

Creating More Digital-Forward Customers

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Summary

- 1 Human channels are underused in accelerating digital adoption.
- 2 Underuse is costing organizations billions in real costs and missed customer value.
- 3 Top banks in digital adoption have twice as many digital-forward customers as the average bank and have nearly eliminated digital laggards.
- 4 Financial services organizations face six challenges in accelerating digital adoption through human channels.
- 5 There are four pillars to successful digital adoption.

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01

Availability Doesn't Result in Digital Adoption

Most Focus on Features and Experience, Not Adoption

Financial services organizations are investing more in IT than ever before — often exceeding 10% of revenues — with a heavy focus on digital transformation. What organizations often lack, however, is a holistic strategy to shift customer and employee behavior to propel long-term adoption. Many of the banks, credit unions and wealth management organizations Gallup works with are focused on building platforms, digital capabilities and features. However, there is massive variation between organizations — Gallup finds that some banks' customer use of digital features and services is 20 times that of similar banks.

It is not uncommon for banks to win national awards for mobile apps and experiences, yet have very low adoption rates. In other words, availability does not equal adoption.

AVAILABILITY ≠ ADOPTION | AWARDS ≠ ADOPTION

The cost of this missed opportunity is massive. For larger institutions, Gallup calculates that the lost opportunity exceeds \$5 billion in customer value and cost savings. For smaller institutions — small regional banks and credit unions, for example — the lost opportunity likely exceeds \$100 million.

To capture this opportunity, banks must create more **digital-forward** customers — customers who use digital channels for basic and complex banking actions.

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IN CUSTOMER VALUE AND COST SAVINGS.

