

# The customer takes control

Global Consumer Banking Survey 2012

Yes No Don't know  
Oui Non Je ne sais pas  
Ja Nein Ich weiß nicht  
はい いいえ 分かりません  
Sí No No sabe no contesta  
Sim Não Não sei  
是 不是 不知道  
Да Нет Не знаю  
Sì No Non lo so  
हाँ नहीं पता नहीं

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# The customer takes control

## Ernst & Young

### Global Consumer Banking Survey 2012

Retail banks around the world are facing intense margin pressure, slow balance sheet growth, an uncertain economic outlook and a growing threat from new entrants, especially in the payments arena. Banks are also confronted with growing regulatory costs and increasing demands for greater fairness and clarity in their interactions with customers.

All of these factors are encouraging banks to increase their focus on their most important stakeholders – their customers. Unfortunately, as banks are only too aware, customers who are losing trust in the industry heavily outnumber those who are feeling more confident.

In this environment, understanding customer behavior, attitudes and requirements is more vital than ever for banks' strategic thinking, operational planning and day-to-day customer treatment. Retail banking remains a local business, and the impact of customer challenges varies from market to market. Nevertheless, our experience tells us that key themes are often remarkably consistent across continents and between countries.

This is Ernst & Young's latest survey of retail banking customers around the world. Building on our previous global customer survey in 2011 and our European customer survey in 2010, it examines the views of more than 28,500 banking customers in 35 countries, gathered in March 2012.

**The survey emphasizes the following questions:**

- ▶ How likely are customers to switch banks, and if so, why?
- ▶ Is customer behavior toward their banks changing, and if so, how?
- ▶ How are customers using different channels, and what do they expect from them?
- ▶ What is driving customers' satisfaction, and what improvements do they want to see?
- ▶ What steps can banks take to enhance customer loyalty and advocacy?

We hope you find this report a good stimulus for dialogue and a useful tool when planning customer-focused strategies, business models and operations.

We welcome the opportunity to discuss our findings in more detail, and we invite you to refer to the contacts provided or visit [www.ey.com/globalconsumerbankingsurvey](http://www.ey.com/globalconsumerbankingsurvey).



**Bill Schlich**  
Global Banking & Capital Markets Leader  
Ernst & Young

**28,560**


Banking customers

**35**

Countries

**100%**

Insightful



Percentage decrease of customer  
confidence in the banking industry

World

40%

Italy

72%

Spain

76%

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## Executive summary

Customers are taking control of their banking relationships. Banks need to embrace this trend and give more power to their customers.

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Customers are taking greater control of their banking relationships. They are switching banks, changing their behavior and demanding improvements. In response, banks need to reevaluate their assumptions and fundamentally change how they interact with their customers. They need to embrace change by giving their customers greater flexibility, choice and control, and by reconfiguring their business models around customer needs.

Giving more power to customers may feel uncomfortable, but in the long run banks that do so will position themselves for success in the future.

### **Customers are taking control.**

Overall customer confidence in banking continues to fall, with 40% of customers losing trust in the industry over the past year and only 22% gaining confidence. Despite improvements in the US, customer trust is falling in many other mature economies. The trend is strongest in the European Union (EU), where more customers have lost confidence in countries like Italy (72% in 2012, from 48% in 2011) and Spain (76% in 2012, from 58% in 2011).

It is true that customer confidence remains resolutely high in a number of emerging markets. In India, 72% of customers are feeling more confident. Even so, the overall direction of sentiment is clear. Globally, the extent of falling confidence is leading to some fundamental changes in customer behavior.

- **Customers are more likely to use other banks.** Customers are becoming less loyal and increasing the number of banks they use. The overall proportion of customers planning to change banks has increased from 7% to 12% since 2011. Sensitivity to fees and charges is the leading driver of attrition, cited by 50% of customers. Customers with only one bank have fallen from 41% to 31%, while those with three or more have increased from 21% to 32%.
- **Customer advocacy is gaining power.** Word of mouth is gaining influence. Customers are listening to each other more than their banks or financial advisors. Globally, 71% seek advice on banking products and services from friends, family or colleagues, and 65% use financial comparison sites to find the best deals. The views of online communities and affinity groups are also gaining importance. The use of social media as a source of banking information (by 44% of customers) is amplifying customers' voices, giving them greater power as advocates or critics.

- **Customers want to play an active role in tailoring their products and services.**

Globally, only 44% of customers say their bank adapts the products and services to meet their needs. The survey results show that 70% of customers are willing to provide their banks with more personal information. In return, customers expect to receive tangible improvements in the suitability of products and services they are offered.

- **Customers want better value and improved service.**

Not surprisingly, customers want lower costs and better service. Improving fees and charges is the top priority, as cited by 22% of customers. Customers' second priority is to strengthen online and mobile banking. But customers want much more than just a better deal. They want the flexibility to shape the relationship, contacting their bank whenever and however they choose. Customers prefer online channels for simple transactions, but they also demand high-quality, personal service for more complex transactions and advice.

**Banks need to embrace the shifting balance of power.**

Banks are competing for the business and loyalty of increasingly demanding customers. In response, different models are emerging to serve different customer needs. Some are based on low-cost competition, some on high-touch service and some on accessibility. Large, full-service banks need to defend market share against specialist competitors focusing on particular products or customer segments, as well as new entrants in the payments space. At the same time, full-service banks need to retain the ability to meet a huge range of customer needs.

For large retail banks, choosing where and how to compete is a complex challenge. They need to deliver the level of personalization and flexibility customers want, and develop differentiated products and services – all while lowering costs and generating sustainable profits. There is no simple solution, but as we look across the industry we see nine key implications.

## Give customers more flexibility

### 1 Make pricing and service promises transparent

Pricing is critical to customer satisfaction, but most customers have no idea how much they pay each year. Transparency over pricing and service promises is vital if banks are to deliver something customers value. It is also critical for banks to rebalance fee structures to achieve the clarity and sustainability demanded by regulators and investors.

### 2 Offer segmented levels of customer service

Customers should have the option to buy into certain products and services, as well as the ability to earn upgrades through loyalty, whether in terms of longevity, share-of-wallet or the value they generate.

### 3 Move from multi-channel to omni-channel distribution

Customers care more about convenience than about channels. Banks need to look beyond multi-channel toward a fully integrated banking experience that combines the advantages of physical branches and in-person interactions with the information-rich digital channels. Omni-channel distribution leverages customer data gathered from branches, website visits, social media and elsewhere. Marketing offers are customer-segment specific, rather than channel specific, and allows customers to purchase a product in one channel that they had researched or seen promoted via another channel.

## Help customers to shape their experience

### 4 Encourage customer self-service

By regaining influence over customers' decisions, banks can manage their own revenue more effectively. To do so they need to improve how they provide information and advice. Banks need to target self-directed customers and encourage greater self-service through financial planning tools, demonstrations of "how people like you are investing," or ranges of product and pricing bundles.

