

Growth, Marketing & Sales Practice

# Five ways to drive experience-led growth in banking

As today's customers demand more from their banking experiences, banks are upping their game and delivering stronger customer experience.

*by Shital Chheda, Jonathan Goldstein, Tim Natriello, and Robert Schiff*



**Customers' needs are changing.** They expect more from service providers in the form of fast, frictionless, and personalized journeys. Their banking practices have also altered, with many of them now using digital and looking for it from their banks. Customer experience (CX) is proving to be the strategic differentiator for banks, with experience leaders outperforming laggards.

In this article, we explore how banks can improve customer experience, identify five bold moves they can make to gain the competitive advantage, and why they must act now, given the current dynamic macroeconomic environment.

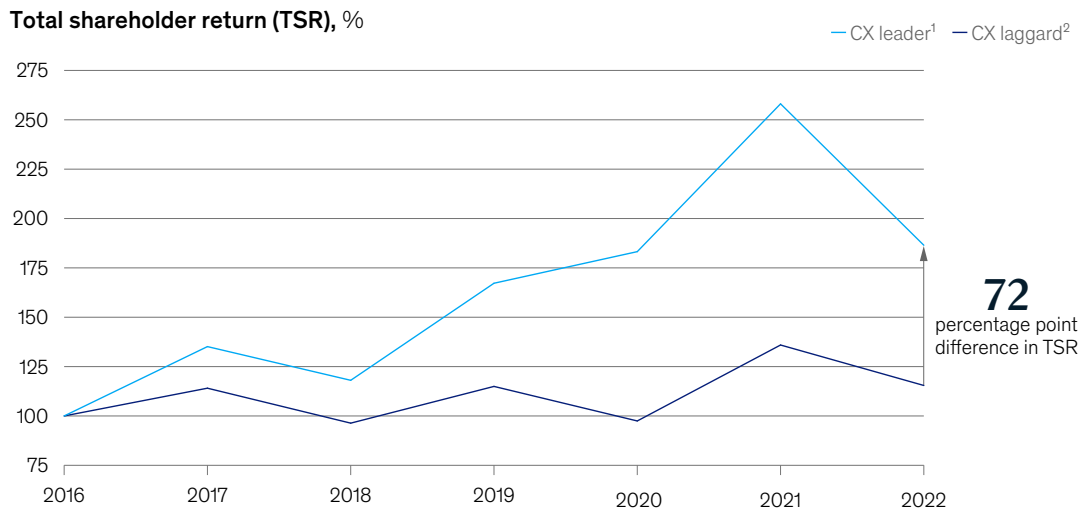
Our research shows that banks that are frontrunners in customer satisfaction lead in financial metrics

such as total shareholder return (TSR), increased growth, and decreased costs (Exhibit 1). We also see a positive correlation between customer satisfaction and purchasing decision—customers who are satisfied with their banking experiences say they will purchase more of that bank's products. And satisfied customers are six times more likely to say they'll remain with a bank than dissatisfied customers are.

In this uncertain economic environment, excelling in customer experience is more important than ever for banks—the past year has seen one of the most dynamic macroeconomic conditions in the past several decades. Over the past 12 months, interest rates have risen by more than 300 basis points,

Exhibit 1

## Improving customer experience creates 'stacked wins' of higher returns, faster growth, and lower costs.



<sup>1</sup>Leader is defined as the top 25% of banks with overall NPS (ie, "How likely are you to recommend <bank>?").

<sup>2</sup>Laggard is defined as the bottom 25% of banks with overall NPS (ie, "How likely are you to recommend <bank>?").

Source: CapIQ Pro for TRS 2; "Customer experience executive leadership survey," McKinsey, 2020 (260 customer experience leaders across 14 industries)

mortgage originations have dropped by 60 percent, and the flow of money between financial institutions has increased four times (Exhibit 2).

Confidence is waning—more than 65 percent of customers are pessimistic about the economic outlook for the coming year, about a ten percentage point (ppt) increase compared to last year. Their biggest concerns are inflation, the rising cost of goods, and savings for emergency funds.

With the dynamic macroeconomic environment and the overall pessimism consumers are feeling, customers are thinking to the future, shifting their financial practices, and reevaluating relationships with their financial institutions. We notice a move toward increasing household spending and accelerating paying down credit card debt, as well as reducing savings for retirement and emergency funds. New financial accounts are being opened at twice the average rate, and new banking relationships and switching banks are being considered.

## Five critical CX moves banks can make to get ahead

Here are five get-right moves for those that want to seize the moment and become industry leaders.

