THE HUMAN + DIGITAL CHALLENGE IN BANKING: **CONSUMERS WANT BOTH**

RON SHEVLIN

Research Director

Cornerstone Advisors

COMMISSIONED BY

BACKBASE

TABLE OF CONTENTS

EXECUTIVE SUMMARY

The pandemic of 2020 forced many banking customers to change how they did their banking. Consumers who relied on, and preferred, going to branches to interact with their banks to resolve problems, open new products, and even cash and deposit checks, were forced to find other ways to interact.

The result was a huge increase in the adoption of digital banking. According to a Q2 2021 survey, 84% of consumers with a smartphone (including 73% of Baby Boomers and 54% of Seniors) accessed one of their banking accounts with a mobile device between the start of the pandemic in March 2020 and April 2021.

Does this mean bank branches are dead (or dying)?

That question is on the mind of a lot of bankers—but it's the wrong question to ask. The right question is: What does it mean for consumers' wants and needs for human interaction?

This study, based on a survey of 3,105 U.S. consumers conducted in Q2 2021, evaluates the impact of the pandemic on consumers' behaviors and attitudes regarding their engagement with digital technologies, branches, and contact centers—and the role of human interaction.

Specifically, the study focuses on consumers' perceptions of account manager support and human involvement in account opening, resolving fee disputes, and the identification of potentially fraudulent activity on their accounts.

Key Findings

Key findings from the study:

KEY FINDING #1: The pandemic changed consumers' channel behavior in surprising ways.

Three in 10 consumers interact more frequently with their primary checking or spending account because of the pandemic, while 18% interact less frequently. For those interacting less frequently, most have reduced the number of branch interactions. Among Millennials interacting more frequently, 42% increased their use of the phone and branch.

KEY FINDING #2: Applicants turn to humans during account opening to get questions answered—but often because they can't find the answers online.

Applicants choose to contact a human instead of getting what they needed themselves for convenience—37% of respondents thought it would be a faster and easier way to get their question answered. However, a nearly identical percentage said they tried to get the information online but couldn't find the answer, and 23% tried to get the information online but found that their bank didn't support what they needed to do.

KEY FINDING #3: Younger consumers have—and value—account managers.

Among all consumers, 31% have an account manager at their primary financial institution, including a third of Gen Zers and 43% of Millennials. Among consumers without an account manager, a quarter of Gen Zers and a third of Millennials said they'd be very interested in having one. The most popular topic of discussion between consumers and their account managers is how well the customer's financial life is performing. If their bank eliminated account manager support, 42% of consumers between the ages of 21 and 55 would take their business elsewhere.

KEY FINDING #4: Consumers rely on humans for problem resolution, but often because financial institutions don't provide digital support.

Human interaction for problem resolution is more prevalent than digital behavior. It's predominantly Gen Zers and Millennials going online to resolve fee disputes or deal with potentially fraudulent activity. But they're often stymied because they can't find what they're looking for or their financial providers don't support the process.

KEY FINDING #5: There is a human element to mobile banking.

Roughly half of Gen Zers and Millennials consider the ability to schedule branch appointments through the mobile banking app to be critical or important. And nearly six in 10 Gen Zers and almost two-thirds of Millennials think it's critical or important to be able to tap to contact customer support directly from their mobile banking app.

Key Conclusions and Recommendations

Bank executives should draw two potentially conflicting conclusions from the study:

- Today's consumers—even those at the younger end of the age spectrum—want and value high-quality human interactions in their financial lives, and
- Financial institutions must quickly improve the quality of their digital channel experiences.

Reconciling these potentially conflicting views means banks must:

1) **Shift from a channel-centric to a process-centric orientation.** Among consumers that rated their interaction experiences poorly, the same reason for the poor rating kept popping up: the process took too long to get done. This is the result of poor process design and excessive handoffs between channels. This isn't going to get fixed with the organizational structures and budgeting processes that many banks have in place today. Financial institutions serious about winning in the retail banking market must address the weaknesses of today's channel-centric approach.

2) **Provide human-delivered account management digitally.** The use of account managers by younger consumers might come as a surprise for many bankers. But having a human account manager doesn't necessarily mean giving up on digital. Banks need to ensure consistency between the advice provided by account managers and by mobile apps, as a significant percentage of Gen Zers and Millennials receive guidance from both sources.

3) **Integrate human + digital advice and guidance.** There's a low probability that the advice provided by account managers is in line with the advice received through the mobile apps. Banks can only resolve this discrepancy and dilemma by breaking down the channel silos and integrating the human + digital financial health and performance experience.

About the Data

To help bank and credit union executives better understand this challenge and make smart resource allocations, this report, based on a survey of 3,105 U.S. consumers—representative of the overall U.S. population in terms of gender, age, and race—looks at financial institution customers' behaviors, attitudes, and preferences regarding human and digital interactions as they relate to their overall banking relationships and to specific banking interactions including account opening, fee disputes, potential fraud activity, and interacting with account managers.

Since the beginning of 2020, 76% of consumers with a smartphone have accessed their bank account(s) using a mobile device, with adoption nearly ubiquitous among Gen Zers and Millennials (97% and 96% adoption, respectively). In addition, since the beginning of 2018, 31% of consumers have disputed a fee with a financial institution, and 32% have contacted, or have been contacted by, one of their financial providers about potentially fraudulent activity.

At a 95% confidence level, the margin of error on the findings of this study is 2%.

THE DEAD BRANCH BOUNCE

If you want to start a lively discussion among a group of bankers, say something like "Branches are dead."

The Branchophobes, who support that argument, will pull out data that shows: 1) the decline in the number of bank branches in the United States, and 2) the growing percentage of consumers interacting with their banks through mobile devices.

The Branchophiles, meanwhile, will trot out data that proves that: 1) the majority of new account openings occur in branches, and 2) even young consumers visit branches some number of times a year.

Both groups are missing the point.

Why Do We Have Bank Branches?

To better understand what the "point" really is, let's go back in time some 60 or 70 years and address the question: Why do we have bank branches in the first place?

In a word, the answer is convenience.

A smart person, in a bank somewhere, came to the realization that as the U.S. population was moving out to the suburbs, it would be more convenient for the bank's customers to go to a place somewhere closer to their home than to have to travel into the big city to conduct their banking business.

Over time, banks added contact centers (formerly called call centers), which made it even more convenient for customers to interact, but it was impossible to share paper over the phone, so customers still went to branches. As banks deployed online and mobile banking capabilities, these new ways to transact and interact created new ways to make conducting business with the bank even more convenient for consumers.

Throughout this evolution, Branchophiles have pushed forth the proposition that the branch was (and is) an important component of the customer experience. But it isn't. It was (and is) simply a way to make it easier for a customer to interact with a bank employee.

In the early 2000s, Vernon Hill, founder and CEO of Commerce Bank — renowned for its in-branch experience — was asked why the bank wasn't making big investments in online banking capabilities. His answer: "Nobody wants a relationship with a machine."

That might be true, but nobody wants a relationship with a brick, either.

The Challenge for Today's Banks

The challenge that today's bank executives face is determining how and where to allocate resources to optimize customer relationships. Framing the challenge in terms of digital versus human is misguided. The challenge should be framed in terms of **human + digital**: 1) How can digital technologies enhance the human-assisted or human-intermediated (i.e., person to person) interactions? and 2) How can digital technologies be better utilized when human-assisted interactions are less convenient or less effective?

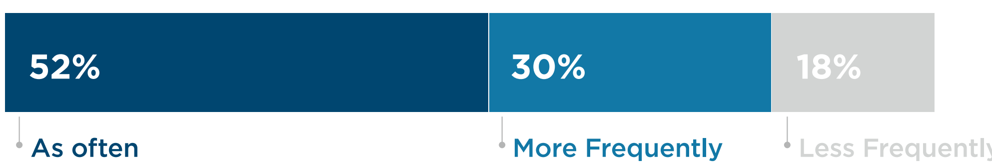
THE PANDEMIC'S IMPACT ON BANK INTERACTIONS

Not surprisingly, the pandemic of 2020 had an impact on the frequency with which consumers interacted—and how they interacted—with their banks. More surprisingly, perhaps, is that not everyone interacted with employees in branches less frequently.

About half of consumers say the pandemic didn't change how frequently they interacted with their primary checking account (or checking account provider). Three in 10 said that, since the pandemic, they've been interacting more frequently, and about one in five said they've been interacting less frequently (Figure 1).