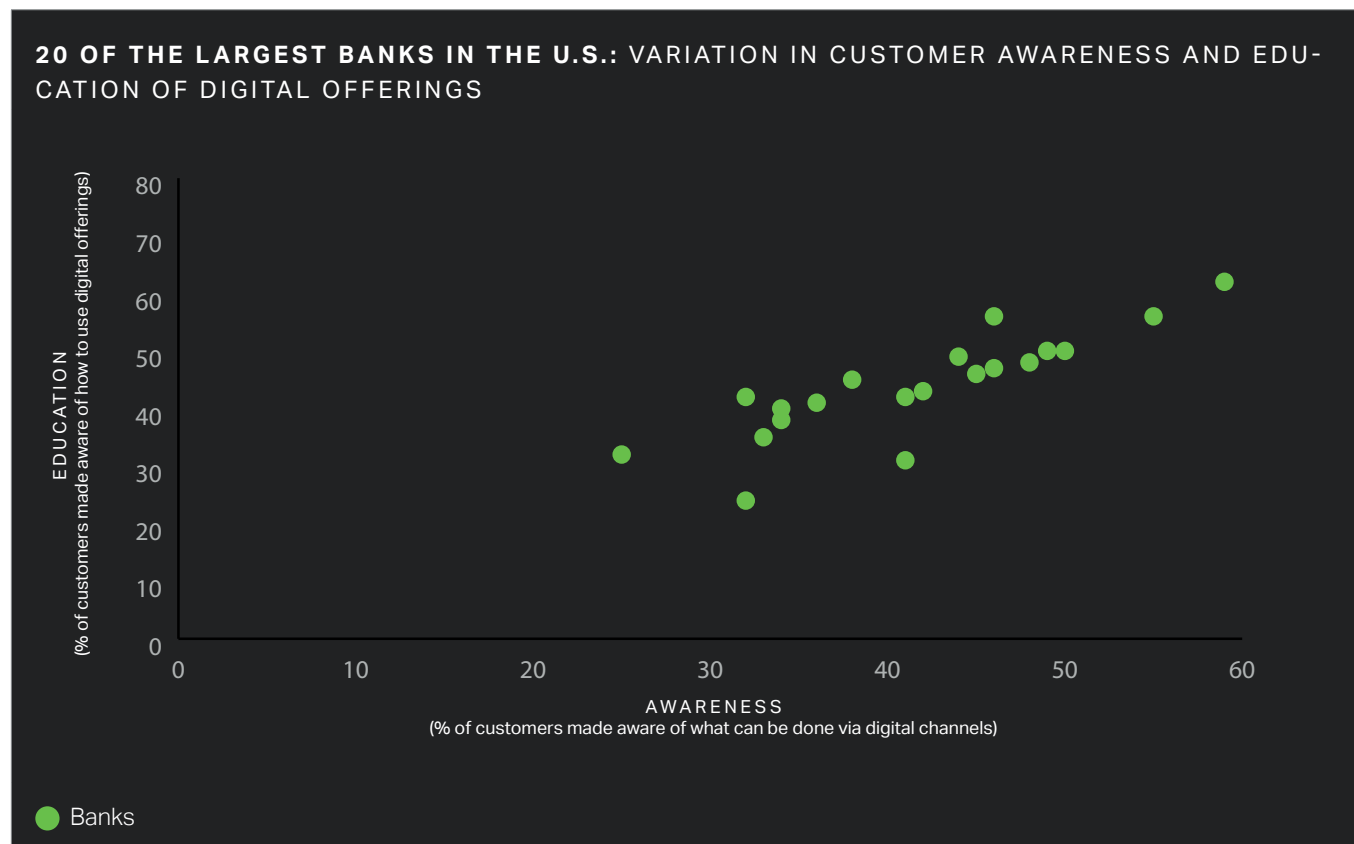
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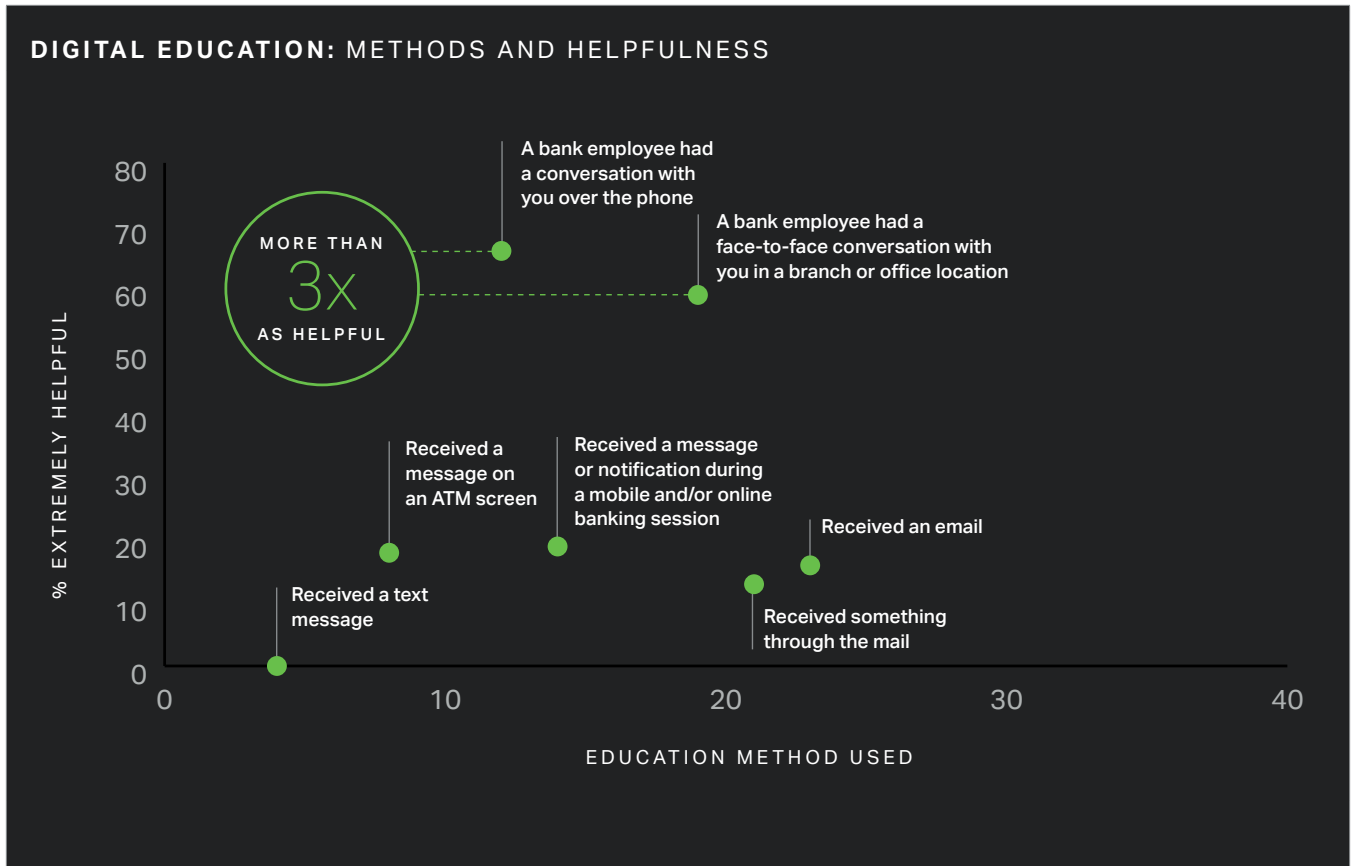
Traditional Approach: Go Direct

For organizations to facilitate digital adoption, they must make their customers **aware** of *what* they can do via digital channels and **educate** them on how to do it. Gallup's annual financial services study shows significant variation among banks in the level of customer awareness and education.



Banks rely most heavily on direct outreach methods — particularly email and mail — to bring awareness and education to their customers. However, fewer than one in five customers find these methods to be helpful.