### Reimagine, not just de-friction, priority journeys

A typical regional bank has over 1,500 customer journeys (across business units, product lines, and customer interactions).<sup>1</sup> Looked at simply, these journeys can be categorized into two broad categories—those that a bank needs to “de-friction” and those that need to be reimaged. Most journeys fall into the de-friction bucket, as streamlined, seamless experiences still matter and drive customer satisfaction. However, our research shows that the “bookend” journeys of shopping, onboarding, and problem resolution disproportionately drive the overall experience that a customer has with their bank. It is here that a bank could consider flexing its reimagination muscle (Exhibit 3).

Exhibit 2

## Over the next year, increased changes in customer financial needs are expected to accelerate shifts in customer banking relationships.

### Changing financial needs



**35%**

expect household spending to grow by more than 50%



**25%**

are planning to pay down more than 75% of household debt



**15%**

are increasing emergency and household savings



### Shifts in banking relationship



**2×**

are more likely to open a new financial account



**15%**

are open to a new banking relationship



**20%**

are considering switching banks

Source: “US consumer experience in banking survey,” McKinsey, 2022 (n = 2,008)

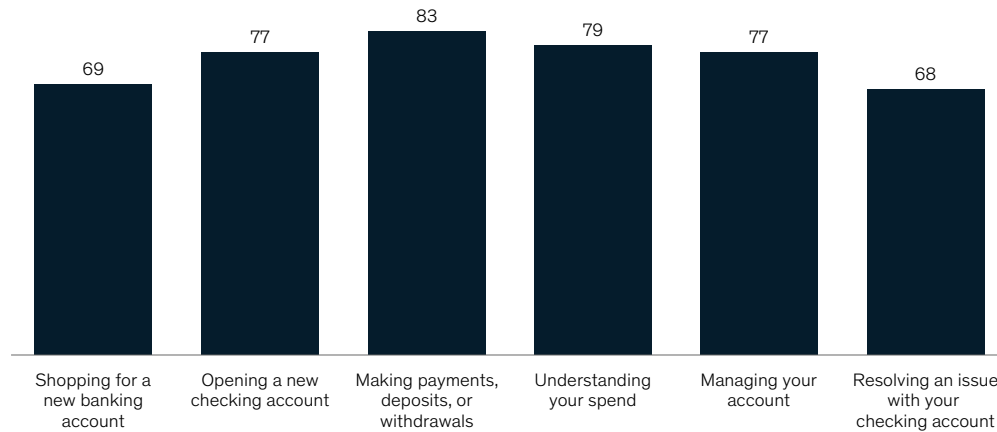
<sup>1</sup> McKinsey analysis.

### Exhibit 3

## Onboarding and issue resolution journeys tend to have the greatest experience-improvement opportunities.

### Checking account customer journey satisfaction,<sup>1</sup>

% of respondents who responded “satisfied” or “extremely satisfied”



<sup>1</sup>Q: On a scale of 1 to 7, please rate your satisfaction for the most recent time you have had the following experiences with your [bank] [product].  
Source: “Banking journey pulse CX benchmark,” McKinsey, 2023

To truly reimagine a given journey, banks can take the following steps:

- Assemble a cross-functional group that can bring diversity of experiences and thinking.
- Understand the competition, including recognizing that experience leaders also come from adjacent and other B2C industries outside purely banking—for example, a mobile payment application.
- Take inspiration from other industries as a customer’s bar for great experiences is driven by interactions and experiences outside banking.
- Leverage the concept of a zero-based design (“clean sheeting”): start with a blank canvas and imagine a new journey without considering the current state or any constraints; layer on (technical and operational) constraints afterwards.

- Co-create with customers to increase the chances of success, especially for novel signature moments.
- Push innovation to the next level. For example, how could something happen with no user-inputted data, with one click (or even no clicks)?

As a case in point, a large North American bank established an innovation factory to redesign critical banking processes and digital journeys. This brought together cross-functional teams—across product, business, technology, design, marketing, risk and compliance, legal, operations, finance, etcetera—to work on reimagining key customer journeys. Over the course of two years, more than 30 reimagined journeys were developed and rolled out. The resulting impact was a 25 to 50 percent increase in customer satisfaction of those journeys.

Radical shifts in customer behavior can be disruptive, but by delivering differentiated value for their customers, banks can take advantage of this defining moment to stand out.

