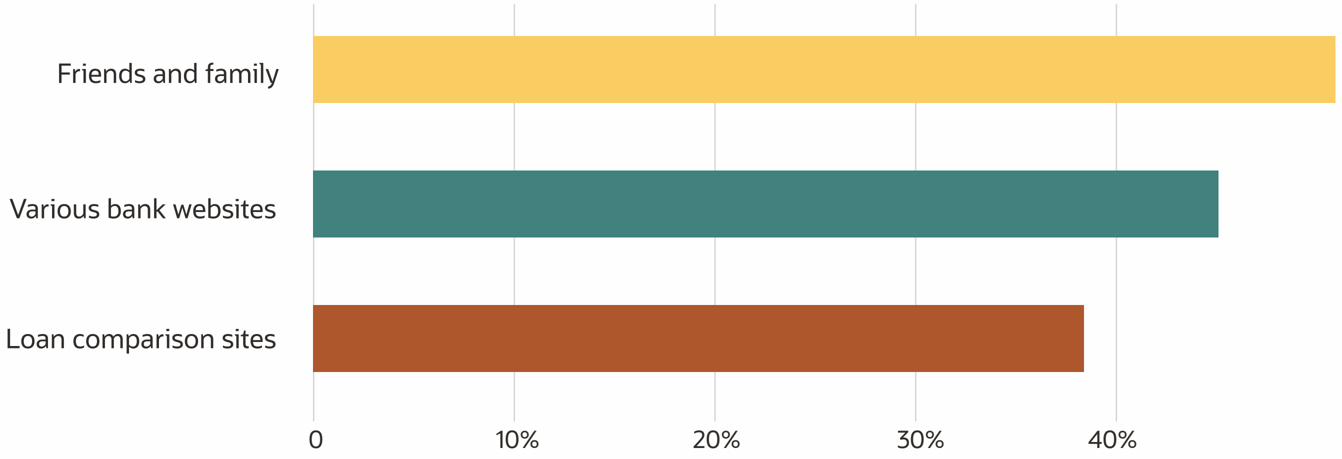
Mortgages: Highly Personal Loans Need a Highly Personal Process

Savings and mortgages go hand in hand when forming long-term customer relationships. However, all signs point to the highly emotional first mortgage experience being frustrating and unsatisfying for young customers—a trend that threatens traditional banks' most lucrative pipeline.

Nearly 2 out of 5 consumers

"unsatisfied" with the mortgage experience

Top Sources for Advice on Home Loans*



*** 1 in 4 consumers do not seek advice; automatically choose primary bank**

First and foremost, customers are eager to work with a trusted source, so their first option is to turn to the known quality of their current bank, often at the behest of friends and family who likely also bank at the same institution. But, the data shows, the experience is fractured with unclear requirements and a lack of outreach and communication on the status of applications. Nothing spells "doom" for a lending relationship like a missed closing date.

60% choose their primary bank for a first mortgage but just **32% use them for their next home loan.**

Top Factors When Choosing a Mortgage Lender

1. Strong reputation for having customers' best interests at heart
2. Speed of application and funding
3. Ease of submitting documents and process

Improvements Consumers Want in the Mortgage Process

1. More information up front to help choose the right solution
2. A faster process from application to approval
3. More human interaction and assistance throughout

Interesting Finding

Online Lenders More Attractive to Experienced Borrowers

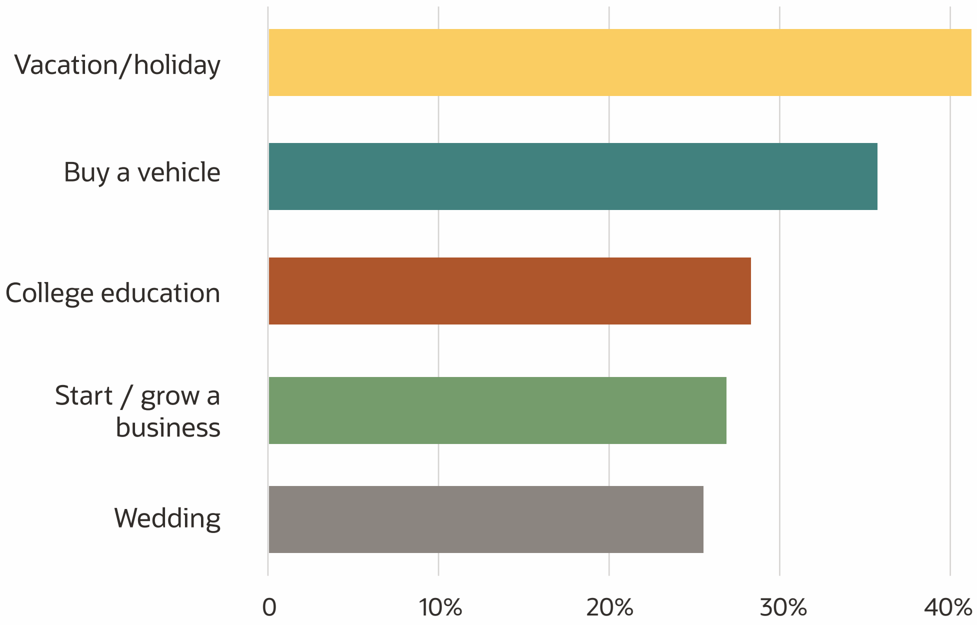
Three times as many consumers (15%) look to online lenders for refinancing rather than for a first mortgage (5%), suggesting alternatives become more attractive as borrowers become familiar with the mortgage process.