Customers deem human interactions to be more than three times as helpful.



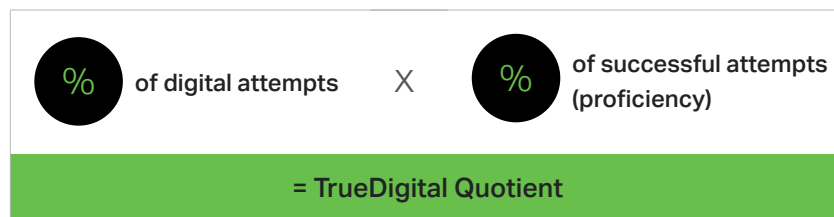
02

What's Your TrueDigital Quotient?

Know Your TrueDigital Quotient: It's All About Successful Attempts

Just as availability does not equal adoption, attempts do not equal success. Customers who experience unsuccessful digital attempts often turn to a human channel for assistance. This erodes the customer experience and drives up the cost to serve them. To achieve widespread digital adoption, banks must facilitate a high percentage of attempts and ensure that those attempts are successful. Success is starting *and* completing the desired action in the given digital channel. In other words, banks must increase their customers' digital proficiency.

Gallup helps its clients calculate the attempts-proficiency ratio with the **TrueDigital Quotient** — the percentage of actions that customers successfully complete entirely in a digital channel.

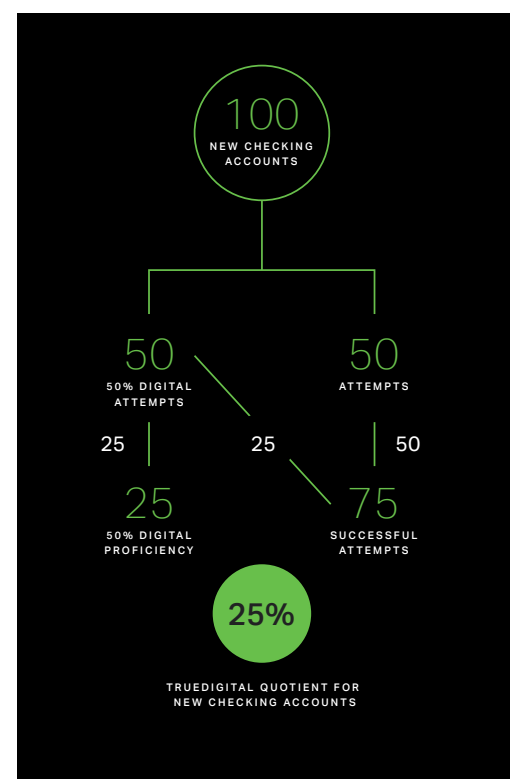


For example, let's say that 100 bank customers open checking accounts. Fifty customers opened their account via a human channel, while 50 attempted to open their account via mobile banking. Of the 50 customers who attempted via mobile banking, only 25 were successful — the other 25 sought a human channel to finish opening the account. This results in a **TrueDigital Quotient of 25%** (50% were digital attempts (50 out of 100 customers) x 50% that were successful/proficient (25 out of 50 customers) = **25%**) — 25% of the 100 new checking account customers used digital channels to open their account.

For complex actions — such as opening an account or solving a problem — the leading banks have a TrueDigital Quotient of over 50%, while the lowest performers see less than 10%.

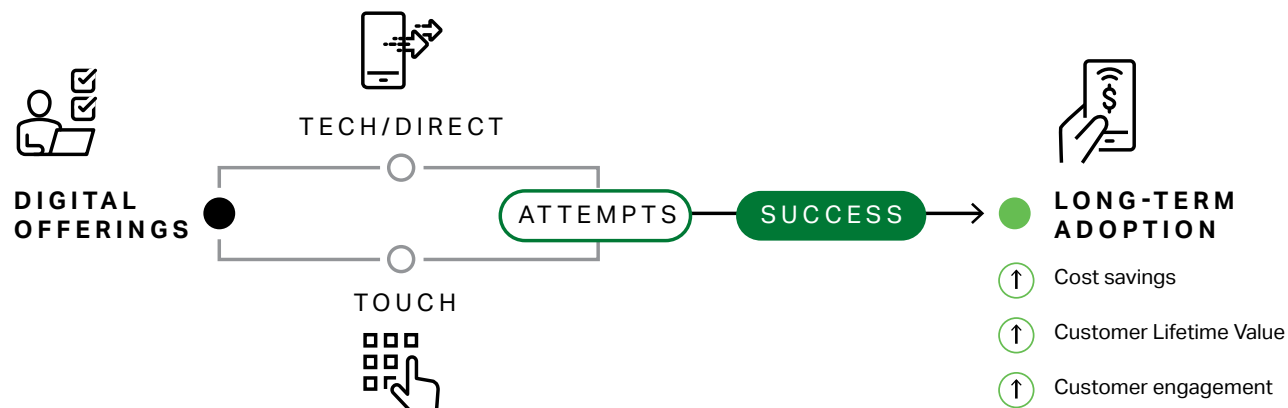
Banks not only need to call on their human channels to drive initial digital attempts, but they must also help customers who experience unsuccessful attempts become more proficient. In other words, they must encourage customers to try — *and try again*. This may be