FIGURE 1: Change in Bank Interaction Frequency Since the Pandemic

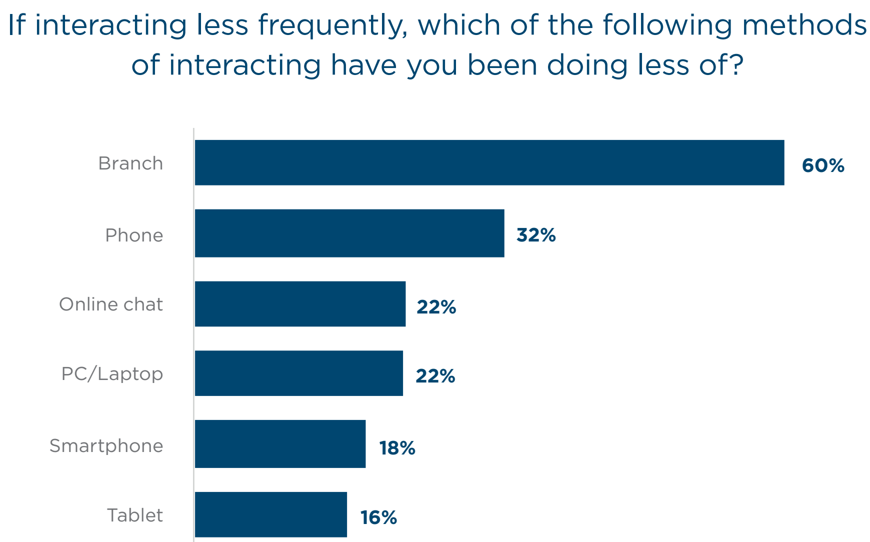
Thinking about all the ways you interact with your primary checking or spending account(s), since the beginning of the pandemic, are you interacting with the account(s) more, less, or as often as you were before the pandemic?



Source: Cornerstone Advisors survey of 3,105 U.S. consumers, Q2 2021

Among the 18% of consumers who have been interacting less frequently since the pandemic, it's probably no surprise that interacting with employees in the branch was the method most often cited (Figure 2).

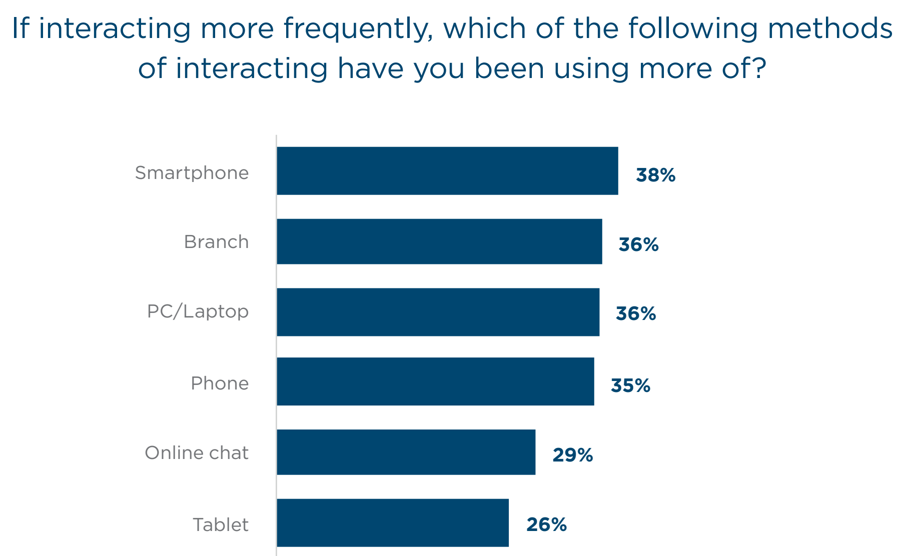
FIGURE 2: Change in Bank Interaction Method Since the Pandemic (Less Frequent)



Source: Cornerstone Advisors survey of 3,105 U.S. consumers, Q2 2021

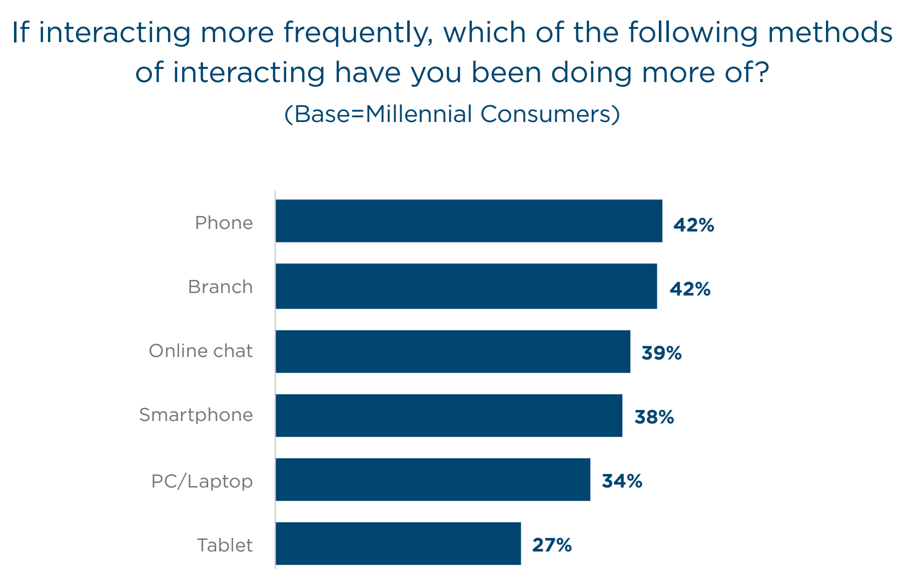
Among consumers interacting more frequently, 38% of respondents said they've been using their smartphone more often. The fact that 36% of consumers interacting more frequently are using the branch more often might come as a surprise, however (Figure 3). In fact, among Millennials interacting more frequently, 42% said they have increased their use of both the phone and branch (Figure 4).

FIGURE 3: Change in Interaction Method for Consumers Interacting More Frequently with Their Banks



Source: Cornerstone Advisors survey of 3,105 U.S. consumers, Q2 2021

FIGURE 4: Change in Interaction Method for Millennials Interacting More Frequently with Their Banks



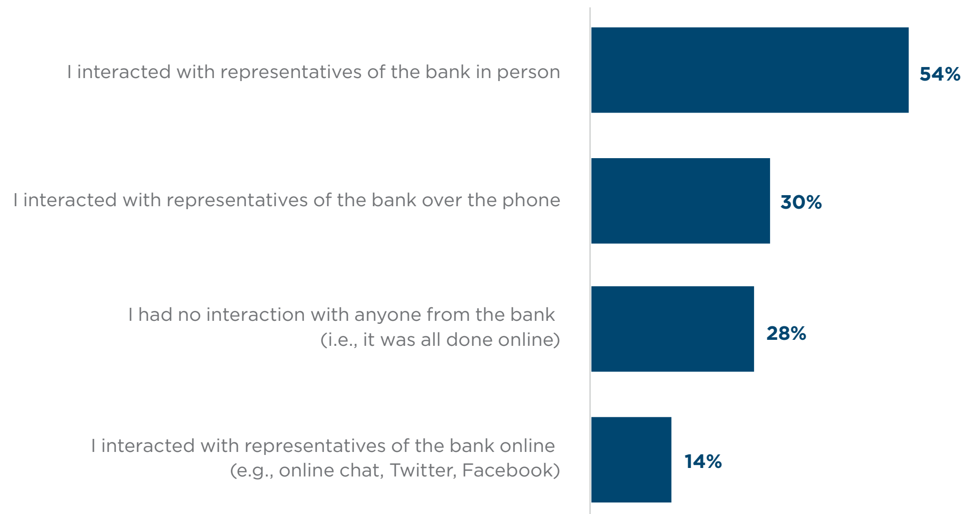
Source: Cornerstone Advisors survey of 3,105 U.S. consumers, Q2 2021

HUMAN + DIGITAL IN ACCOUNT OPENING

Despite the increase in checking account applications coming through digital channels over the past few years, more than half of applicants still interacted in-person with one or more representatives of the bank or credit union they applied at. Three in 10 interacted over the phone and about 14% interacted with bank representatives online through online chat, Facebook, or Twitter (Figure 5).[1]

FIGURE 5: Interaction Activity During Account Opening

The last time you opened a checking account, which of the following is true?
(Base=Consumers opening an account between 2018 and 2021)



Source: Cornerstone Advisors survey of 3,105 U.S. consumers, Q2 2021

Why did they interact with humans? Reasons differed by interaction channel, but questions about the product or company, or about which product was right for the applicant were the most prevalent answers. Among consumers interacting with representatives online, however, questions about the application process or issues with the process were also common (Table A).

[1] For many Americans, the last time they opened a checking account, Bill Clinton was in the White House. As a result, for our analysis of the role of humans and digital in account opening, we've limited the analysis to the roughly 30% of consumers who opened an account sometime between 2018 and 2021.

TABLE A: Why Consumers Interacted During the Application Process by Interaction Channel

Thinking about your interactions when you last opened a checking account, which of the following are reasons why you had that interaction?
(Base=Consumers opening an account between 2018 and 2021)

	BRANCH	PHONE	ONLINE
I had questions about the products or company	52%	60%	50%
I had questions about which product was right for me	50%	41%	53%
I had questions about the application process	29%	35%	51%
I had trouble or issues with the application process	12%	21%	31%
I had questions about the status of my application	12%	16%	14%

Source: Cornerstone Advisors survey of 3,105 U.S. consumers, Q2 2021

Why did applicants choose to contact a human instead of getting what they needed themselves? The most frequently cited reason was convenience—37% of respondents thought it would be a faster and easier way to get their question answered. But a nearly identical percentage said they tried to get the information online but couldn't find the answer, and 23% tried to get the information online but said their bank didn't support what they were asking about or what they needed to do (Figure 6).

FIGURE 6: Reasons Why Applicants Contacted a Human

When you last opened a checking account, why did you choose to contact a human instead of getting the information online?