Other Loans: Rates and Offers More Relevant, Process Still Key

When it comes to smaller-size loans, the shift in focus for consumers moves from "please help me do it!" to "what else can you do for me?"

With less emotional stress tied into these loans, the data shows customers are generally more satisfied and more willing to rate shop, look to outside sources for advice, and seek out complementary bundles, such as insurance discounts offered alongside a vehicle loan.

Top Reasons for a Loan (Non-Mortgage)



Top Sources for Loan Advice

1 Various bank websites

2 Friends and family

3 Loan comparison sites

Top Factors When Choosing a Lender (Non-Mortgage)

1. Special offers or bundle related to the loan (e.g., discount on insurance if buying a car)
2. Strong reputation for having customers' best interests at heart
3. Speed application and funding

Even so, the data reveals that banking providers have the same blind spots in their loan processes, as young consumers feel uninformed and left out. Improving communication and outreach throughout the lending experience is key to ensuring banks remain the first go-to when consumers seek financing for key life events.

Improvements Consumers Want in the Loan Process

1. More information up front to help choose the right solution
2. A faster process from application to approval
3. More human interaction and assistance throughout

2/3rds of Consumers "Satisfied"

With general borrowing experience

Investments

Consumers Want Easy, Cheap Investments but Don't Believe They Can Do It Alone

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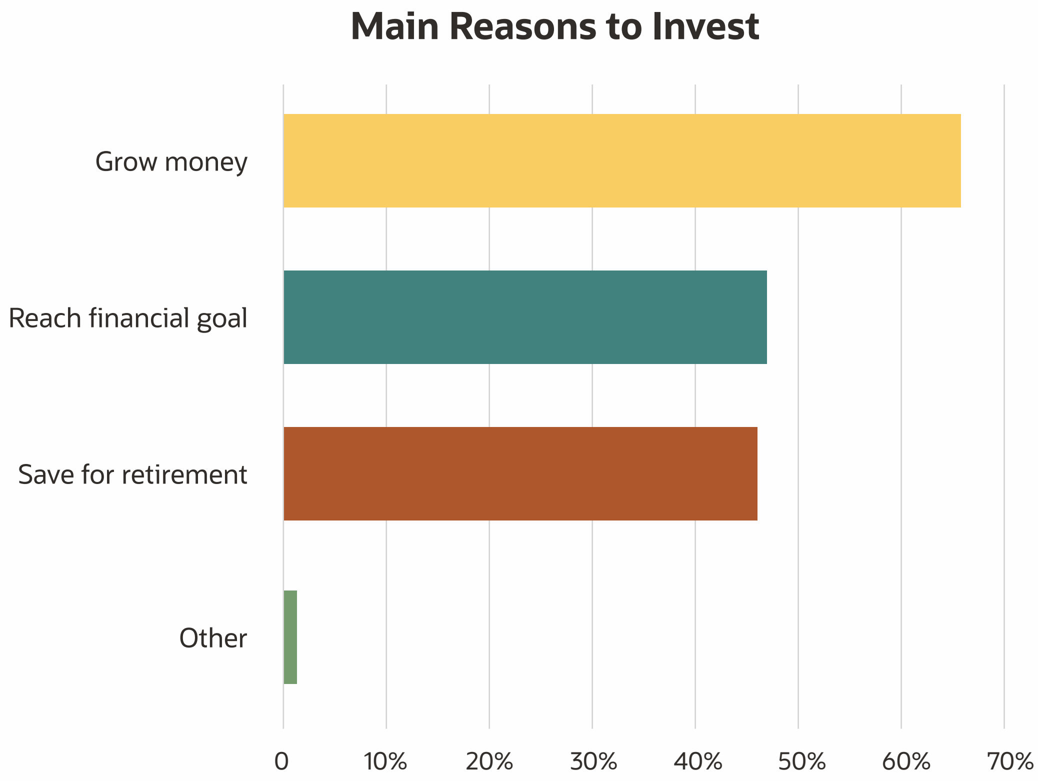
Investing, long the bastion of brokerage houses, is a new vibrant frontier in banking. Advances in technology and API-driven Open Banking have given banks the ability to let customers monitor and make investments right alongside (or near) one's savings and current accounts. Banking customers reap the benefits as more banks enter the area and offer more tools and options.