Gallup helps clients calculate a critical new metric for understanding digital effectiveness with the **TrueDigital Quotient** — the percentage of actions that are successfully completed entirely in digital channels.



through cobrowsing technology or walking the customer through the process on their own device in the branch. Whatever the avenue, encouraging attempts and increasing proficiency must be an ever-present expectation in human channels.

As customers successfully attempt and complete more actions digitally, they are more likely to adopt digital-forward actions and preferences for the long term — which lowers the cost to serve, increases customer lifetime value and bolsters customers' engagement (i.e., emotional attachment) to their financial institution.



Employees must be digital experts who are consistently encouraging customers to try digital ... and try again.

03

Examining Digital-Forward Customers and Digital Laggards

Increasing Digital-Forward Customers; Decreasing Digital Laggards

There is significant variation in the types of actions and transactions customer groups carry out via digital channels. Some customers only use online or mobile banking for basic actions, such as checking an account balance, making a mobile check deposit, or transferring money, but they generally prefer to interact with their bank via human channels. Gallup calls these customers, along with customers who never interact digitally, **digital laggards**.

On the other end of the spectrum, **digital-forward** customers turn to digital channels as their first choice for all of their basic banking and the majority of their complex banking, such as opening or closing an account, applying for a loan, or resolving a problem or issue. Digital-forward customers typically only use human channels if they can't complete their intended action in a digital channel.

The remaining customers in the **middle** of the spectrum tend to use digital for many of their basic and complex banking needs but tend to turn to human channels as the complexity of their needs or actions increases.

1

DIGITAL LAGGARD

Customers who never interact digitally or only use digital occasionally for basic banking and prefer human channels for most actions

2

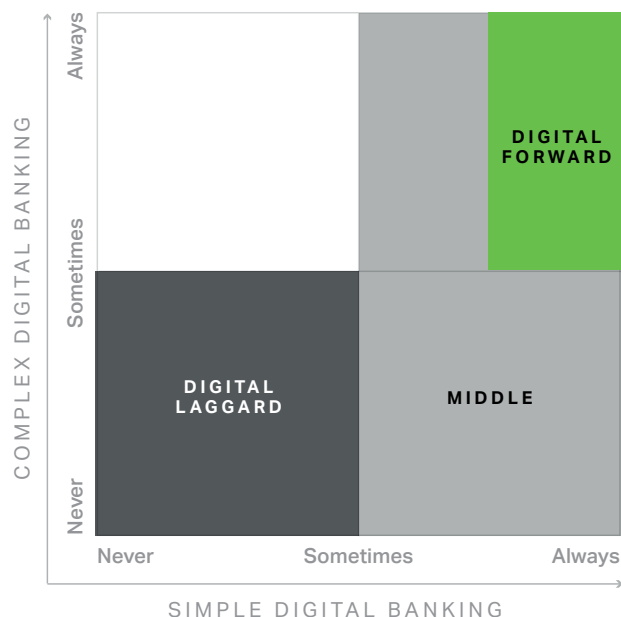
DIGITAL-FORWARD

Customers who use digital channels for basic and complex actions and rarely use human channels

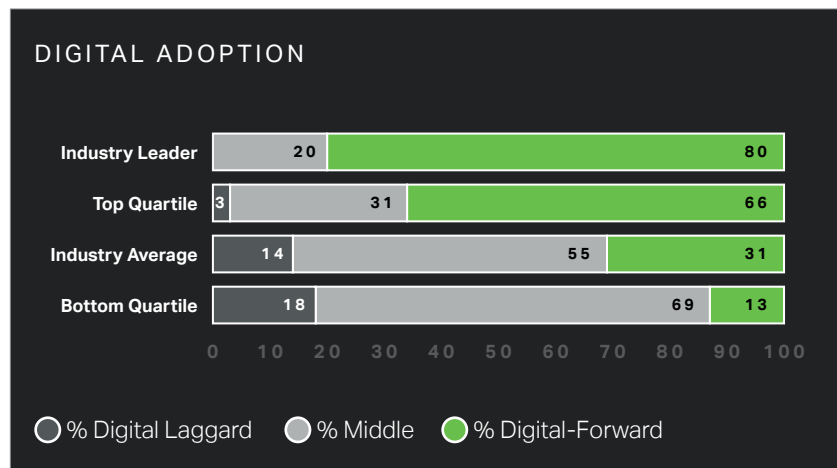
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MIDDLE