#### Help customers migrate to digital

Most banks have highly inconsistent digital adoption. Even for banks that have similar levels of digital migration, McKinsey's proprietary Digital Migration Index shows a two to four times variation in digital adoption of the underlying products and journeys. Our research reveals that customers who regularly use a bank's mobile app or website (or both) have the highest average satisfaction compared to

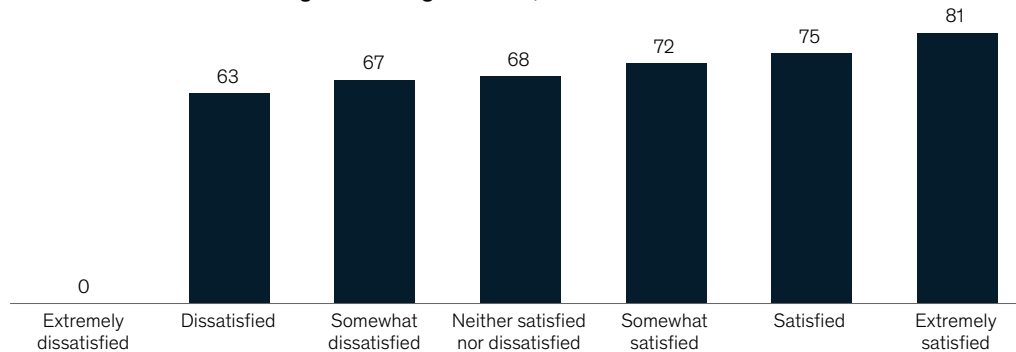
customers who use other interaction channels or infrequently use the digital channels (Exhibit 4).

So, while banks have correctly focused on building digital experiences to enable customers to bank in their channel of choice and self-serve for many interactions, there is still an opportunity for banks to actively help customers migrate to digital channels. This, in turn, will likely not only drive higher customer satisfaction, but result in a lower cost-to-serve and convenience.

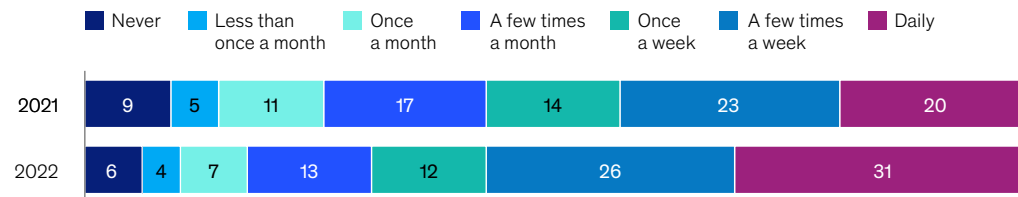
Exhibit 4

### Customers are increasingly digital, and greater digital usage is associated with greater satisfaction.

Customer satisfaction with digital banking channels,<sup>1</sup> %



Checking account online channel-usage frequency,<sup>2</sup> %



<sup>1</sup>Q: You indicated that you've used the below channels ("Visited the website" or "Used the mobile app") in interacting with the bank. Please rate your satisfaction with each channel.

<sup>2</sup>Includes mobile app and web for online. Q: Thinking only of your experiences with your checking account over the past year or so, how frequently have you interacted with [bank] in the following ways?

Source: "Banking journey pulse CX benchmark," McKinsey 2023; "Banking journey pulse CX benchmark," McKinsey 2021

Banks can actively migrate customers to digital in several ways:

- **Enable:** Banks can streamline enrollment into digital, seamless login, pre-authentication, and more.
- **Educate:** They can drive awareness of new digital offerings or features with marketing and communications, such as “how-to” videos on the website and mobile app.
- **Redirect:** Banks can utilize in-branch and call center or IVR intercepts to direct customers to digital channels, for example, in-branch digital and co-browse tutorials.
- **Motivate:** They can consider charging fees for using non-digital channels, and reward employees who redirect customers to digital channels, for instance.
- **Nudge:** Lastly, they can encourage customers to migrate with messaging on statements, reminders in emails or mails, gamified experiences, and so forth.

A leading Latin American bank launched a holistic digital adoption campaign to drive digital migration for its new web and mobile experiences. The bank rolled out a broad advertising campaign to encourage customers to download the new mobile app, developed incentives for recurring digital users (such as digital payments), sent out targeted customer messages after non-digital transactions were completed (for instance, in branch transfers), and thoroughly trained its front-line branch employees so they could redirect customers to digital. This broad campaign resulted in a 20 percent increase in customer satisfaction, a 5 percent increase in digitally active customers, a 25 percent increase in digital payments, and a 10 percent reduction in branch costs.

