Bank customer loyalty eroded by vanilla offerings

Core banking products are largely undifferentiated across the various brands, resulting in customers who are becoming increasingly multi-banked, as they search for an institution that satisfies all their functional and service requirements.

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The *South African Customer Satisfaction Index (SA-csi) for Banking Products (2018)* provides the following insights into these core products:

Current accounts - surveyed Absa, Capitec, FNB, Nedbank, Standard Bank

- Capitec leads by a big margin, followed by FNB. Absa shows the most improvement in many of the indices, while Standard Bank is still struggling with some of their product value propositions.
- Given that the current account is typically the core transactional account for most consumers, banks cannot continue to approach products in a siloed way – it is concerning that despite the transactional current account being the core of most customer experiences, none of the other banks are well differentiated or excelling in any aspects of customer satisfaction.

Personal loans – surveyed Absa, African Bank, Capitec, FNB, Nedbank, Standard Bank

- Absa sets the bar in this product area with all other banks having significant work to catch up. Absa's aggressive pricing and solid product offering has seen it snatch the lead from Nedbank and quickly gain leader status in 2018 with 8-index points.
- Perceived value is the most critical component for customers of personal loans since customers in this target market are highly fee and rate sensitive and consequently feel that the value associated with certain parts of the process is not worth the fees and rates charged.
- Customers value solutions like home and personal loans that help them to progress.
- Interestingly the affluent customer segment sees the least value in the personal loans offering across the board.

Home loans – surveyed Absa, FNB, Nedbank, SA Home Loans, Standard Bank

- FNB and SA Home Loans show the best satisfaction scores in a very undifferentiated product line. Standard Bank is the only provider to be on a below par position. SA Home Loans has shown the biggest improvement.

- None of the brands are currently on the positive end of the price versus quality gap – with customers reporting that they do not believe the quality of experience on offer justifies the costs surrounding their bond.
- While the mortgage origination process hasn't fundamentally changed in decades and much of the initial customer engagement happens through intermediaries such as originators, online loan activity, research and processing is growing in every phase of the mortgage process. In terms of future focus, digital innovation in home loans is key, as more tech-conscious customers are entering the real estate market. Banks need to move rapidly in delivering a seamless digital mortgage service in order to dominate. Home Loan providers will be judged more and more on the usability, convenience and ease of the client experience.

Vehicle finance – surveyed Absa, MFC (Nedbank), Wesbank (FNB), Standard Bank

- Across all banks, vehicle finance products are completely undifferentiated – here fees and costs, as well as interest rate are key drivers of satisfaction and no bank takes a lead in any of these. This generic undifferentiated view results in more white label vehicle finance products offered to clients in the dealership where the vehicle is purchased.
- Vehicle ownership across the globe and in South Africa is being disrupted by companies like Uber and our views on mobility challenged by improvements in public transport systems and concepts like lift clubs. There is a global shift from ownership to usership which is making the vehicle finance industry a perfect target for an innovative, disruptive entrant.

Savings accounts – surveyed Absa, African Bank, Capitec, FNB, Nedbank, Standard Bank

- Capitec is the leader and pulling ahead with a clear margin, followed by African Bank. Absa, FNB and Nedbank comes in on industry par, while Standard Bank is below par in the overall customer satisfaction stakes.
- Consumers do not and cannot easily save in the current economic environment and banks are equally poor at marketing savings products to encourage consumer to manage their money better.
- There are many new product offerings in the savings and investment space targeting 22.5-million banked adults in South Africa, of which 16-million hold low interest savings accounts. This remains an opaque and complex market where information is hard to find and decipher.

Credit cards – surveyed Absa, Discovery Card, FNB, Nedbank, Standard Bank

- FNB leads the industry on credit cards, although Standard Bank is exceeding expectations and is seeing raised perceived quality scores.
- Quality, value and overall SA-csi are trending upwards for the industry. Standard Bank and Nedbank remain below par, while customers feel that pricing and rates are the biggest factors causing dissatisfaction.

Customer rewards – surveyed Absa Rewards, eBucks (FNB), Greenbacks (Nedbank), uCount (Standard Bank)

- eBucks is the leader, with a slight margin above the industry average while Absa Rewards and Greenbacks are on par, and uCount is below par. In the rewards markets, banks need to fully understand customer behaviours in order to reward them accordingly. Banks should be innovative with their rewards programmes. They should also always keep their customer up to date with the latest benefits and create general awareness.
- Customers currently view rewards programmes as vanilla or generic, while layers of complexity are being added. Rewards need to be approached as a strategic focus of the business rather than as a bolt-on that stand outside the entire product offering.
- No bank seems to get it right in dealing with customer complaints in a constructive manner. This also has a big impact on the overall satisfaction.
- Banks should be wary what their rewards programmes promise. Customers are highly sensitive to under delivering on these promises. Overall the rewards programme index is the lowest of all the bank products, indicating that respondents are not totally satisfied with this product. This finding is almost ironic since the essence of a rewards

programme is to show appreciation to the customer.

The future of banking will look fundamentally different and extend well beyond financial services products. New disruptors and fintech providers now provide the means for banks to become more than simple financial utilities, but actually inject themselves into almost every aspect of a consumer’s life.