

Customer experience will make or break traditional banks

This is a watershed year for the banking sector as traditional banks face intense competition and disruption from new entrants such as Discovery Bank, Bank Zero and TymeBank. In such an environment, customer satisfaction is a deal breaker when it comes to how much market share is lost to new entrants.



Image source: Gallo/Getty

The latest [South African Customer Satisfaction Index \(SA-csi\)](#) for Banking (2018) provides insights into the overall level of satisfaction of customers of South Africa's big six retail banks – Capitec, FNB, Nedbank, Absa, Standard Bank and African Bank.

Customer expectations

As banking moves through technological disruption and competition intensifies, customer expectations continue to increase.

Capitec continues to perform exceptionally well in terms of overall customer satisfaction. Expectations are always based on personal need of the consumer, and Capitec has nailed it in terms of understanding its target markets, their needs, and how the value proposition filters into that.

FNB joins Capitec with high customer expectation scores which are testament to their strong performance in past measures.

Absa is experiencing what is known as the 'halo' effect from its major brand relaunch in 2018, indicated by the increase in its customer expectation score in 2018. However, it is under heavy pressure to meet these increased expectations and is currently barely meeting customer's expectations.

Importantly, actual customer experience in all aspects of their banking operations needs to reflect the promises made in the brand relaunch.

Standard Bank's turn-around strategy has seen the biggest improvement in customer perception among all brands (+5.1 since 2016), although every year of improvement is followed by a commensurate increase in expectations.

Perceived value

Capitec is the undisputed leader in perceived value with a lead of almost 11 index points over the lowest score in this category, which is Absa. Across all sectors that are surveyed this is the biggest margin of difference in 'perceived value' between competitors, indicating that Capitec fully understands and delivers on its value proposition.

Perceived value is the most contested area in customer experience (CX) in banking – it's not only about affordable fees, but true value for the customer. The battlefield of perceived value will become very intensive as other banks are increasing their perceived value to customers.

Objectively, this does not mean that Capitec continues to have the lowest bank fees since other banks have reacted with comparable fee and costing propositions, but what Capitec does very well is to reduce total customer costs in terms of reduced red tape, less documentation, more speed, efficiency and convenience, which translates into perceived value. These 'simplicity factors' also contribute towards African Bank being perceived as great value for money.

The best improvement in perceived value compared with previous scores is Nedbank with a 3-index point improvement since 2017. Nedbank has shown consistent, year-on-year improvement in perceived value for the last three years.

African Bank surprised with a big positive perception-expectation gap – exceeding customer expectations by a big margin, although the euphoria of market re-entry is clearly over as customers objectively compare all the available offers in the market. The planned product range expansion beyond lending products will contribute to a more sustained market position.

Complaint incidence and resolution

Capitec has the lowest complaint incidence ratio (10%) which is line with global benchmarks, coupled with a high complaint resolution rate.

In contrast, for all other banks, customer complaints are red-flagged, being on average 150% higher than the international benchmark of 10%. It is concerning that when you delve into the reasons for complaints, these revolve around the basics and fundamentals of banking products such as account queries, debit orders and payments, card issues and so on, rather than more complex issues.

Banks are in general very poor at preventing the repeat causes of complaints and customer dissatisfaction once resolved. The lack of root cause identification and management of complaints has a direct correlation to customer loyalty, and given the new entrants in the market, warrants strong attention.

FNB has seen a 4% increase in complaints incidence compared with the previous year, which suggests that while FNB has strongly positioned as the 'digital' bank, its systems and processes have at times not supported this move seamlessly and reliably for its customers.

Customer loyalty

Absa, Nedbank and Standard Bank have excelled in this year's index on customer loyalty improvements and also show consistent year-on-year growth.

While FNB is strongly placed in a 'digitally differentiated' position, it will be increasingly difficult to sustain this advantage as competitors and new entrants will be closing the digital lead.

Capitec has the highest net promoter score (NPS) at 59,8%, which is almost double the industry average. Capitec customers are actively promoting and recommending the brand to others. NPS measures the likelihood of a person recommending a brand.

However, across the banking sector, NPS-only measurement practices are exposed as non-reliable indicators of loyalty as 25% of all banking customers are considered "defector" customers on the brink of defecting to another bank.

While banks may point out that their churn rate is below 25%, the disjoin comes in when one considers the time frame when a client defects to another bank. Customers usually adopt a phased approach rather than close and move all accounts in one go. Banks won't necessarily see the churn as quickly or as marked as it occurs over a few months. The red flag should be that 25% of bank customers have indicated very low satisfaction levels and thus low levels of loyalty, and thus are likely to move to a better competitor offering. These customers are the soft target for new competitors such as Discovery Bank, Bank Zero, and TymeBank.

Overall customer satisfaction score

Capitec is once again the leader by a significant margin, followed by FNB, also a sector leader. Capitec's consistent performance over the last six years in the SA-csi demonstrates that there is real substance to its value proposition. Both the leaders need to note the plateau in their year-on-year scores whilst Nedbank and Standard Bank are continually increasing and closing the gap.

Nedbank has shown strong improvement, as has Standard Bank on the back of significant infrastructure investment since 2016.

After years of decline, Absa has rebounded with an improvement but much of this remains on the back of its Africanacity launch. It remains to be seen in 2019 whether actual deliverables meet customer expectations.

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