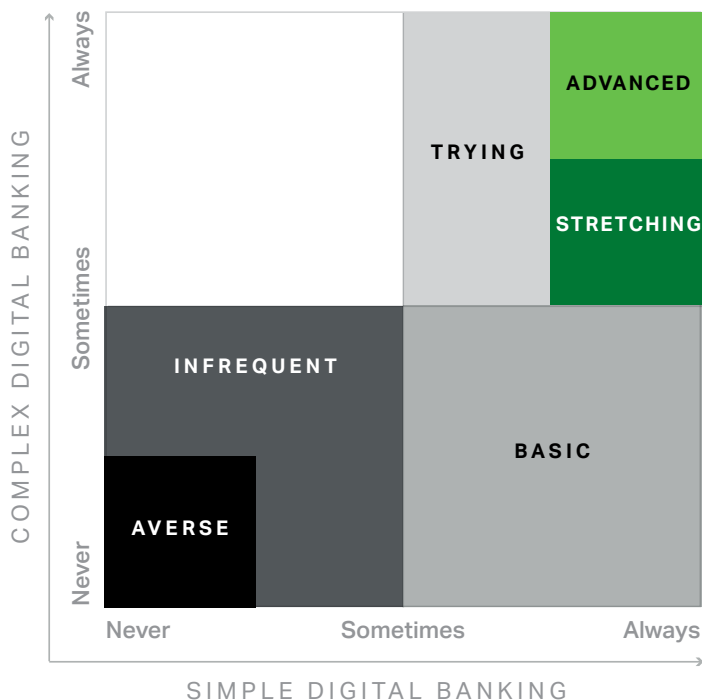
Customers who use a mix of digital and human channels for their basic and complex actions



Two-thirds of customers at banks in the top quartile of digital adoption are digital-forward — nearly none are digital laggards. Banks in the bottom quartile of digital adoption, however, average 13% digital-forward customers and 18% digital laggards. Across the industry, the typical bank or credit union has a significant opportunity to increase digital use with seven in 10 customers.

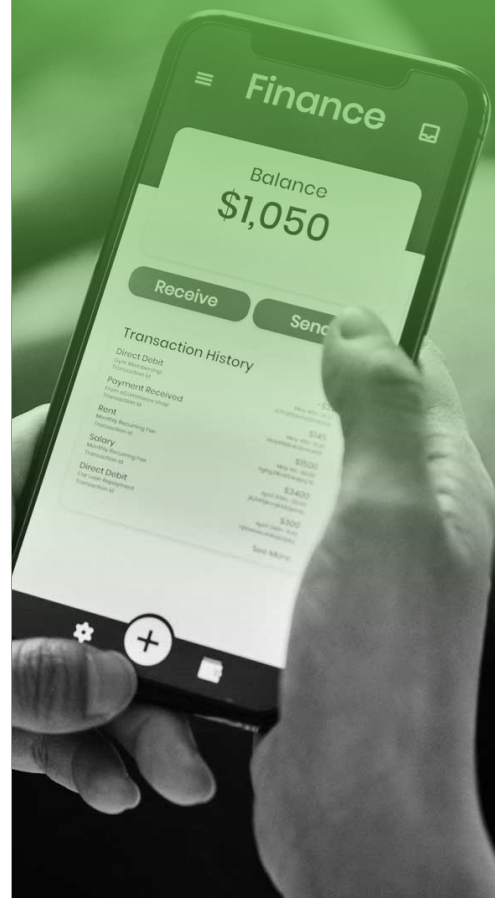








Not every digital-forward, middle or laggard customer looks the same. Gallup partners with its clients to break down those three broad categories into more nuanced customer segments to help leaders prioritize their focus and actions.



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7 in 10
CUSTOMERS.



DIGITAL-FORWARD	
	Advanced: Customers who use digital channels for every basic and complex action
	Stretching: Customers who use digital for all basic actions and most complex actions
MIDDLE	
	Trying: Customers who use digital channels for at least half of their basic and complex actions
	Basic: Customers who use digital for all their basic banking but turn to human channels for complex actions
DIGITAL LAGGARD	
	Infrequent: Customers who rely predominantly on human channels and use digital channels for fewer than half of their basic banking actions
	Averse: Customers who never interact digitally and use human channels for all banking actions

To illustrate the differences between digital-forward customers, digital laggards and underlying segments, let's take a look at two of the largest banks in the U.S. Both have very similar digital offerings and capabilities, yet one has created significantly more digital-forward customers — including a majority who seek digital channels first.