(Base=Consumers opening an account between 2018 and 2021)

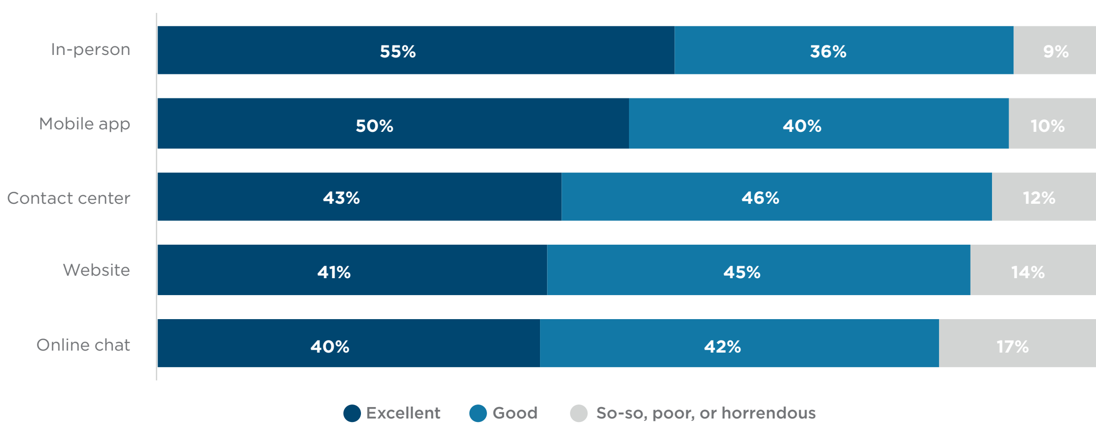
Source: Cornerstone Advisors survey of 3,105 U.S. consumers, Q2 2021

Overall, few applicants were dissatisfied with their account opening interactions, but a larger percentage rated in-person and mobile app interactions as "excellent" in contrast to contact center, website, and online chat interactions (Figure 7).

FIGURE 7: Consumer Satisfaction with Account Opening Interactions by Channel

How would you rate the quality of your checking account opening interactions?

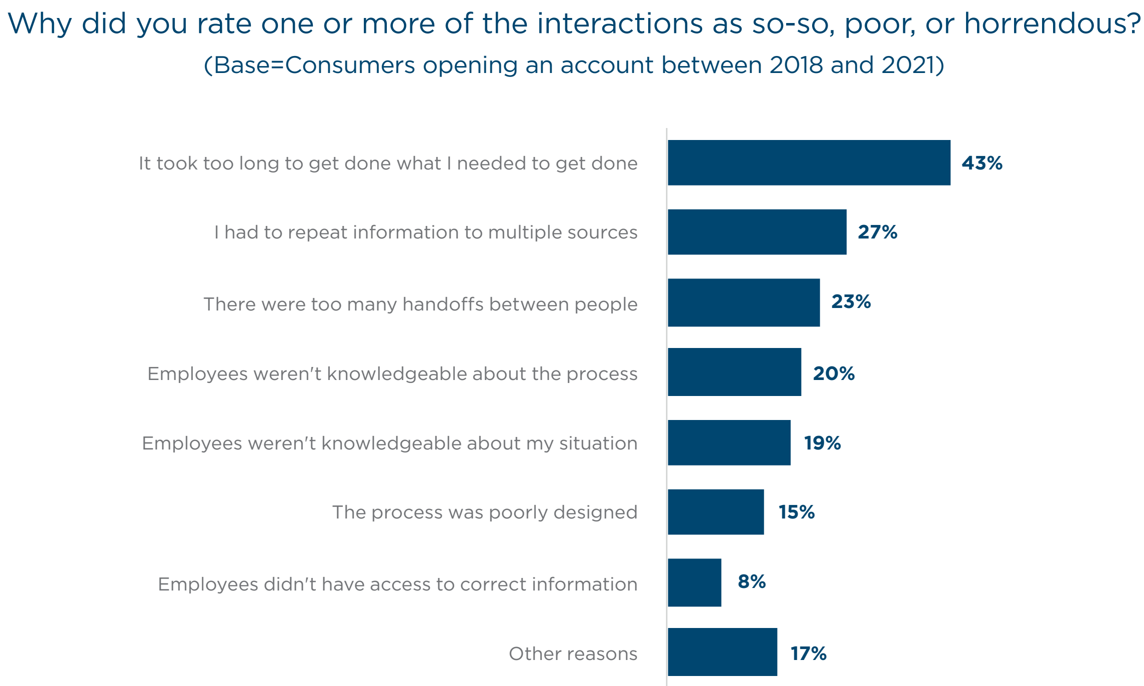
(Base=Consumers opening an account between 2018 and 2021)



Source: Cornerstone Advisors survey of 3,105 U.S. consumers, Q2 2021

When the interaction was so-so, poor, or horrendous, the time it took to complete the interaction was the most frequently cited reason for the unsatisfactory rating (Figure 8).

FIGURE 8: Consumer Satisfaction with Account Opening Interactions by Channel



Source: Cornerstone Advisors survey of 3,105 U.S. consumers, Q2 2021

Generational Differences in Account Opening Behavior

Differences between the generations are instructive here. Three-quarters of Baby Boomers interacted with branch personnel versus roughly half of applicants from the three other generations. Just 12% of Boomers talked with reps over the phone in contrast to about a third of other consumers. One in five Millennials interacted with representatives online, the highest percentage of any generation. Lastly, about a third of Millennials and Gen Xers, and a quarter of Gen Zers, had no human interaction at all during the account opening process, compared to 17% of Baby Boomers (Table B).

TABLE B: Interaction Activity During Account Opening by Generation

Thinking about when you last opened a checking account, who did you interact with?

(Select all that apply) (Base=Consumers opening an account between 2018 and 2021)

	GEN Z (Ages 21-25)	MILLENNIAL (Ages 26-40)	GEN X (Ages 41-55)	BABY BOOMER (Ages 56-75)
Branch representatives	53%	48%	50%	75%
Contact center representatives	36%	34%	30%	12%
Online representatives (e.g., online chat, Twitter, Facebook)	12%	20%	9%	6%
I had no human interaction with anyone	24%	31%	32%	17%

Source: Cornerstone Advisors survey of 3,898 U.S. consumers, Q4 2020

The generations also differed in their reasons for contacting a human. More than half of Baby Boomers said they prefer talking to someone. Just a little more than a quarter of Gen Xers and less than one in five Gen Zers and Millennials cited that reason, however. About four in 10 consumers under the age of 56 said they tried to find what they were looking for in digital channels but couldn't find what they needed so they contacted a person (Table C).

TABLE C: Reasons for Contacting a Human During Account Opening by Generation

Why did you contact a human instead of getting the information online or from a mobile app?

(Base=Consumers opening an account between 2018 and 2021)

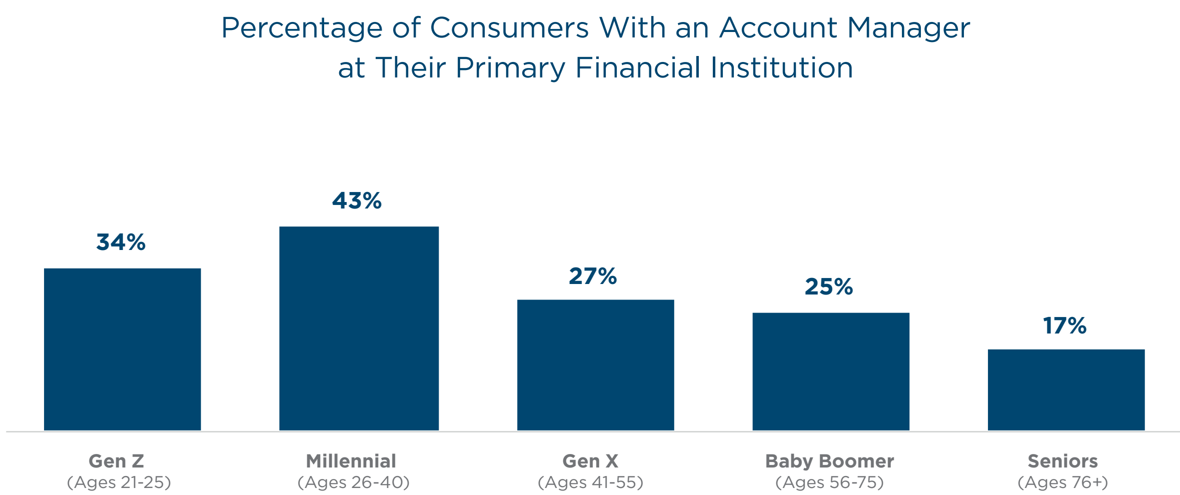
	GEN Z (Ages 21-25)	MILLENNIAL (Ages 26-40)	GEN X (Ages 41-55)	BABY BOOMER (Ages 56-75)
I couldn't find what I was looking for online	40%	40%	42%	19%
I thought it would be faster and easier	39%	38%	37%	33%
The bank didn't support what I needed to do	24%	33%	21%	6%
I prefer talking to someone	17%	19%	27%	55%
I was already in the branch or on the phone with them	10%	13%	12%	7%

Source: Cornerstone Advisors survey of 3,105 U.S. consumers, Q2 2021

THE ROLE OF THE ACCOUNT MANAGER

Among all consumers, 31% have an account manager at their primary financial institution. If you think it's predominantly older consumers with an account manager, think again. Only about a quarter of Gen Xers and Baby Boomers have an account manager at their primary institution, and that percentage drops to 17% among Seniors. Among Gen Zers, however, about a third have an account manager, and among Millennials that percentage increases to 43% (Figure 9).