#### **(Re)establish and (re)fortify trust**

Our research shows that around 60 percent of customers currently trust that their primary bank will be helpful in navigating the next financial downturn. And this number jumps to more than 80 percent for customers who report high satisfaction with the experience their bank delivers.

#### **Banks can take several actions to establish (or reestablish) trust**

First, they can be transparent for emotionally charged interactions such as the ways fees are charged and explained (for example, on statements), the status of a loan application, and how disputes are handled. One leading payments player recently underwent a company-wide program to dramatically simplify its customer communications—from everything such as statements to the terms of loan applications to product offers on its mobile app. This program resulted not only in higher customer satisfaction (CSAT) scores, but also fewer calls coming into the contact centers (for example, for customers not understanding bills or terms and conditions clauses).

Second, they can deeply know how customers want to bank and then give them the power to interact across any channel. For example, the marketing messages they want to opt into, what channel with which they prefer to interact (email, mail, phone call, or text message), and what data they would like the bank to use when making them product offers.

Third, banks can proactively identify and help customers resolve fraud by leveraging advanced analytics. Fraud resolution is one of the most emotionally charged journeys for customers, and anything that can help them feel at ease dramatically drives trust, as well as “advocacy” by the bank on their behalf. Several banks now send text messages or emails and phone customers at the first sign of potential fraud—offering customers an opportunity to “dismiss” the alert or follow through with a fraud claim. Many banks also use this to drive advocacy by removing the charge from statements while they investigate (versus charging customers first and then refunding the charge).

And last, banks can offer a window into a customer’s financial wealth, based on customer spend and transaction history, credit bureau data, balance information, interest charges, fees, and so forth. This opens the space for banks to offer a “financial-health” score for their customers. For example, a fintech company took this to the next level by not only showing a financial-health score for its clients, but also offering advice on how to improve that score (for instance, through paying off high-interest

debts and savings strategies). With this move, they aimed to become more customer-centric and develop clients' trust.

#### Close the loop on measurement

"You cannot manage what you don't measure" is a common adage in business. This is especially true for customer experience. Traditionally banks have relied on surveys, which are necessary but not sufficient to achieve these capabilities. In fact, only 16 percent of chief customer experience officers believe surveys are granular enough to act on, and only 4 percent think that surveys allow them to calculate the ROI of a decision.

Organizations that measure up well do so across four capabilities: capture (how feedback is collected and integrated), interpret (how feedback is analyzed and insights produced), act (how insights are implemented), and monitor (how dashboards are updated in near real time).

1. *Leaders in the industry use predictive analytics, machine learning, and big data* (augmenting survey data with operational data) to overcome the well-known limitations of customer feedback.<sup>2</sup> For example, only 7 percent on average complete surveys, 25 percent believe surveys provide timely insights to act on, while just 4 percent allow banks to quantify ROI.<sup>3</sup> Banks can leverage the analytics-driven customer feedback system to personalize the experience by identifying unique customer needs and trends at scale that may go unnoticed with one-off surveys.
2. *They can also proactively resolve issues* by ensuring that drivers of customer experience are updated in real time from all available data—as opposed to the limited survey questions that are only updated sporadically to quickly resolve trouble areas.
3. *Banks can predict with confidence the satisfaction for 100 percent of customers* with a "single source of truth" versus the 7 to 10 percent in typical survey responses.
4. *Lastly, they can improve "hidden" customer interaction points*; that is, quickly see how customer experience changes along a customer's interaction with various parts of a given journey.

For example, a global bank is building a capability that scores the experience of every customer based on data such as transactions, balances, recent branch and contact center experiences, and location. It then uses machine learning to predict customer satisfaction for each customer based on their individual experience. This new capability allows the bank to dramatically improve its follow-up with customers immediately after poor service experiences and identify opportunities to deepen relationships.

#### Ingrain the philosophy of "customer success" in every part of the organization

Customer success is a proactive, data-led, and client-centric approach that seeks to understand client priorities and help B2B customers optimize their outcomes. The customer-success discipline is well developed in high-tech companies and the software-as-a-service (SaaS) industry but is still only slowly finding relevance in banking. Customer success equates to understanding existing B2B customers' needs and helping them achieve their objectives (which often includes improved outcomes or experience for an end consumer or user). As a result, customer success can be successful in driving growth and reducing churn, while also increasing adoption and usage of products and services.