BANK A



BANK B

74%

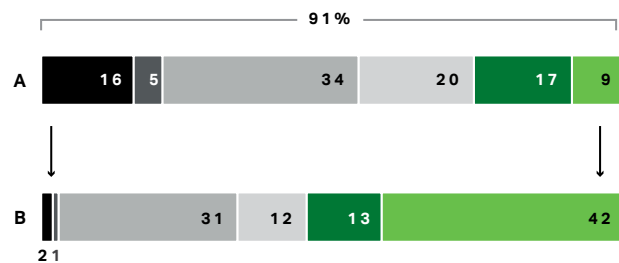
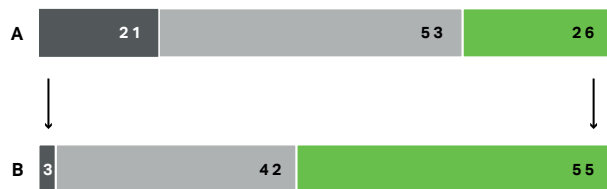
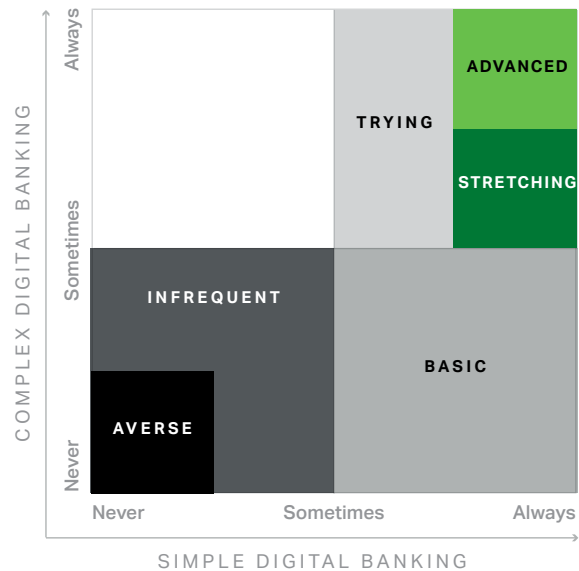
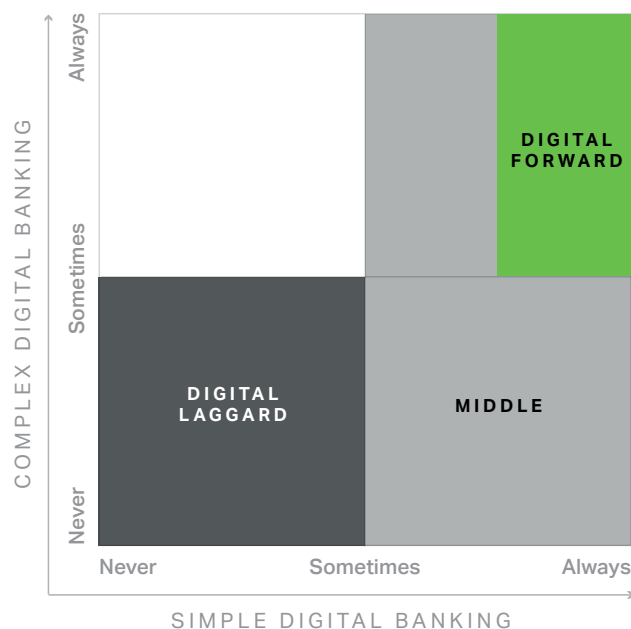
Online Banking Active
(last 30 days)

73%

52%

Mobile Banking Active
(last 30 days)

70%



We can see that Bank B has twice the number of digital-forward customers as Bank A and has seven times fewer digital laggards. The breakdown by segments shows that 16% of Bank A's customers are averse — compared with just 2% of Bank B's customers. And 42% of Bank B's customers are advanced and use digital first for every banking need — nearly a fivefold increase over Bank A.

Both banks have significant runway to shift customers' behavior toward the advanced segment — for Bank A, that opportunity exists with more than nine in 10 customers.

If both banks have 8 million customers, and the average incremental lifetime customer value from greater digital adoption is \$500/customer,* Bank A's opportunity is \$3.64 billion, and Bank B's is \$2.32 billion.

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BANK A'S OPPORTUNITY IS \$3.64 billion,

AND BANK B'S IS \$2.32 billion.

Banks should know what percentage of their customers are in each segment and focus on eliminating digital laggards and shifting customers' behavior toward greater digital utilization.

So how should banks go about creating more digital-forward customers? First, let's discuss the challenges that leaders and banks must overcome.

04

Common Challenges and Gallup's Solutions

Common Challenges to Enabling Digital Adoption Through Human Channels

Gallup's work with banking clients has uncovered six areas in which banks struggle to accelerate digital adoption through human channels: culture, change leadership, infrastructure, analytics, decision-making, and journeys/proficiency.