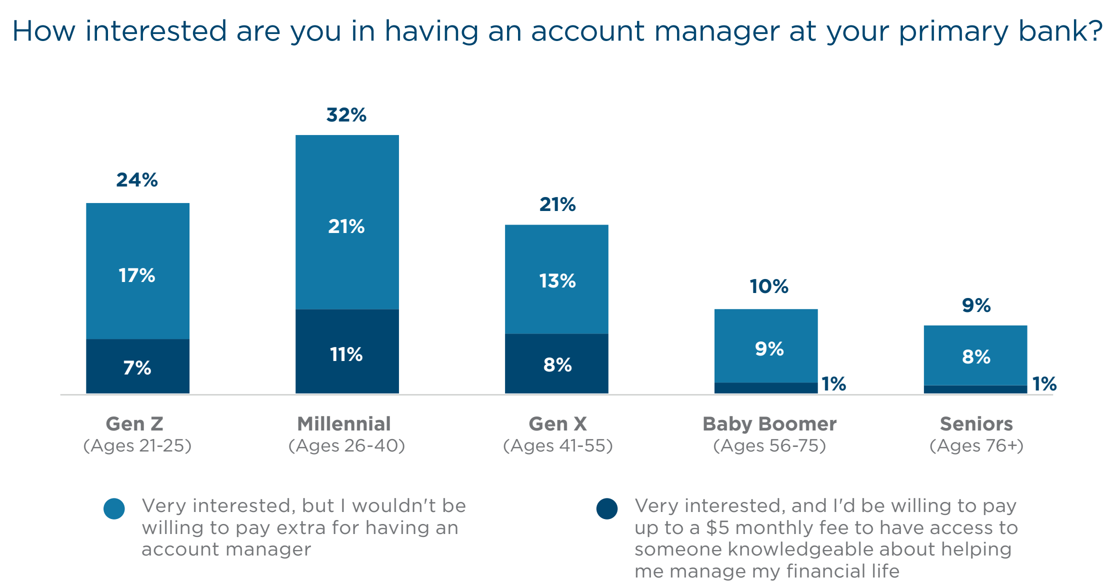
FIGURE 9: Consumers With an Account Manager at Their Primary Financial Institution



Source: Cornerstone Advisors survey of 3,105 U.S. consumers, Q2 2021

As a matter of fact, among consumers without an account manager, about a quarter of Gen Zers and a third of Millennials said they'd be very interested in having one at their primary institution (Figure 10).

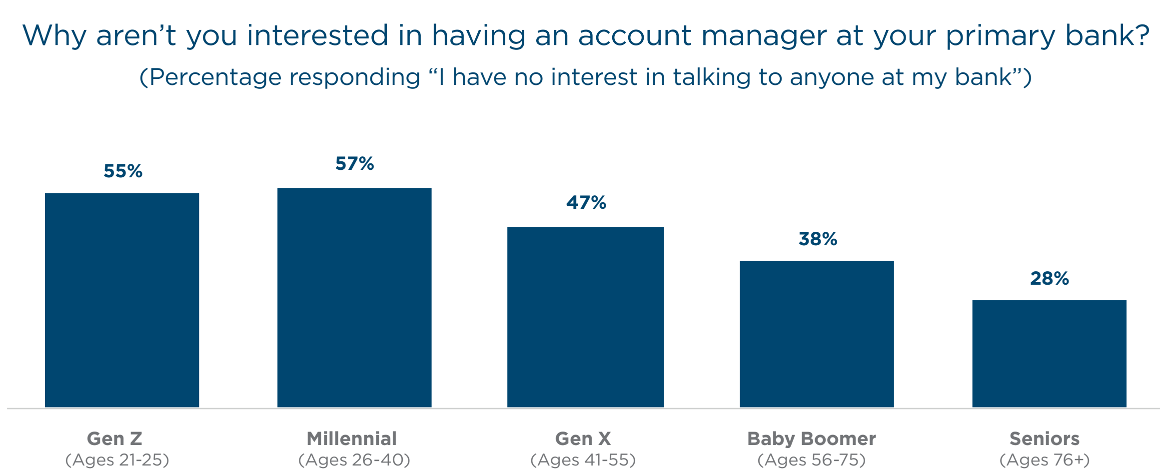
FIGURE 10: Interest in an Account Manager Relationship by Generation



Source: Cornerstone Advisors survey of 3,105 U.S. consumers, Q2 2021

Why don't consumers want an account manager? The most popular reason, cited by more than half of Gen Zers and Millennials and almost half of Gen Xers, is that they have no interest in talking to someone at the bank (Figure 11).

FIGURE 11: Reasons for No Interest in an Account Manager Relationship by Generation

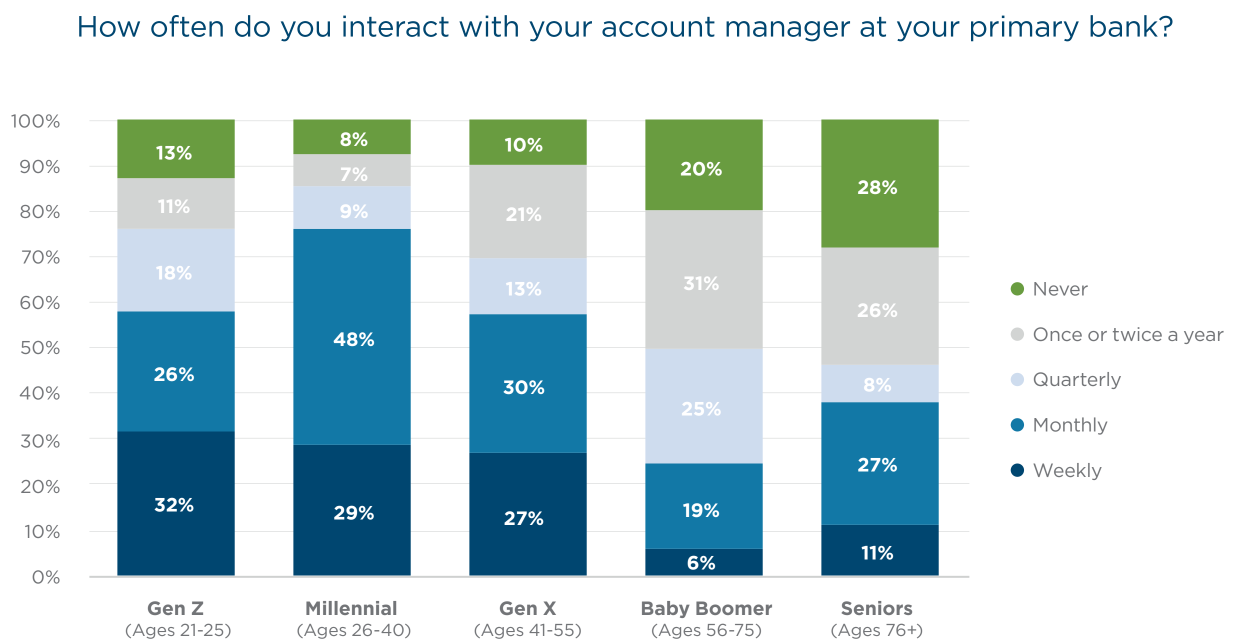


Source: Cornerstone Advisors survey of 3,105 U.S. consumers, Q2 2021

Account Manager Interactions

Among consumers with an account manager, many interact on a frequent basis. Nearly six in 10 Gen Zers interact at least once a month (with almost a third interacting weekly), while more than two-thirds of Millennials interact with their account manager monthly (Figure 12).

FIGURE 12: Account Manager Interaction Frequency



Source: Cornerstone Advisors survey of 3,105 U.S. consumers, Q2 2021

What do consumers talk about with their account managers? The most popular topic is how well the customer's financial life is performing (Figure 13).

FIGURE 13: Account Manager Discussion Topics

Source: Cornerstone Advisors survey of 3,105 U.S. consumers, Q2 2021

Discussion topics vary by generation, however. Overall financial performance is the most frequently cited topic among Gen Zers, Millennials, and Gen Xers. But how to save money is a topic of interest more for Gen Zers than for other generations. In addition, a larger percentage of Gen Zers and Millennials discuss issues and problems they have with their bank than older consumers do (Table D).