### 5 Shift marketing from "push" to "pull"

The growing importance of word of mouth and the waning power of direct selling have implications for banks' marketing strategies, which need to shift from push to pull. Banks should aim to recruit their satisfied customers as advocates. They also could recruit online affinity groups as marketers by letting them select and shape the communications they receive.

### 6 Develop flexible loyalty programs\*

Banks need to capitalize on customers' growing enrollment in loyalty programs, especially in emerging markets like India (48% in 2012 versus 26% in 2011). Most customers want financial rewards. Although costly, such rewards offer huge potential benefits in loyalty and advocacy. Banks should tailor programs for affinity groups and let customers choose rewards based on their value to the bank.

#### \*Example of SmarterBank

SmarterBank is an online US bank targeting student communities. It has a loyalty program specifically designed to help customers repay their student loans. Its SmarterBucks rewards program uses rewards for debit card use to pay down student loan balances. Family members can also directly contribute loan payments.

## Shape business models around customer needs

### 7 Make low-cost digital channels customers' preferred choice

Banks should encourage customers to use digital channels whenever possible. Banks should determine which services customers want to handle through branches and encourage – not force – other transactions to move to digital channels, using price incentives, if necessary.

### 8 Prioritize investment on critical customer interactions†

Customers identify a number of bank interactions as particularly important. Banks that focus operational improvements on these areas will optimize the resulting impact on attrition, dormancy and loyalty. They will also achieve a benefit in terms of their costs to serve. Banks recognize the importance of operational investment, but they will need to carefully target their limited capital spending budgets for maximum effect on customer satisfaction.

### 9 Use innovative technology to deliver the retail bank of the future

The use of cutting-edge technology is vital to all of the other implications we identify. This includes breaking down silos, creating omni-channel distribution, developing innovative rewards for loyalty and giving customers the ability to personalize their products and services. Technology can also help to maintain intimacy as customers move towards digital banking and greater self-service. To achieve this, banks will need to partner with technology innovators.

†Based on research conducted in 2011, we identified 10 critical customer interactions

1. Changes to fees and charging structures
2. Account switching
3. Account opening or closing
4. Life events (e.g., marriage)
5. Change-of-account details
6. Complaint handling
7. First time into the debt collection process
8. Lost or stolen card
9. Setting up a payment
10. Buying a new product



A black and white photograph of a man in profile, wearing a white long-sleeved shirt and a backpack, looking at a large mural on a wall. The mural depicts a large hand pointing towards the left. The man is standing in front of a tiled wall on the left and a brick wall at the bottom. A text box is overlaid on the image.

Globally

**50%**

of respondents cite dissatisfaction  
with high fees as the most  
important driver of attrition.



## Customers are increasingly likely to use other banks

Customers are becoming less loyal to their main bank, and they are increasing the number of banks they use. The proportion of customers planning to change banks has grown by 70% since 2011, and attrition rates have increased in several major markets. High fees are the leading driver of attrition. Globally, multi-banking is increasing as customers search more actively for the best rates and products. Customers remain wary of non-financial providers, but banks face a potential threat from new entrants offering better rates, more personalized service, stronger technology or more attractive rewards.

# 01

## Customers are increasingly likely to use other banks

**There has been a significant jump in the number of customers planning to change their bank. Attrition rates have grown in several key markets, driven chiefly by high fees.**

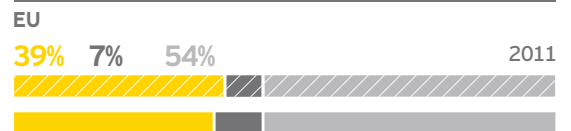
Despite strong overall measures of customer satisfaction, significant numbers of customers are actively considering changing their bank. Worldwide, the number of customers planning to switch banks has grown from 7% in 2011 to 12% in 2012. The figure is significantly higher in China, India and several Latin American markets. For example, the number of Brazilian customers planning to change has jumped from 7% to 20%. Only Japanese customers are less likely to move banks than in 2011.

Dissatisfaction with high fees is the most important driver of attrition, cited by 50% of respondents. Poor branch experience (31%) and poor interest rates (30%) are the other leading drivers of attrition.

Worldwide, 34% of customers say they have changed their main banking provider and 74% have done so in the last 10 years. The overall figure is marginally lower than in 2011 but it conceals some wide variations across countries, with attrition rates rising significantly in several key markets. Specifically, in both the US and Canada, the number of respondents who have changed their main bank has increased from 38% in 2011 to 45% in 2012, while it decreased from 40% in 2011 to 29% in 2012 in Brazil. Attrition has also accelerated in India, China and South Africa.

Have you ever changed your main banking provider?

■ Yes ■ No, but I am planning to change ■ No





Globally

12%

of respondents are thinking  
about switching banks.

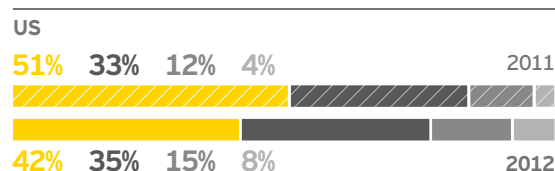
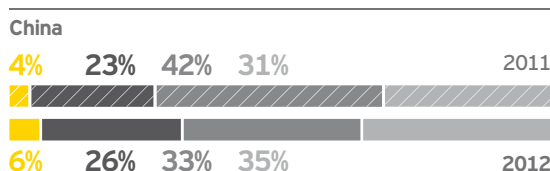
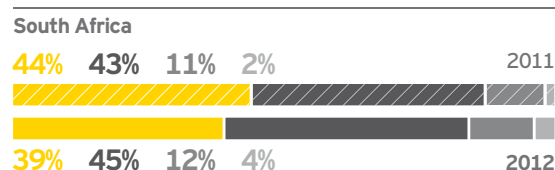
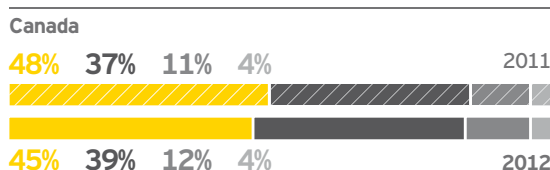
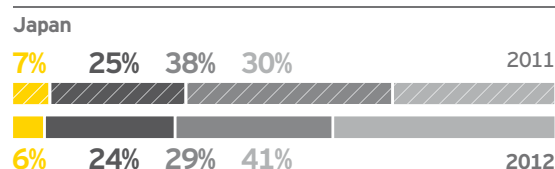
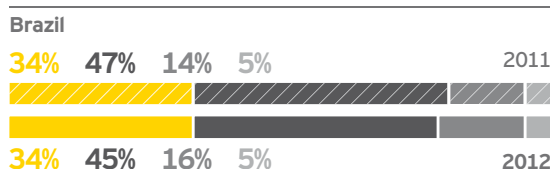
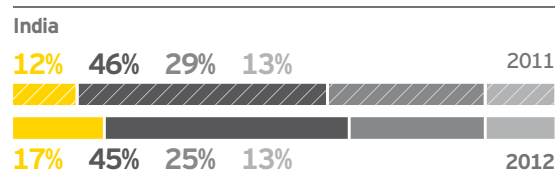
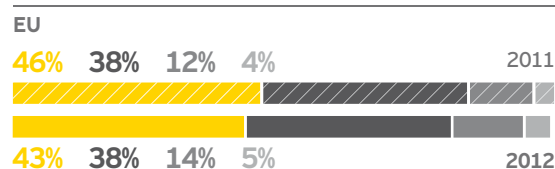
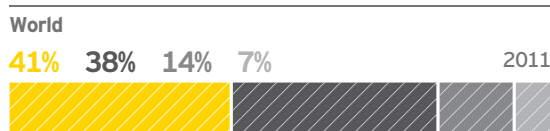
**Globally, multi-banking is increasing rapidly. Customers are intensifying their search for the best rates, products and services.**