CULTURE

Common Challenges

- Underuse of employees to drive digital adoption
- Lack of alignment among leaders and business units

Insights

- Human ("touch") channels are three times more effective in driving digital awareness than direct
- Four in 10 employees know what their company stands for and what makes the brand different from competitors



CHANGE LEADERSHIP

Common Challenges

- Significant variation in digital adoption between markets/key segments
- Expectations, scorecards and incentives don't support digital adoption

Insights

- Focus: Often a 20%-30% difference in digitally active customers between markets



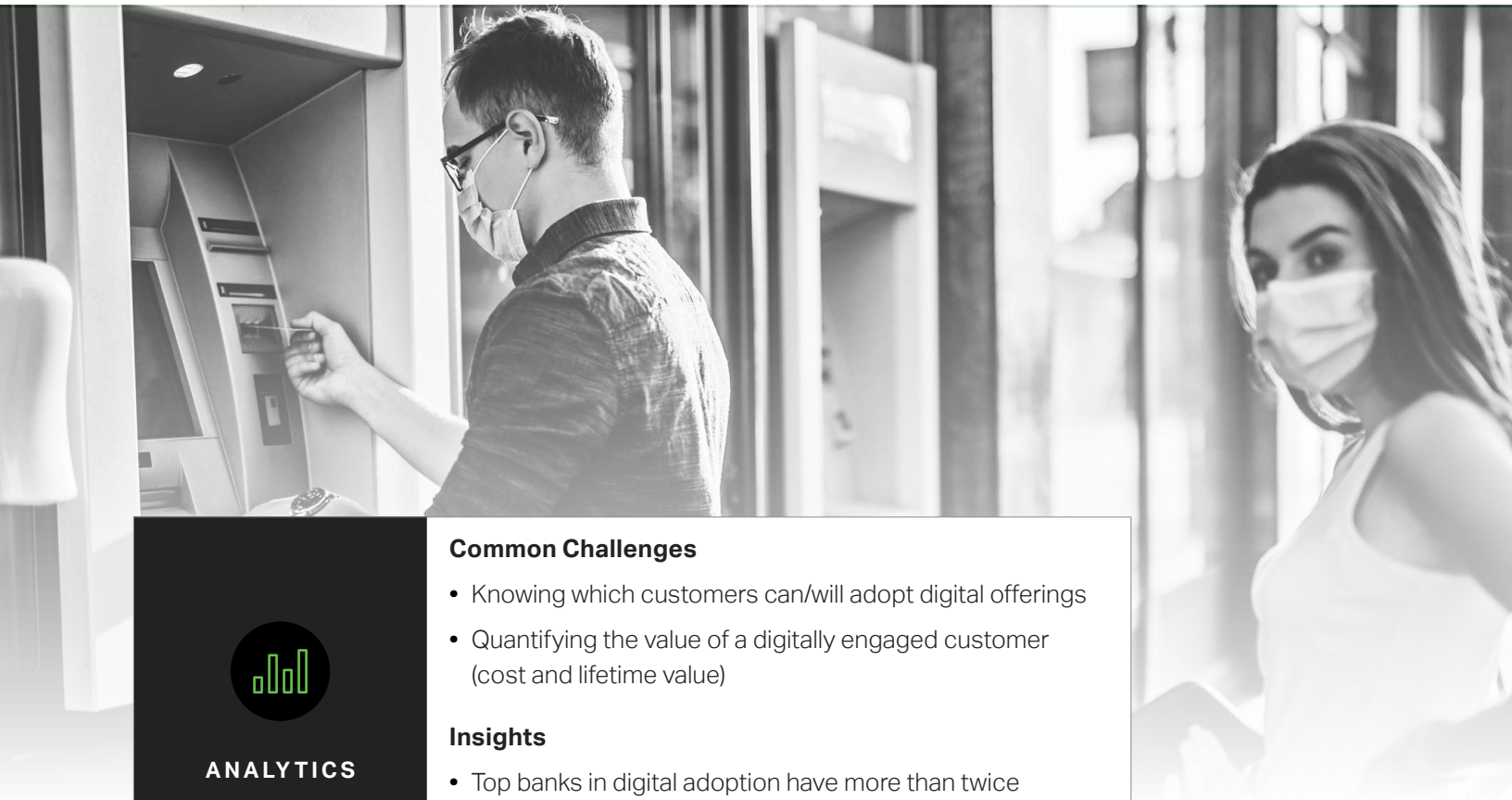
INFRASTRUCTURE

Common Challenges

- Reliably creating core digital and feature adoption at scale
- Lack of a digital enablement organization to connect digital with lines of business and divisions

Insights

- Less than half of banking customers say their bank made them aware of the digital tools they could use
- Only 39% of customers said their bank communicated how to use the tools



ANALYTICS

Common Challenges

- Knowing which customers can/will adopt digital offerings
- Quantifying the value of a digitally engaged customer (cost and lifetime value)

Insights

- Top banks in digital adoption have more than twice the number of digital-forward customers than do average banks



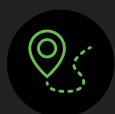
DECISION-MAKING

Common Challenges

- Unclear decision-making authority
- Competing priorities and misalignment between digital and lines of business

Insights

- Six in 10 employees say they don't have the materials and equipment they need to do their job right (e.g., decision-making authority, access to knowledge or resources, expertise)



JOURNEYS/ PROFICIENCY

Common Challenges

- Focus on attempts but not proficiency
- Inconsistent experience between channels

Insights

- Customers complete three in four complex actions via human channels
- Only 17% of banking customers are extremely satisfied with all the channels they use

How Can Your Bank Overcome the Common Challenges to Accelerate Digital Adoption Through Human Channels?