TABLE D: Account Manager Discussion Topics by Generation

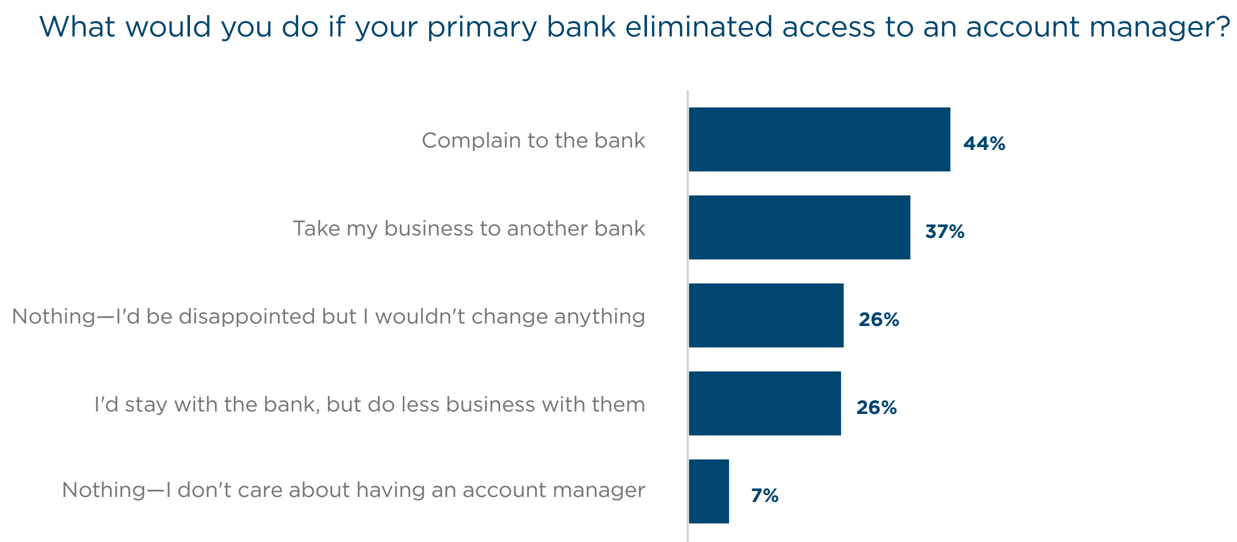
What do you discuss with your account manager?

	GEN Z (Ages 21-25)	MILLENNIAL (Ages 26-40)	GEN X (Ages 41-55)	BABY BOOMER (Ages 56-75)
How well my financial performance is doing	50%	65%	45%	25%
How I can save more money	42%	26%	31%	18%
What I can do to improve my financial health	40%	44%	39%	22%
Issues and/or problems I have with the bank	36%	43%	28%	19%
How to improve the return on my investments	29%	30%	23%	21%
What other products/services are right for me	28%	37%	26%	36%
How to better manage my debt	16%	13%	18%	12%
Other topics	3%	3%	13%	26%

Source: Cornerstone Advisors survey of 3,105 U.S. consumers, Q2 2021

More than a third of consumers—four in 10 Gen Zers and 46% of Millennials—with an account manager say they'd take their business to another bank if their institution eliminated access to their account manager, and about a quarter said they would stay but do less business with the bank. Only 7% said they would do nothing because they don't care about having an account manager (Figure 14).

FIGURE 14: Account Manager Elimination Reactions



Source: Cornerstone Advisors survey of 3,105 U.S. consumers, Q2 2021

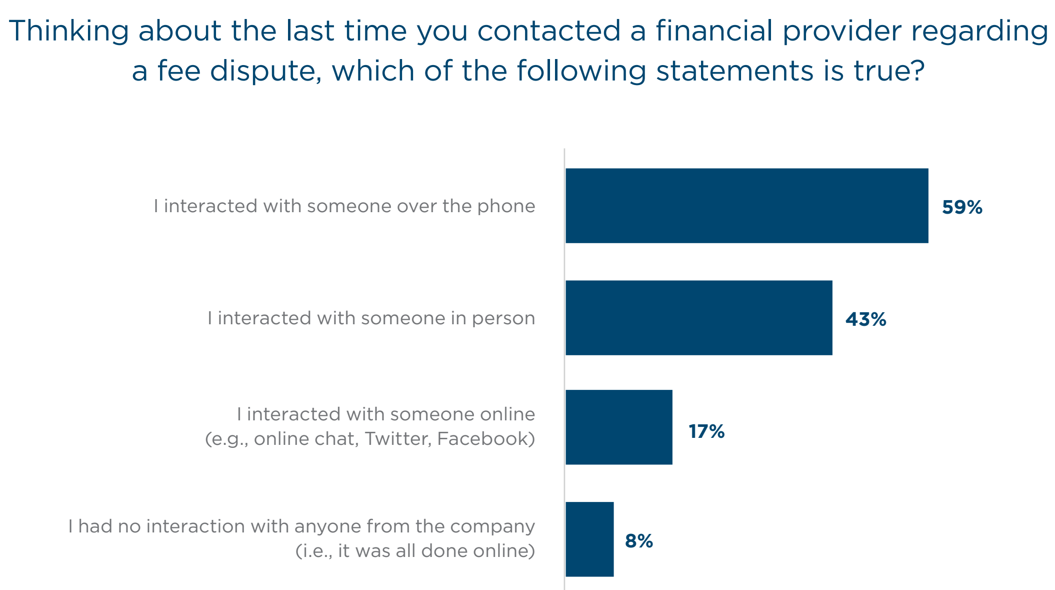
HUMAN + DIGITAL INTERACTIONS IN PROBLEM RESOLUTION

It's inevitable that consumers will encounter problems or issues with their bank accounts. Two of the most common types of issues are fee disputes and the identification of potentially fraudulent activity on the account. Since the beginning of 2018, 31% of consumers have disputed a fee with a bank, and 32% have contacted, or have been contacted by, one of their financial providers about potentially fraudulent activity.

Fee Disputes

For fee disputes, contacting bank representatives over the phone was the most common form of interaction. A little less than one in five (17%) contacted representatives online through chat, Twitter, or Facebook, while 8% were able to resolve their fee dispute without any human interaction (Figure 15).

FIGURE 15: Channel Usage in Fee Disputes

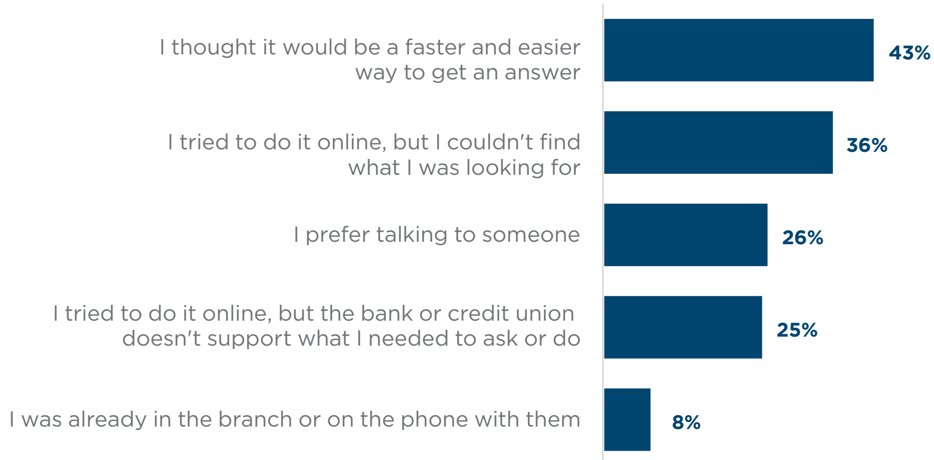


Source: Cornerstone Advisors survey of 3,105 U.S. consumers, Q2 2021

The most common reason consumers contacted a human instead of going online to dispute a fee was because they thought it would be a faster and easier way to get an answer. But 36% said they tried to go online but couldn't find what they were looking for, and 25% said they tried to resolve the problem online, but their financial institution didn't support what they needed to do (Figure 16).

FIGURE 16: Why Consumers Contacted a Human Instead of Going Online for a Fee Dispute

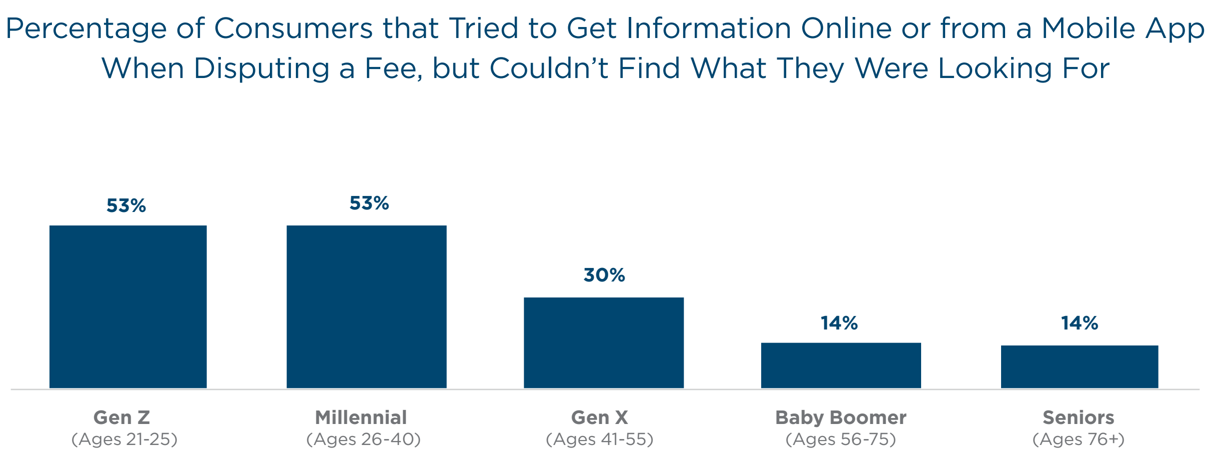
The last time you contacted a financial provider for a fee dispute, why did you contact a human instead of going online?