Customers' increasing willingness to change banks is reflected by the increased number of banking relationships. Although customer dynamics vary between different markets, there is a clear global trend toward customers using more than one bank – known as multi-banking. Globally, those with just one banking relationship have fallen from 41% to 31% since 2011, and those with three or more banks have increased from 7% to 12% in the same period. The growth in multi-banking is being driven by a desire to obtain the best rates (34%) and to receive the best product or service (34%).

Multi-banking is clearly on the rise in mature markets such as the US, Canada and Western Europe. In the US, the number of customers with only one banking relationship has fallen from 51% to 42% since 2011, while the proportion with three or more providers has climbed from 16% to 23%. In markets like Spain that are an exception to this rule, consolidation among domestic banks is the major factor reducing multi-banking.

In emerging markets, multi-banking tends to be even higher than the global average. This often reflects a desire to diversify deposits and reduce exposure to the risk of bank failure. Levels of multi-banking are falling slightly in some emerging markets such as India, Mexico and Indonesia, but these are an exception to the global trend. Again, consolidation between banks is a factor in some countries.

How many banks do you bank with?





**Customers remain wary of non-financial providers, but the potential threat from new entrants offering better rates, more personalized products and services, stronger technology or better rewards is very real.**

The majority of customers still turn to a bank when making product choices about checking accounts, savings and credit cards. They are more likely to choose a non-banking institution for non-core products such as personal loans and automotive credit. Among other factors, this is a result of increased numbers of specialized lenders and falling levels of bank lending.

Customers around the world are still generally reluctant to use technology, media or retail companies for their banking needs, but there are

signs that this could change. Economic factors are most likely to draw customers to non-financial institutions, implying that firms able to offer better rates or lower fees than incumbent banks could gain market share. We also note that our separate survey of retail bankers shows that more than a third expect the competitive threat from non-traditional rivals to grow over the next five years.<sup>1</sup>

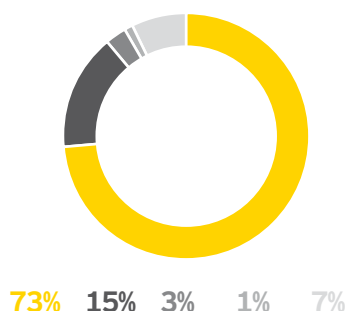
Other factors that would encourage customers to use non-financial entrants include a better product offering, more personalized service and a trusted brand. Better technology or improved loyalty programs could also attract some customers. Customers in India, China and Turkey are particularly likely to be attracted by a strong brand or technology.

Which organizations do you use for the following products and services?

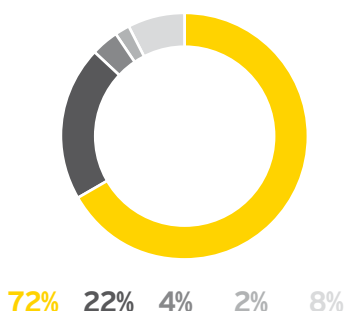
- Main bank
- Another local bank
- Another foreign bank
- Financial advisor
- Non-bank

**World**

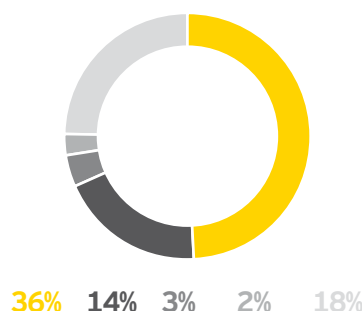
**Checking/current account**



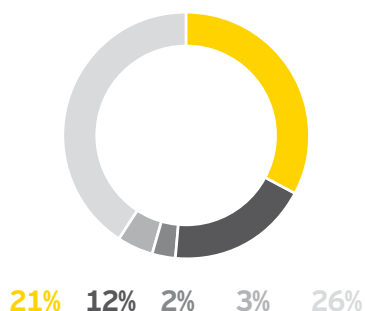
**Savings**



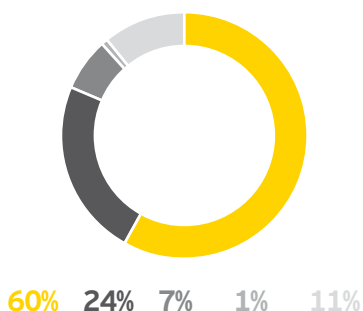
**Personal loan**



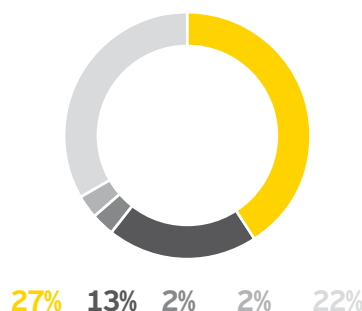
**Car loan**



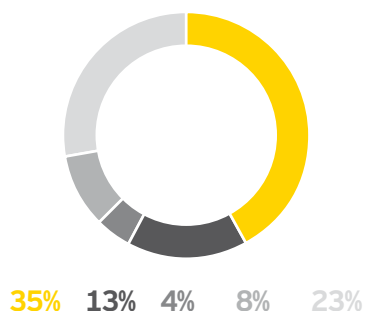
**Credit card**



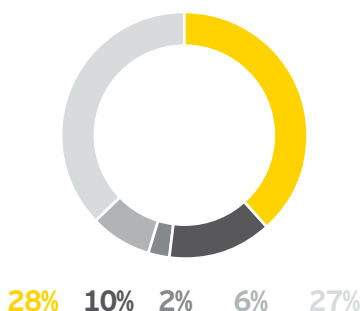
**Mortgage**



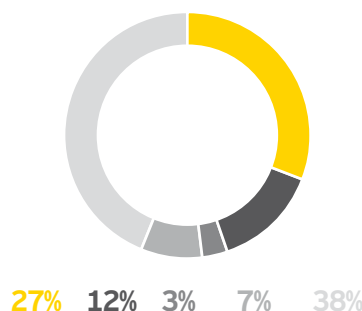
**Investments**



**Retirement**



**Insurance products**



Multiple-choice question whereby respondents selected all the categories that applied to them

<sup>1</sup> Global study of 654 senior retail banking executives conducted in October 2011 on behalf of Ernst & Young by The Economist Intelligence Unit.



