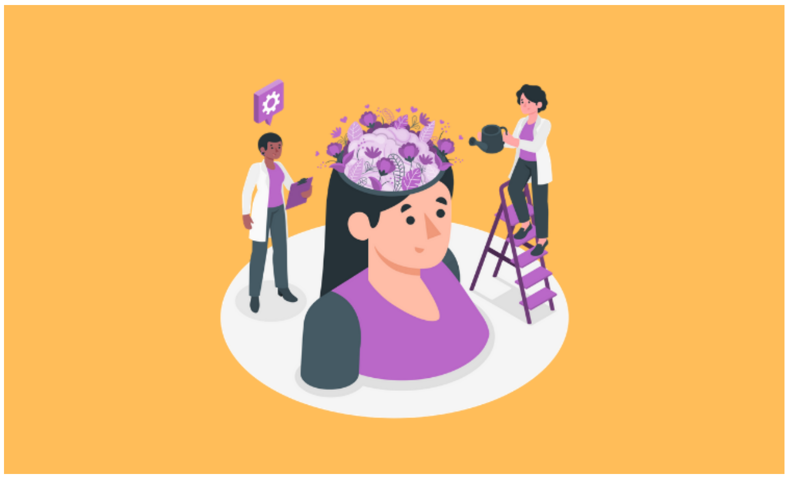
4 CHARTS

How consumer trust is impacted after migrating to digital channels, in 4 charts

Digitization is in hyperdrive but consumer trust in banks is failing.

Here are 4 charts on how consumer behavior and preferences have changed since the pandemic.

SHEHZIL ZAHID | **MAY 19, 2021**



Over the last few years, bank branch networks shrank gradually by 3%-4% in much of the western world as banks moved process-driven interactions — like opening a bank account — to digital channels. This migration was thrown into hyperdrive during the pandemic, which gave consumers no choice but to bank digitally.

A few things have become obvious over the course of the pandemic. In the face of city and statewide lockdowns, more people have transitioned online to access their bank accounts and other financial services. Accenture's Banking Consumer Study 2020 found that 32% of customers chose to contact their banks through a mobile app or website at least once a week in 2018. In 2020, that rose to 50%. The percentage of customers who chose to contact their bank through a laptop or desktop computer also rose by 8 percentage points, from 35% to 43%.

digital channels at banks

Source: Accenture

Payment behaviors have also changed. COVID-19 accelerated the move from cash to contactless payments, at least in Europe. In the UK, for example, ATM withdrawals dropped by 50% in the second half of March. In contrast, 55% of consumers increased contactless payments.

With an increased move to digital channels, it's no surprise that challenger banks have become more popular over the last few years. 23% of surveyed consumers had a challenger bank account in 2020, compared to 17% two years ago. But an increase in general popularity does not mean an increase in priority usage. Only 12% of consumers use their accounts with challenger banks for the majority of their transactions.

Moreover, neobanks were most popular among young people between the ages of 17-34, and popularity seems to decline with older customers. 17% of consumers in the age bracket 18-24 said that they used their neobank for most of their banking transactions. 18% of consumers aged 25-34 also used their neobank account as their main way to carry out financial transactions. However, only 4% of consumers aged 65 and over used such a bank for banking transactions.

neobank usage

Source:
Accenture

The pandemic brought a lot of instability to consumers. Many struggled with housing, healthcare and livelihood when the country shut down. Since so many struggles revolved around finances, it's only fitting for banks to play a part in protecting and improving their customers' financial health. It begs the question — are consumers are happy with their bank's response to COVID-19?

The answer appears to be a yes for the most part.

50% of surveyed consumers said that their bank provided them with the support they needed during the pandemic, and only 11% disagreed; similarly, 49% said their bank communicated clearly and effectively about its response to COVID-19, and only 16% disagreed.

Source: Accenture

Despite generally positive perceptions of banks' COVID-19 response, consumer faith in banks has declined. Accenture's consumer banking study found that only 29% of respondents trusted their banks to look after their long-term financial wellbeing, compared with 43% two years ago — a drop of 14 percentage points.

There also appears to be a broader decrease of trust in major institutions: the survey data reveals that consumers have become less trusting of insurers, payments companies, retailers, tech companies, and social media platforms.

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Much of these feelings can be attributed to increasing consumer migration to digital channels, and the resulting breakdown of personal connections. While banks recognize the need for broad digital channels and services to build a better customer experience, many haven't quite integrated enough personality and personalization into these channels to make them successful.

Without personality or personalization, banks create an impersonal, generic experience for their customers that risks indifference and disengagement from the customer.

Source: Accenture

Trust issues between banks and customers may have big repercussions for banks' long-term growth strategies. A lot of banks want to play a greater role in looking after their customers' long-term financial wellbeing by, for example, offering digitally enabled advisory services. However, if consumers don't trust banks, they're not likely to trust these services either.

The report says that some banks have begun to rebuild trust by forgoing at-risk 'bad revenue', such as overdraft charges. Bank of America, for example, introduced challenger-bank-style overdraft support features during the pandemic.

Despite the general mistrust of banks, there is some good news — banks are still trusted more than insurers, payments companies, retailers, tech companies, and social media platforms.

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This has been partly driven by subprime segments, as lenders have become more comfortable serving this category due to record low delinquency rates.

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4 CHARTS

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Incumbents still have a bit of an upper hand in terms of being human-first establishments, but that story can change, as Gen Zers start entering the picture.

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