Source: Cornerstone Advisors survey of 3,105 U.S. consumers, Q2 2021

It's predominantly Gen Zers and Millennials who are going online to resolve fee disputes and getting stymied because they can't find what they're looking for or their financial providers don't support the process (Figure 17).

FIGURE 17: Why Consumers Contacted a Human Instead of Going Online in Fee Disputes



Source: Cornerstone Advisors survey of 3,105 U.S. consumers, Q2 2021

Fraudulent Activity

For dealing with potential fraud activity, contacting bank representatives over the phone was also the most common form of interaction. About one in seven (13%) contacted representatives online through chat, Twitter, or Facebook, while 10% were able to resolve their potential fraud problem without any human interaction (Figure 18).

FIGURE 18: Channel Usage to Resolve Potentially Fraudulent Activity

Source: Cornerstone Advisors survey of 3,105 U.S. consumers, Q2 2021

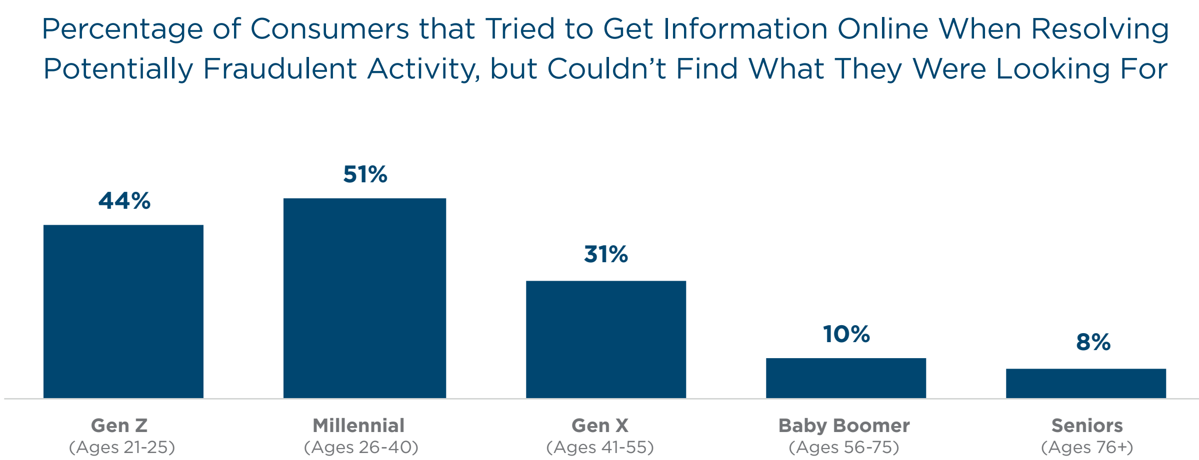
More than half (55%) of consumers who had to deal with potential fraud activity contacted a human because they thought it would be faster and easier than doing it online. Three in 10, however, did try to go online but couldn't find what they were looking for (Figure 19).

FIGURE 19: Why Consumers Contacted a Human Instead of Going Online to Resolve Potentially Fraudulent Activity

Source: Cornerstone Advisors survey of 3,105 U.S. consumers, Q2 2021

As with fee disputes, it's predominantly Gen Zers and Millennials who are going online to deal with potentially fraudulent activity but discovering they can't find what they're looking for or their financial providers don't support the process (Figure 20).

FIGURE 20: Why the Generations Contacted a Human Instead of Going Online to Resolve Potentially Fraudulent Activity



Source: Cornerstone Advisors survey of 3,105 U.S. consumers, Q2 2021

THE HUMAN ELEMENT IN MOBILE BANKING

Since the beginning of 2020, 76% of consumers with a smartphone have accessed their bank account(s) using a mobile device, with adoption nearly ubiquitous among Gen Zers and Millennials (97% and 96% adoption, respectively).

Consumers use digital banking apps to do a lot more than just check their account balances and transfer funds. Younger consumers, in particular, use their mobile banking app to help them understand how they're doing financially, improve their financial health, and figure out how to save more (Table E).

TABLE E: Uses of Digital Banking Apps by Generation

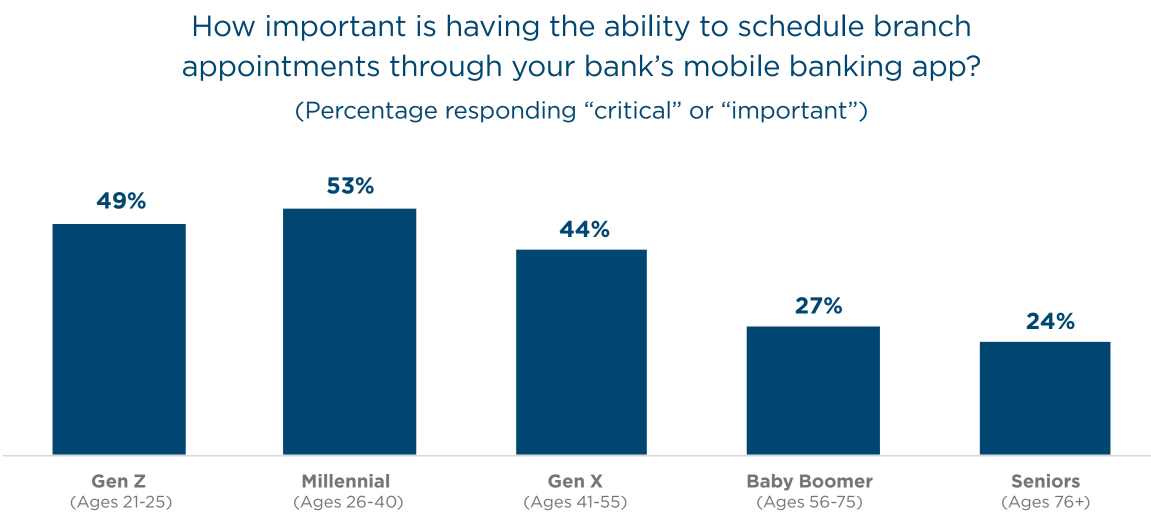
Which of the following are reasons you use a bank's online or mobile banking tools or apps?

	GEN Z (Ages 21-25)	MILLENNIAL (Ages 26-40)	GEN X (Ages 41-55)	BABY BOOMER (Ages 56-75)
Understand my financial performance	59%	55%	49%	42%
Improve my financial health	36%	39%	24%	14%
Figure out how I can save more money	32%	30%	22%	16%
Resolve issues and/or problems I have	32%	43%	35%	28%
Discover other product/services right for me	17%	30%	25%	23%
Improve the return on my investments	16%	21%	13%	8%
Better manage my debt	14%	17%	23%	24%

Source: Cornerstone Advisors survey of 3,105 U.S. consumers, Q2 2021

Counterintuitively, though, there is a human element to mobile banking. Roughly half of Gen Zers and Millennials consider the ability to schedule branch appointments through the mobile banking app to be critical or important (Figure 21).

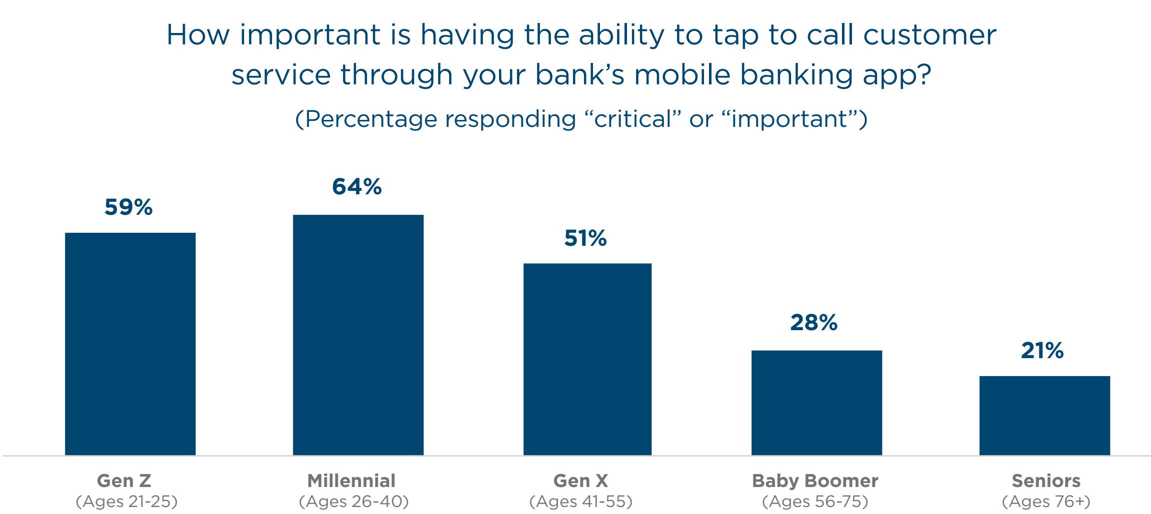
FIGURE 21: Importance of Scheduling Branch Appointments via Mobile Banking App



Source: Cornerstone Advisors survey of 3,105 U.S. consumers, Q2 2021

Nearly six in 10 Gen Zers and almost two-thirds of Millennials think it's critical or important to be able to tap to contact customer support directly from their mobile banking app (Figure 22).