Globally

71%

of customers turn to friends, family and colleagues for information on banking products.



## Customer advocacy is becoming a dominant force

Customer advocacy and word of mouth is rapidly gaining power. Customers are most likely to seek banking advice and information from friends and family, but online reviews and opinions are also gaining influence. Financial comparison websites are used by 65% of customers, eclipsing financial advisors and encouraging customers to take control of their own research and decision-making. Social networks are increasingly important sources of information, and magnify banking customers' ability to act as influential advocates – or critics.

02

## Customer advocacy is becoming a dominant force

**Globally, the majority of customers rely on personal peer groups for banking information. Online word of mouth is also increasingly powerful. In response, banks need to move from push to pull marketing.**

When it comes to seeking advice on banking products and relationships, 71% of customers around the world consult friends, families and colleagues first. Customers place the greatest value on information and advice that comes from sources they personally know and trust. Personal recommendations are the most important source of information in mature markets such as the US, Canada, Japan and Australia (63%, 67%, 59% and 63%, respectively) but they are also the leading consideration in many emerging markets and, to an even greater degree, in Brazil (77%), India (82%) and China (84%).

The use of online communities, while much less influential than face-to-face discussion, is also an increasingly popular source of banking information. Online communities are particularly influential in emerging markets in Asia-Pacific and Latin America.

Globally, 55% of customers use online networks and communities for advice and information on banking. This exceeds the 43% who use competitor advertising, matching the shift from push to pull marketing observed in many other industries. Banks need to respond with more creative marketing strategies, and some are already working to try to harness the potential advocacy of satisfied online affinity groups.

**Financial comparison websites are used by 65% of customers, increasing their power and desire to find the best deals. Comparison sites are now more influential than financial advisors in most markets.**

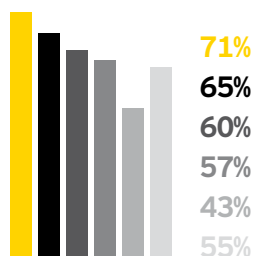
Customers' increasing willingness to actively manage their banking relationships represents a major change for the industry. The survey shows that 65% of global customers use financial comparison websites, relatively unknown five years ago, as a source of information about banking products and services. Comparison sites are playing a crucial role in customers' growing desire to seek out the best deals, whether they are looking for a new product, seeking a replacement or moving to a new bank altogether.

Comparison sites have achieved success across regions as diverse as Western Europe, Latin America and Asia-Pacific, although they are slightly less popular in some mature markets – most notably the US, Canada and Australia. Globally, it is remarkable that comparison sites are now seen as playing a more important role than financial advisors, although that is not yet true in markets such as the US and Canada.

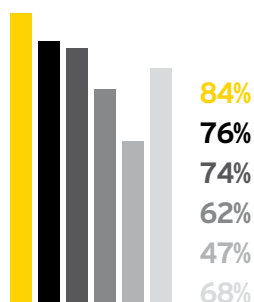
What information sources do you value to keep yourself informed on banking products with your main bank?

- Face-to-face discussion with friends, family and colleagues
- Financial comparison websites
- Financial advisor
- Media reports
- Competitor advertising
- Online personal network/trusted communities

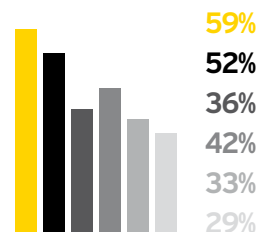
World



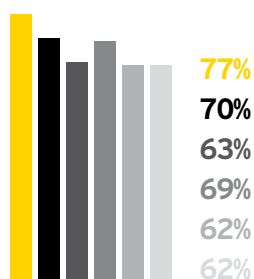
China



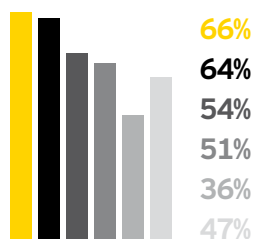
Japan



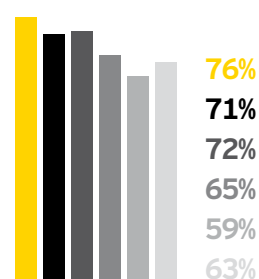
Brazil



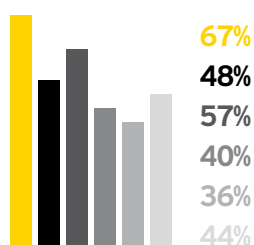
EU



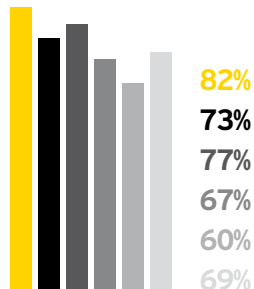
South Africa



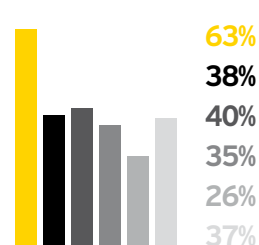
Canada



India



US



Multiple-choice question whereby respondents selected all the categories that applied to them



A black and white photograph of a man dressed as a Roman gladiator, wearing a helmet with a large plume and a tunic with a chain. He is holding a mobile phone to his ear. In the background, the massive stone arches of the Colosseum in Rome are visible, with a group of people walking on the cobblestone ground.

Globally

**44%**

of respondents use social  
networking sites as a source  
of banking information.