To implement an effective customer success model, banks can consider taking the following steps:

*Build customer success capabilities:* Like sales, customer success is a discipline with established practices. Setting up a customer success function requires dedicated capability building, especially if a bank is converting a team of existing client-relationship executives (such as bankers or account managers) to become customer-success managers.

*Create capacity for high-value activities:* In many organizations, an existing account or relationship

<sup>2</sup> "Experience DNA data and analytics platform," McKinsey, February 2023.

<sup>3</sup> "Prediction: The future of CX," McKinsey, February 24, 2021.

manager is inundated with servicing requests and has limited capacity to be proactive. To create space, banks could find a way to reduce the demand on these teams to react to client “problems”, through product improvements, automation, or off-loading servicing activities to lower-cost teams.

*Define the operating model with sales:* Successful customer success representatives will uncover upsell and cross-sell opportunities as they work with clients to help them achieve their objectives. Therefore, it is critical to have a defined operating model and success-to-sales motion, which may differ based on the customer segmentation and coverage model (for example, teams of customer success and sales reps working together on accounts or using a model that “passes on” customer success opportunities to the sales team).

*Measure customer health:* A deep understanding of customer health is beneficial to customer success as it helps indicate likely-to-churn customers and assists customer success teams to prioritize how to invest their time across their customer portfolio. Banks can use all the data they have available for a customer—such as financial performance, industry trends, engagement with product and digital journeys, customer satisfaction (for instance, NPS,

CSAT), product performance, and the ability to meet customer service level agreements—to develop a predictive measure of “customer health” as a key enabler of customer success.

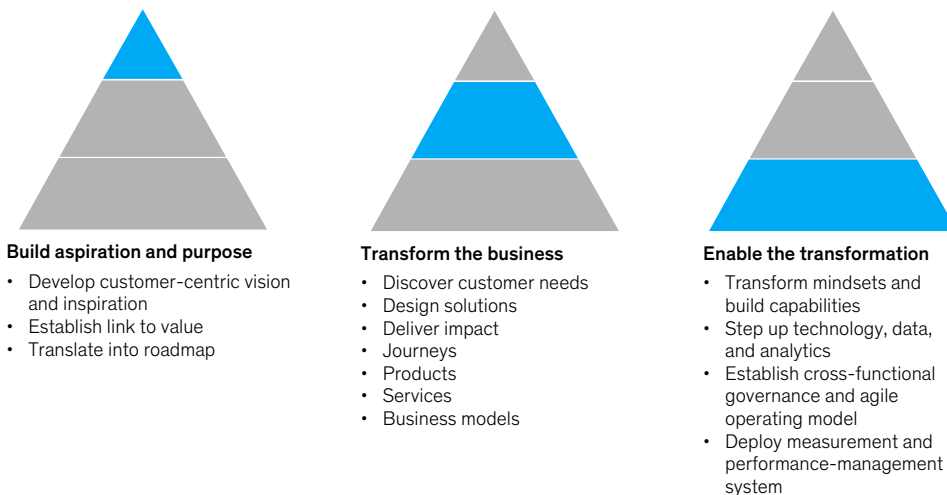
For instance, a large wealth management player is moving to a customer-success model for its B2B business. It has introduced a “teaming” coverage model, in which large customers each have a dedicated representative for sales and customer success. The company has also defined an operating model for how sales, customer success, and sales operations will work together throughout the customer’s lifecycle. This new model has helped it better understand the needs of its customers and increased the opportunities to pursue new products and services with its existing customer base.

### Bringing it all together

So how can banks achieve CX success in a competitive environment where customers want more, quickly? The good news is that we have seen companies attain leading positions by addressing three core building blocks of customer experience: a clearly defined, strong aspiration; a disciplined transformation journey; and thoughtful deployment of new capabilities such as analytics (Exhibit 5).<sup>4</sup>

Exhibit 5

## Banks could attain leading positions by addressing the three core building blocks of customer-experience transformations.



<sup>4</sup> Victoria Bough, Ralph Breuer, Nicolas Maechler, and Kelly Ungerman, “The three building blocks of successful customer experience transformation,” McKinsey, October 27, 2020.

McKinsey research shows that this approach has delivered powerful results: a 15 to 20 percent increase in sales conversion rates, a 20 to 50 percent decline in service costs, and a 10 to 20 percent improvement in customer satisfaction.<sup>5</sup>

the five bold moves described above, banks can take gold in the customer-experience race and attain a competitive advantage that boosts growth, lowers costs, and provides superior customer satisfaction.

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By using these building blocks to achieve successful customer-centric transformations, and embedding

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<sup>5</sup> Ibid.