Based on our client engagements in financial services, Gallup recommends that banks create their Digital Culture & Enablement Infrastructure by implementing four pillars to accelerate digital adoption through human channels. Gallup helps banks operationalize each pillar and optimize the collaboration within and across pillars to achieve real scale and impact:

THE FOUR PILLARS

1

GOVERNANCE

Establishing a cross-functional executive leadership team, including the CIO, CDO and business line leaders, that owns, oversees and accelerates all aspects of the digital adoption strategy

2

CHANGE LEADERSHIP AND EXECUTION

Designing the mindset and culture shift necessary to become digital-first; developing and executing all aspects of the change plan

3

DIGITAL ENABLEMENT

Standing up the digital champions franchise; equipping leaders, managers and employees in human channels with the necessary skills and tools (first strategy in their “touch” channel)

4

ANALYTICS, AND IMPACT

Clearly defining the KPIs; mapping out the analytics to measure the effectiveness of the strategy; tracking impact and outcomes

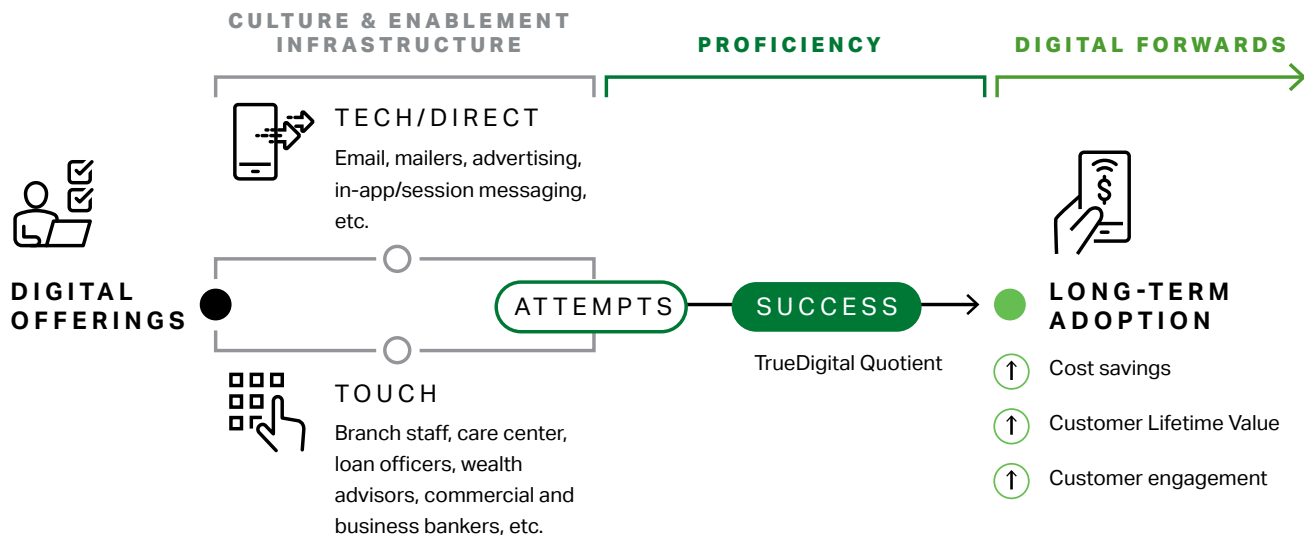
Summary

Intentional development of a digital culture among human channels is the predominant factor in achieving digital adoption. Simply put: Humans are necessary for successfully driving customers' digital adoption.

However, the investment in the necessary time, energy and resources to enable human channels to help facilitate that change lags behind spending on digital features and platforms. This underinvestment creates a problematic duality: great digital tools but low digital adoption. The gap costs banks billions in real costs and missed customer value.

It is not a surprise that this gap exists: Advancing digital capabilities is far easier than advancing people and culture. Changing local attitudes and service behaviors takes intentionality — it must be done by design, not by default. Specifically, banks need to invest in building an effective Digital Culture & Enablement Infrastructure to complement its digital features and platforms. One is not optimized without the other.

The road to creating more digital-forward customers starts with a human-driven strategy based on governance, change leadership, digital enablement, and analytics and impact. Banks that can most effectively manage these four pillars to blend technology and touch will be the digital leaders.



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