Retirement is not (yet) the key driver of young consumer interest in investing

Of course, given the age and lower incomes of our survey audience, much of our data on bank provider investing is aspirational wants, as many customers are new to investing or have few assets in the market. Even so, we can see that investing is a very attractive area to Millennials and Gen Z and they are starved for education and advice in the area.

Top Sources for Deciding Whom to Invest With

1. Investment comparison sites
2. Various bank websites
3. Friends and family

64%

Are satisfied by the investing experience

Newcomers Want Guidance and Reassurance

That's the biggest takeaway from our survey respondents: With low- or no-cost trades and investments, the barrier keeping young customers out of the market are entirely mental. The majority of respondents were clear in wanting more advice, both digital and human, to help them become comfortable and confident with their investment choices.

Interesting Finding

Outside Advice Big Factor, Distractor

Unlike other product areas in this report, the choice of investments is heavily influenced by outside advice and online content. While helpful in comparing costs, these sites can set unrealistic expectations for returns, etc. Curating useful, accurate investment content, whether original or licensed, can ensure a more positive investment experience.

Top Factors When Selecting an Investment Provider

1. Full visibility into portfolio with always-on investment advice
2. Easy ability to track investments anytime, anywhere
3. Little to no admin or service fees

Improvements Desired of Investment Solutions

1. Access to investment experts who advise based on my goals and situation
2. Total visibility and real-time status of my investment funds
3. Having most relevant information on investments presented in a digestible way

Outcome

Invest in Highly Personal, Meaningful Experiences

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Invest in Highly Personal, Meaningful Experiences

Are banks selling Pop-Tartsor peanut butter? That's essentially the ethical choice before banking executives and managers everywhere.

Digitization unlocks great potential to sell more stuff, but it brings with it a range of ethical questions that banks need to answer and answer correctly, especially when trying to win over today's socially conscious youth.

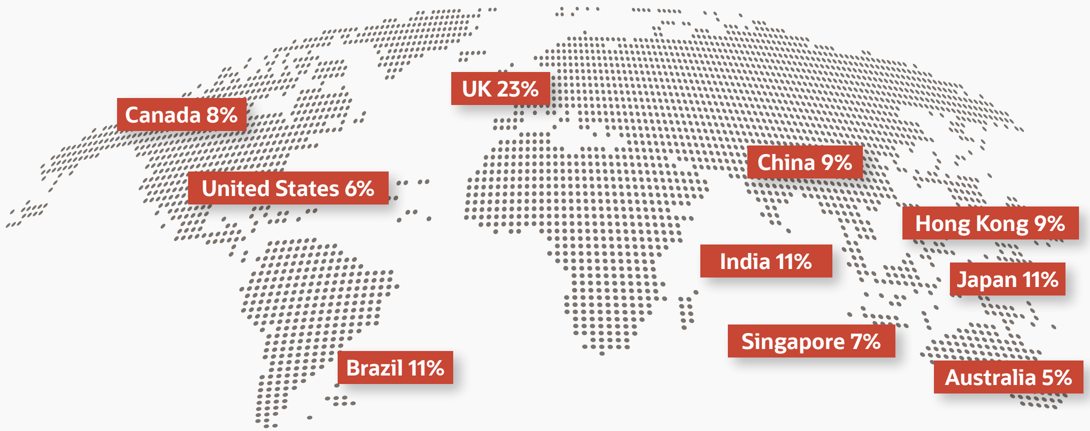
Today's consumers want convenience and simplicity—absolutely—and they want it served up in front of them in the digital equivalent of an easy button. But, more than anything, our data reveals that the emerging generations of banking customers are more interested in learning and being educated, respected and mentored as they grow into their financial lives.

Banks can and should be those partners for life. Consumers expect banks to be there for them in their moments of need, during key life events like marriages and home purchases, and they expect banks to add value, not drain it.

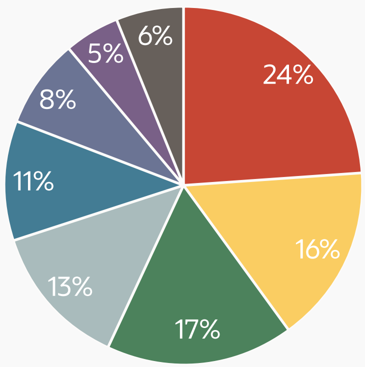
You can sell a few boxes of Pop-Tarts now or a lifetime of peanut butter.

About This Year's Retail Banking Report

Conducted across 10 major banking centers/regions, and entirely targeted on Gen Z and Millennial-aged consumers (18 to 42; 94% are 30 and younger), the report provides a focused view of how tastes of today's emerging bank customers are changing.



Total Respondents: 2,845



Income (USD)

- Under $10,000
- $10,000 - $20,000
- $20,001 - $30,000
- $30,001 - $40,000
- $40,001 - $50,000
- $50,001 - $60,000
- $60,001 - $70,000
- Over $70,000

Age	
18-24	37%
25-30	57%
31-37	4%
38-42	2%

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