**Social networks are becoming important sources of banking information, especially in emerging markets. Social networks are also magnifying customer voices, increasing their power to act as advocates or critics.**

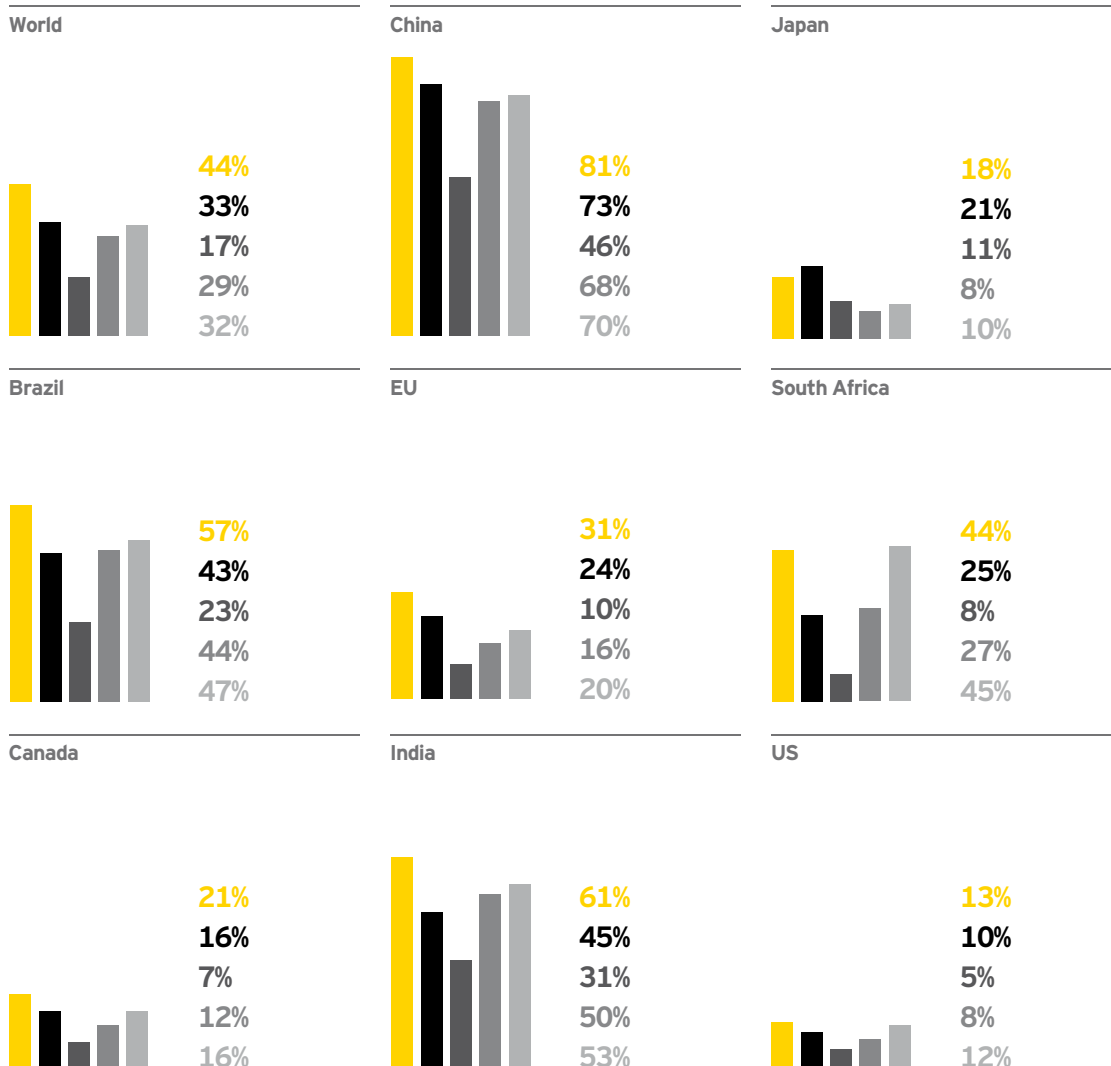
Globally, 44% of customers use social networking sites as sources of information on banking products and services. Customers in emerging markets are particularly likely to use social media to interact with their banks. Worldwide, seeking information remains the primary banking function that customers perform via social networks, but in some markets significant numbers of customers are also conducting transactions this way.

China and Turkey provide two of the most notable examples of this trend. For example, 81% of Chinese customers use social networks to find out more about banking products and services, 73% to access their accounts and 70% to comment on service received. The involvement of China Merchants Bank with Renren, the main Chinese social network, is a driver of this phenomenon. In Turkey, 78% of customers use social media to find out about banking products and services, 67% access their accounts in this way, and 53% use social networking sites to comment on the service they receive.

Worldwide, almost one-third of customers who use social networking sites to interact with their bank also use them to comment on the service they have received and to pass on news about good offers. Given the vital role that advocacy plays in customers' product and relationship decisions, this is a significant finding.

Do you use social networking sites in relation to your banking activities for any of the following reasons?

- Find out more about their products and services
- Access your account
- Share your budget and spending patterns
- Share great banking-related offers
- Comment on the level of service you've received



Multiple-choice question whereby respondents selected all the categories that applied to them





Globally

70%

of customers are willing to provide their bank with more information if this leads to greater personalization or better service.



## Customers want greater personalization and flexibility

Customers place a high value on personalized products and services. A majority are ready to provide more personal information to their bank, as long as they receive a more tailored offering in return. However, personalization goes beyond appropriate products. Customers' channel preferences are becoming increasingly complex, and they like the convenience of flexible access to their bank. Banks need to let customers choose how they interact and offer different cost and accessibility options.

## Customers want greater personalization and flexibility

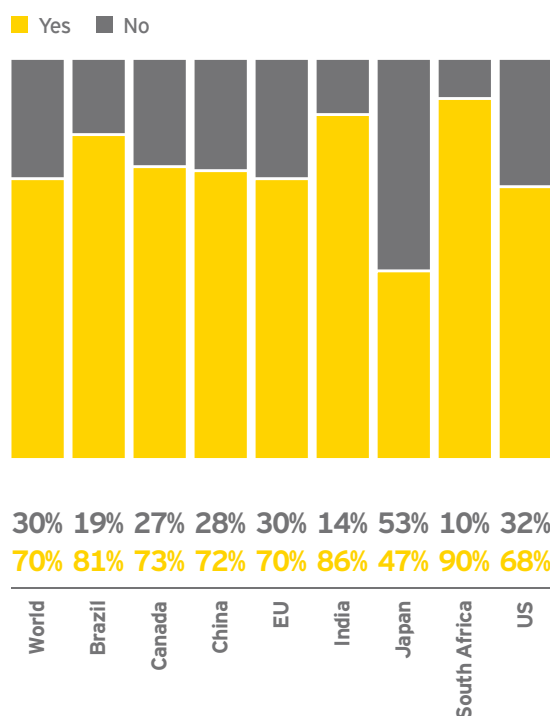
### Customers want personalized products and services, and most would be happy to give more personal information to their bank in exchange for a more tailored service.

Customers value personal service, and they'll offer personal data to get it. In fact, 70% of customers worldwide are willing to provide their bank with more information if this leads to greater personalization or better service. The majority of customers in every country surveyed – with the notable exception of Japan – would be happy to disclose personal information in this way. Levels are particularly high in emerging economies, with customers in South Africa (90%), India (86%), Indonesia (83%) and Brazil (81%) among the most willing to provide more personal information.