FIGURE 22: Importance of Tap to Contact Customer Support via Mobile Banking App



Source: Cornerstone Advisors survey of 3,105 U.S. consumers, Q2 2021

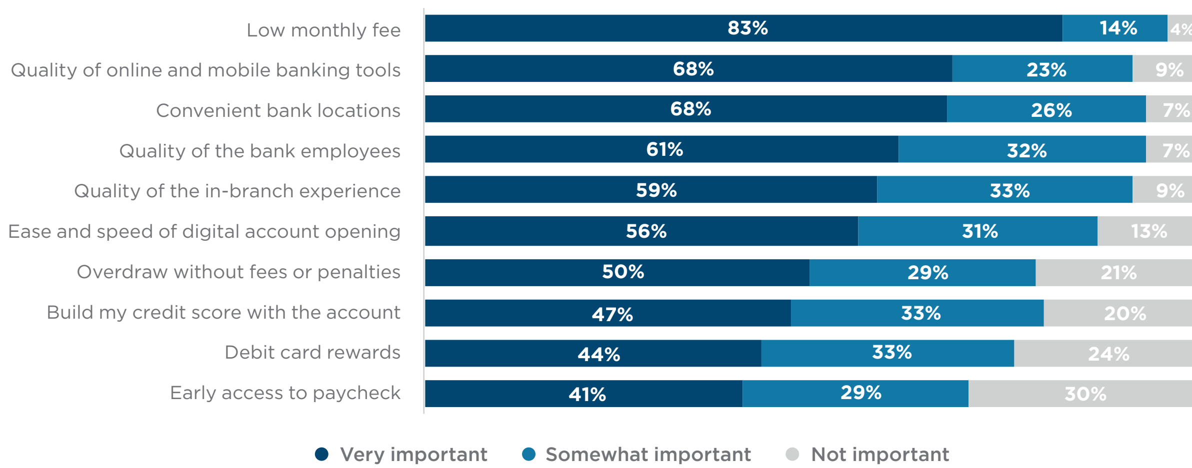
HUMAN + DIGITAL ACCOUNT FEATURES

Not that long ago, researchers would ask consumers why they chose the checking account they selected and "branch locations" was typically at—or at least, near—the top of the list of reasons. While we like to think that things are different today, some things don't change.

When asked which features were important if they were to select a new checking account, branch locations were mentioned as very important by 68% of consumers—and the differences across the generations only varied by about one or two percentage points (Figure 23).

FIGURE 23: Importance of Attributes in Selecting a New Account

If you were to open a new checking (or spending) account, how important would the following factors or attributes be to your decision?



Source: Cornerstone Advisors survey of 3,105 U.S. consumers, Q2 2021

Why are branch locations still so important? As we've seen in the previous sections, many consumers try to do things in digital channels, but often have trouble finding what they're looking for, or discover that their bank doesn't support what they're trying to do.

Consumers are smart, though—they understand there are factors beyond just branch location, and that's why roughly six in 10 say that the quality of employees and the in-branch experience are very important to their decision on who to do business with.

And this view doesn't vary much across generations. In contrast to Millennials, Gen Xers, and Baby Boomers, a slightly lower percentage of Gen Zers consider the quality of bank employees and the quality of the in-branch experience to be very important decision criteria (Table F).

TABLE F: Importance of Attributes in Selecting a New Account

How important would the following attributes be if you were to open a new checking account?
(Percentage responding "very important")

	GEN Z (Ages 21-25)	MILLENNIAL (Ages 26-40)	GEN X (Ages 41-55)	BABY BOOMER (Ages 56-75)
Low monthly fee	81%	81%	84%	85%
Quality of online and mobile banking tools	70%	76%	74%	62%
Convenient bank locations	70%	67%	67%	69%
Quality of the bank employees	53%	61%	62%	65%
Quality of the in-branch experience	51%	57%	59%	62%
Ease and speed of digital account opening	68%	70%	61%	45%
Overdraw without fees or penalties	51%	59%	53%	44%
Build my credit score with the account	59%	60%	49%	37%
Debit card rewards	46%	60%	49%	31%
Early access to paycheck	49%	55%	44%	31%

Source: Cornerstone Advisors survey of 3,105 U.S. consumers, Q2 2021

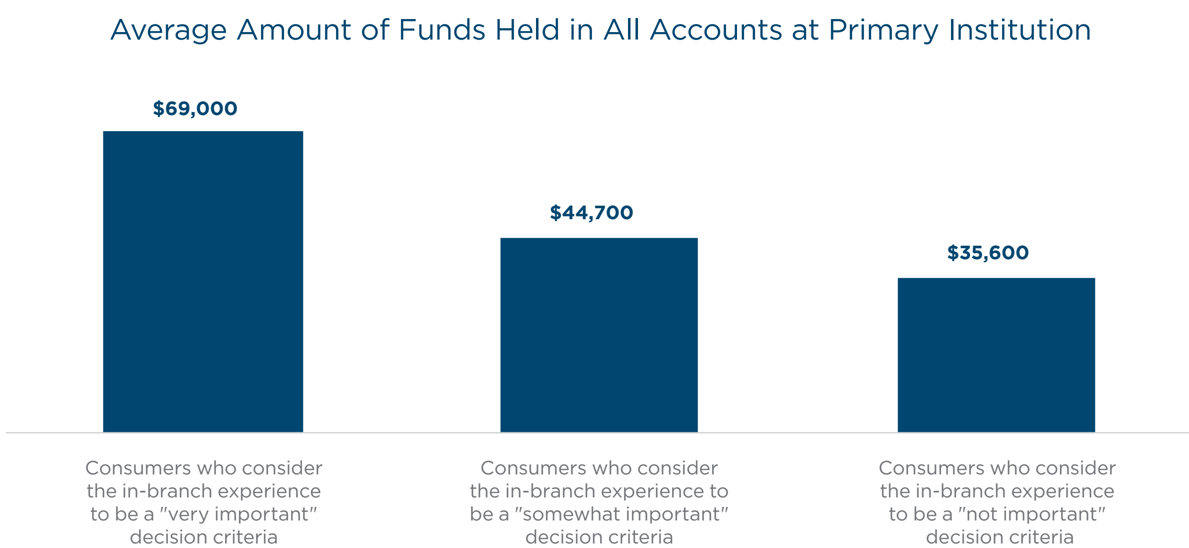
But this is likely due to Gen Zers' life stage than to their ongoing preferences. At their age, Gen Zers' financial lives aren't as complex as older consumers' financial lives are, and, as a result, they're less likely to need the support of their bank's employees.

Consumers Who Rate the In-Branch Experience Very Important

Why should banks care about this? Because it could mean a lot more to them than just attracting checking account customers.

Consumers who consider the in-branch experience to be a very important decision criteria have, on average, about $69,000 across all the accounts they have with their primary institution. Among consumers who only rated the in-branch experience as somewhat important, that average drops about 36% to roughly $44,700. And consumers who don't consider the in-branch experience to be important only have $35,600 with their primary bank (Figure 24).

FIGURE 24: Average Amount of Total Funds at Primary Institution



Source: Cornerstone Advisors survey of 3,105 U.S. consumers, Q2 2021

The implication: Being perceived as delivering a high-quality in-branch experience can attract consumers who hold more funds with their primary institution.

CONCLUSIONS AND RECOMMENDATIONS

Key findings from the study show that:

- **The pandemic changed consumers' channel behavior in surprising ways.** Three in 10 consumers interact more frequently with their primary checking or spending account because of the pandemic, while 18% interact less frequently. For those interacting less frequently, most have reduced the number of branch interactions. Among Millennials interacting more frequently, 42% increased their use of the phone and branch.

- **Applicants turn to humans during account opening to get questions answered—but often because they can't find the answers online.** Applicants choose to contact a human instead of getting what they needed themselves for convenience—37% of respondents thought it would be a faster and easier way to get their question answered. However, a nearly identical percentage said they tried to get the information online but couldn't find the answer, and 23% tried to get the information online but found that their bank didn't support what they needed to do.

- **Younger consumers have—and value—account managers.** Among all consumers, 31% have an account manager at their primary financial institution, including a third of Gen Zers and 43% of Millennials. Among consumers without an account manager, a quarter of Gen Zers and a third of Millennials said they'd be very interested in having one. The most popular topic of discussion between consumers and their account managers is how well the customer's financial life is performing. If their bank eliminated account manager support, 42% of consumers between the ages of 21 and 55 would take their business elsewhere.

- **Consumers rely on humans for problem resolution, but often because financial institutions don't provide digital support.** Human interaction for problem resolution is more prevalent than digital behavior. It's predominantly Gen Zers and Millennials going online to resolve fee disputes or deal with potentially fraudulent activity. But they're often stymied because they can't find what they're looking for or their financial providers don't support the process.