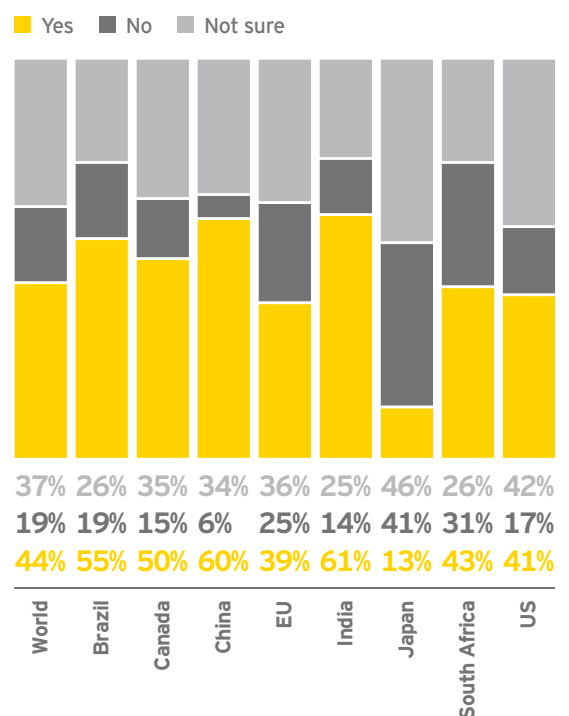
This is good news for banks, but they need to remember the implied contract involved. Customers' willingness to engage with their banks depends on the banks delivering their side of the bargain. Readiness to provide personal information is often the result of successful product tailoring.

Just over a quarter of customers would be willing to provide their bank with personal information twice a year, and a similar number would be willing to do so annually. This far outweighs the minority (6%) who are only happy to provide personal information at the start of their banking relationship. Customers in a number of European, North American and Asia-Pacific markets would prefer to provide updates at their own discretion.

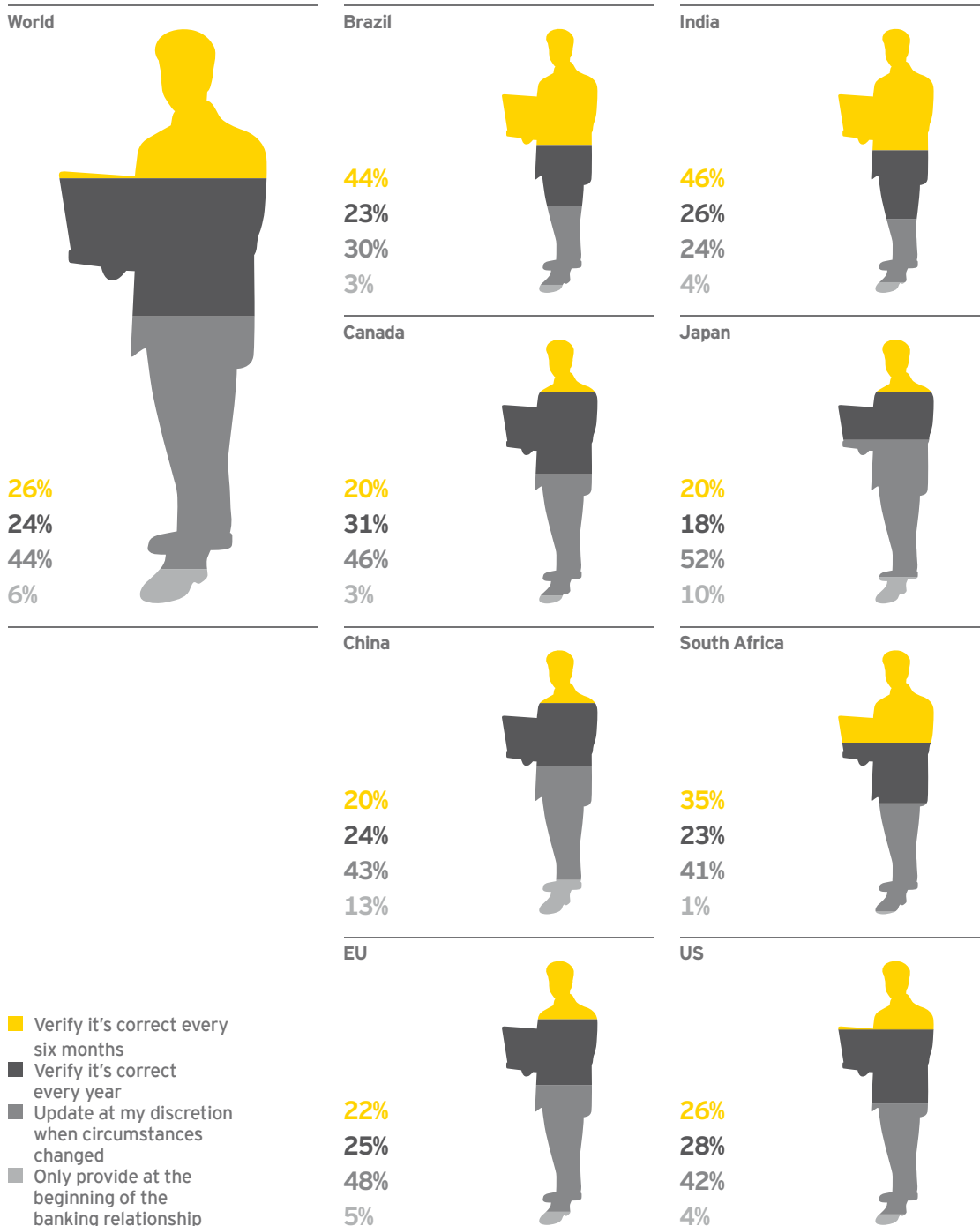
Would you be willing to provide your bank with more information about yourself and/or your family if it helped your bank to recommend a more appropriate account or deliver a better service?



Does your bank adapt the products and services it offers you as your financial needs change?



How often would you be prepared to update the information for your bank?

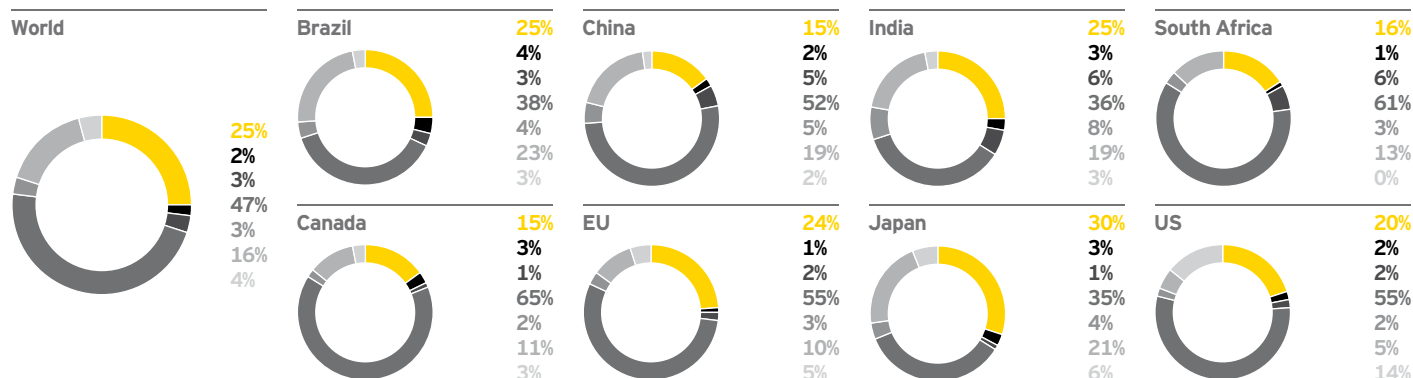


**Customers want the flexibility to use different channels for different transactions. Banks need to let customers personalize their distribution choices, with different cost and accessibility options.**

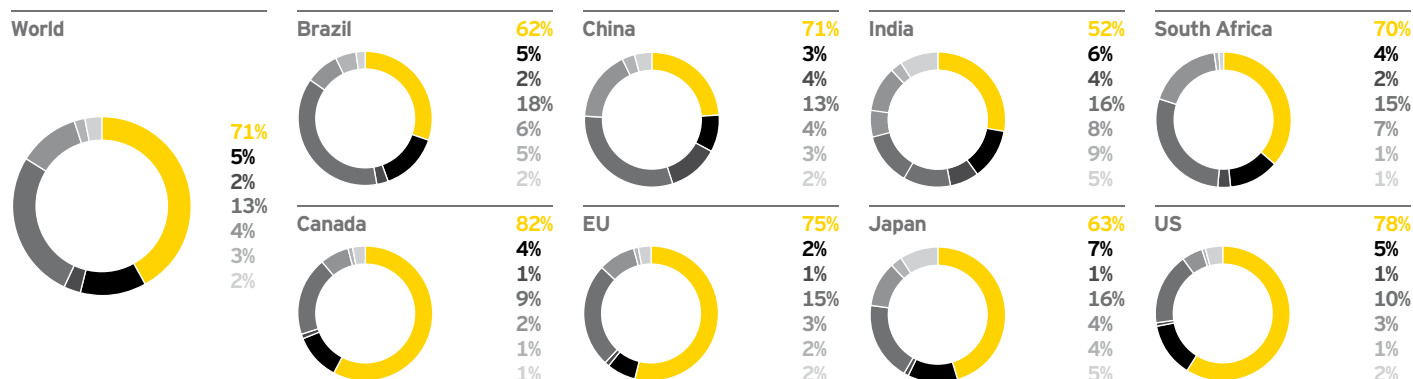
Internet banking is now customers' preferred way to access account information in every country covered by the survey. The huge success of online banking can be attributed to its convenience and accessibility – customers can decide when they interact with their bank. In most markets, internet banking is also the most popular channel for customers undertaking simple transactions such as paying bills.

Despite the success of internet banking, customers around the world agree that access to branches and branch staff remains crucial for overall satisfaction. This is especially true when it comes to complex transactions, which customers in all markets prefer to perform in branches. The picture is more varied for advice on products or services. Branches are the first choice in most markets, but customers in Brazil and China prefer to seek advice via an internet service, and call centers are the leading choice in Australia.

**What is your preferred method of dealing with your bank for different products, services and activities?**  
Simple transactions




**What is your preferred method of dealing with your bank for different products, services and activities?**  
Complex transactions



● Branch visit ● Call center ● Mobile app ● Internet ● Email ● ATM ● Postal mail





Globally

47%

of respondents prefer to use internet banking for simple transactions with their bank.

The growing popularity of online banking and the continued importance of bank branches – in addition to the emerging role of mobile banking – illustrate the increasing diversity of customers' channel preferences. Customers are becoming increasingly keen to select when, and how, they use different channels. However, this is not just about local preferences. Many customers choose one channel on one day and a different one the next, depending on their specific needs at the time.

Analysis of the survey results also shows that customers of different ages have different channel preferences for different interactions. For example, when seeking advice on banking products and services, people under the age of 25 only marginally prefer using a branch instead of the internet (33% compared to 29%), while those between the ages of 35 and 54 clearly prefer branches (44% compared to 27%). Among customers aged 55 and over, the preference for branch-based advice is even stronger (58% compared to 21% for the internet).

Age segmentation showing customers' preferred channels for different banking activities.

Age group	Access to account information		Advice on products and services		Simple transactions		Complex transactions	
	Visit to branch	Internet	Visit to branch	Internet	Visit to branch	Internet	Visit to branch	Internet
18-24	14%	51%	33%	29%	23%	38%	63%	14%
25-34	10%	63%	36%	29%	21%	49%	68%	16%
35-54	12%	66%	44%	27%	24%	50%	73%	14%
55 and over	15%	66%	58%	21%	29%	50%	81%	10%
Total	13%	63%	43%	26%	24%	48%	72%	14%