- **There is a human element to mobile banking.** Roughly half of Gen Zers and Millennials consider the ability to schedule branch appointments through the mobile banking app to be critical or important. And nearly six in 10 Gen Zers and almost two-thirds of Millennials think it's critical or important to be able to tap to contact customer support directly from their mobile banking app.

Recommendations

Bank executives should draw two potentially conflicting conclusions from this data: 1) today's consumers—even those at the younger end of the age spectrum—want and value high-quality human interactions in their financial lives, and 2) financial institutions must quickly improve the quality of their digital channel experiences. Reconciling these potentially conflicting views means banks must:

1) Shift from a channel-centric to a process-centric orientation

Consumers have "jobs to be done." Those "jobs" include opening an account, understanding how their financial lives are performing, and resolving problems like fee disputes and potentially fraudulent activity on their accounts.

How they get those jobs done differs by consumers and is generally dependent on: 1) what's most convenient for someone at the time they're dealing with their job, and 2) their experience using various methods to get the job done.

Young consumers live their lives on their smartphones. So, when it comes time to get a banking job done, doing it on a smartphone will be most convenient for them and what they're most experienced using. They're interacting with bank employees, not because they want to, but because they have to. And they're doing it in branches because that's the only way banks make their employees easily accessible—not because they want to go to a branch.

> *"The key to delivering an exceptional customer experience is making it easy for the customer to 'bail out' of automated interactions and immediately get to a human even though you'd like them to adopt the automation for efficiency purposes."* —Nick Kieffer, SVP of Customer Service, Simmons Bank

Although few consumers rated their interaction experiences poorly, among those that did, the same reason for the poor rating kept popping up: the process took too long to get done. We're confident that this is the result of poor process design and excessive handoffs among channels.

This isn't going to get fixed with the organizational structures and budgeting processes that many banks have in place today. Financial institutions serious about winning in the retail banking market must address the weaknesses of today's channel-centric approach.

2) Provide human-delivered account management digitally

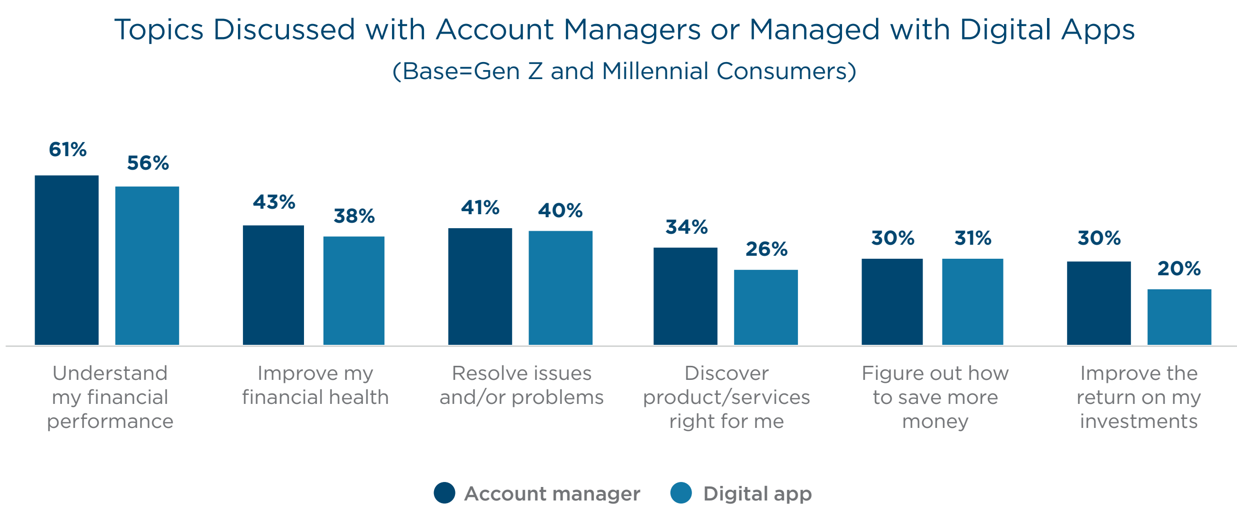
The use of account managers by younger consumers might come as a surprise for many bankers. But having a human account manager doesn't necessarily mean giving up on digital.

Umpqua Bank's Go-To app, a "Human Digital Banking" platform, enables the bank's customers to choose a banker devoted to their financial needs and engage with them in a secure chat environment to ask questions, troubleshoot accounts, and receive personal and small business advice for their specific financial situation.

"Customers who wouldn't think of asking a teller some questions don't hesitate texting in a mobile chat. They'll talk about how much money they make and how much debt they're carrying, as long as they know it's not a bot on the other side." —Cort O'Haver, CEO, Umpqua Bank

Banks need to ensure consistency between the advice provided by account managers and by mobile apps, as a significant percentage of Gen Zers and Millennials receive guidance from both sources (Figure 25).

FIGURE 25: Topics Discussed with Account Managers or Managed with Digital Apps



Source: Cornerstone Advisors survey of 3,105 U.S. consumers, Q2 2021

3) Integrate human + digital advice and guidance

What's the probability that the advice provided by account managers is in line with the advice received through the mobile apps? We bet the likelihood is low. A higher percentage of consumers said their bank's mobile banking tools helped to significantly improve their financial health and performance in contrast to their bank's account manager and other employees (Table G).

TABLE G: Impact on Financial Health and Performance

To what extent do the following help you improve the performance and health of your financial life?
(Percentage responding "significantly improves")

	GEN Z (Ages 21-25)	MILLENNIAL (Ages 26-40)	GEN X (Ages 41-55)	BABY BOOMER (Ages 56-75)
Your primary bank's digital banking tools	29%	32%	31%	32%
Your primary bank's account manager	12%	29%	22%	15%
Other employees at your primary bank	11%	20%	16%	17%

Source: Cornerstone Advisors survey of 3,105 U.S. consumers, Q2 2021

Why the discrepancy in ratings between the digital banking tools and employees? It's likely due to two factors: 1) data, and 2) purpose.

It's a safe bet that banks' employees don't have access to the data being used by the digital banking tools to analyze consumers' financial health and performance and make recommendations. Even if employees did have access to the data, it's unlikely they're equipped to do the kinds of analyses the digital tools do.

But even with the right data and tools, the banks' employees are likely to fall short of the impact that the digital tools have because their purpose—driven by organizational incentives—is to either sell more products and services or resolve problems, not provide advice and guidance regarding consumers' financial health and performance.

> *"There is a disconnect between claiming to improve the financial health of customers, while also promoting a high interest, variable rate credit card—which is the antithesis of promoting financial health. But that's not how the existing system is set up."* —Scott Sanborn, CEO, Lending Club

Banks can only resolve this discrepancy and dilemma by breaking down the channel silos and integrating the human+digital financial health and performance experience.

ABOUT THE AUTHOR

RON SHEVLIN

RESEARCH DIRECTOR

Ron Shevlin heads up Cornerstone Advisors' fintech research efforts and authors many of the firm's commissioned studies. He has been a management consultant for more than 30 years, working with leading financial services, consumer products, retail, and manufacturing firms worldwide. Prior to Cornerstone, Ron was a researcher and consultant for Aite Group, Forrester Research, and KPMG. Author of the Fintech Snark Tank blog on Forbes, Ron is ranked among the top fintech influencers globally and is a frequent keynote speaker at banking and fintech industry events.

CONTINUE THE CONVERSATION

480.424.5849

rshevlin@crnrstone.com

Cornerstone Bio

@rshevlin

/ronshevlin

ABOUT
CORNERSTONE ADVISORS

At Cornerstone Advisors, our goal is to deliver tangible business impact to financial institutions. We know that when institutions improve their strategies, technology, and operations, enhanced financial performance naturally follows. Because we live by the philosophy that businesses can't improve what they don't measure, we show banks and credit unions how to use laser-focused measurement to make smarter technology decisions, reengineer critical processes, and develop more meaningful business strategies.

CONTINUE THE CONVERSATION

www.crnrstone.com
Cornerstone Advisors
@CstoneAdvisors
480.423.2030
info@crnrstone.com

ABOUT
BACKBASE

Backbase is on a mission to transform the broken banking system, so financial institutions don't just interact—they engage—with the people they serve. That's made possible with the Backbase Engagement Banking Platform—powering all lines of business on a single platform, including Retail, SME & Corporate and Wealth Management. From digital sales to everyday banking, the platform's entire design focuses on a seamless and captivating experience for both customers and employees.

Industry analysts Forrester, Ovum and Celent continuously recognize Backbase's front-runner position, and over 120 large financials around the world are powered by the Backbase Engagement Banking Platform—including AIB, Barclays, Banamex, Bank United, Bank of the Philippine Islands, BNP Paribas, Bremer Bank, Islands, Citibank, Citizens Bank, CheBanca!, Discovery Bank, Greater Bank, HDFC, IDFC First, KeyBank, Lloyds Banking Group, Metrobank, Navy Federal Credit Union, PostFinance, RBC, Société Générale, TPBank, Vantage Bank Texas, and Westpac.

CONTINUE THE CONVERSATION

backbase.com
@backbase
/backbase

Have questions about this report?

Contact:

Ron Shevlin, Director of Research
Cornerstone Advisors

rshevlin@crnrstone.com
480.424.5849