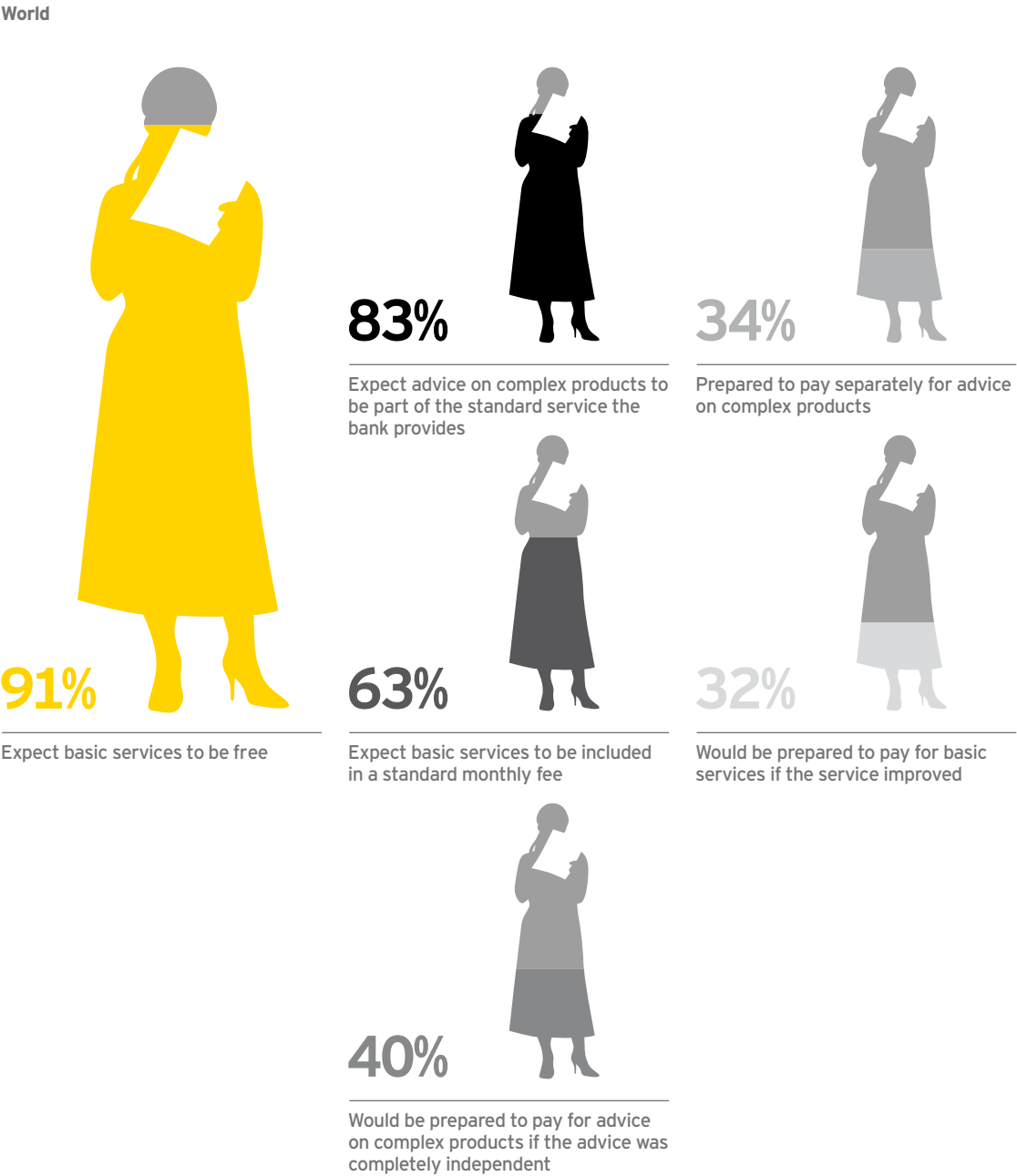


This complexity shows that improving personalization is about more than just making better use of customer data. It means developing technology to give customers greater control over when and how they interact with their bank.

On a connected theme, we note that, despite the fact that 91% of customers would like basic banking to be free, and a third of customers would be prepared to pay separately for advice on complex

products. In our view, these findings tie in with customers' increasingly complex distribution requirements. Banks do not just need to give their customers greater flexibility in how they contact their bank, but also greater choice between different costs, service levels and functionality for each channel that they use.

What are your expectations in terms of paying for banking products and services?



Multiple-choice question whereby respondents selected all the categories that applied to them



Globally

**22%**

of customers want their bank  
to improve its fees and charging  
structures.

## Pricing and service quality remain critical to customer satisfaction

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Pricing remains a critical driver of customer satisfaction and a vital tool in banks' fight against customer attrition. In addition to demanding more transparency concerning fees and charges and better interest rates, customers want to see improvements in digital banking. Mobile banking offers particularly strong potential for growth – and consequently for reducing costs – if customers can be reassured about its security. Overall satisfaction with the major distribution channels is high or improving, but customers want to see further improvement in vital, everyday services and interactions.

## Pricing and service quality remain critical to customer satisfaction

**Pricing is the single most important driver of customer satisfaction and a key tool in the fight against attrition. Customers are demanding improvements in the clarity and communication of fees and charges.**

Customers' increasing focus on maximizing the value of their banking relationships means that pricing is a critical driver of customer satisfaction – and retention. Sensitivity to fees and charges is the single leading, global driver, of customer attrition, cited by 50% of customers. Customers around the

world also indicate that improvements to fees and charging structures are most likely to increase their satisfaction with their bank (identified by 22%).

Clearer communication and transparency about fees is the most sought-after improvement globally, and it emerges as the leading factor in many European and Latin American markets. This is consistent with customers' increasing desire to make their own, informed decisions about products and pricing.

Which of the following banking activities would you most like your bank to improve or make easier to increase your satisfaction with the service it provides?

World



Chart shows the top five areas customers want their banks to improve out of a possible 15 categories

**Customers want to see improvements in online and mobile banking. Greater confidence in security would encourage 78% of young people to make greater use of mobile banking – a huge potential cost reduction.**

Improving online and mobile banking is identified as the second most important driver of increased satisfaction by customers around the world.

However, customers have not yet accepted mobile banking as a trusted distribution channel. For this to change, banks need to make a range of improvements to availability and service quality.

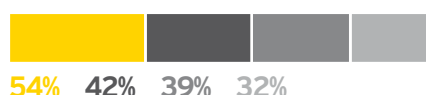
Most importantly, customers need to be reassured about the security of mobile banking. A strong majority (67%) say they would use mobile banking if they felt confident in its security.

Customers' assessment of the most important areas for improvement is affected by their age. Apart from the transparency of fees and interest rates, the top three areas for improvement vary according to the age of the customer.

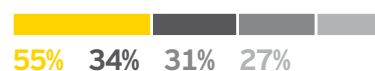
If you are not satisfied with transparency of fees, what are the main ways banks can improve this?

■ Communication clarity  
■ Standard terms and conditions  
■ Service quality  
■ Personalization

#### World



#### EU



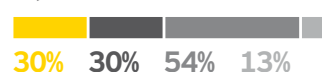
#### India



#### Brazil



#### Japan



#### Canada



#### South Africa



#### China



#### US




Multiple-choice question whereby respondents selected all the categories that applied to them

Age segmentation showing the top three improvements customers want their banks to make.

	Age 18-24	Age 25-34	Age 35-54	Age 55 or over
<b>First priority</b>	Change the structure of prices and interest rates (13%)	Change the structure of prices and interest rates (19%)	Change the structure of prices and interest rates (23%)	Change the structure of prices and interest rates (28%)
<b>Second priority</b>	Payments (13%)	Bank transactions online or via mobile phone (13%)	Bank transactions online or via mobile phone (12%)	Access to a branch (10%)
<b>Third priority</b>	Bank transactions online or via mobile phone (12%)	Payments (9%)	Processing changes in situation (9%)	Processing changes in situation (10%)





Globally

87%

of respondents say they are  
either satisfied or very satisfied  
with their main bank.



**Customer satisfaction with internet and branch banking is high, and it is improving for call centers and mobile banking. Despite these encouraging responses, banks need to focus on further improvements to vital, everyday services and interactions.**

Overall, 87% of global customers are either satisfied (68%) or very satisfied (19%) with their main bank, with very satisfied respondents particularly numerous in the US (46%), Canada (38%), and Australia and the UK (both 32%). Customer satisfaction is strong for internet banking (81% satisfied) and branch banking (80% satisfied). It is lower for call centers (60% satisfied) and mobile banking (58% satisfied), but these figures are distorted in some markets by the number of customers who do not use these channels. It is also notable that customer satisfaction has improved significantly since 2011 for call centers (from 50% in 2011 to 60% in 2012) and mobile banking (from 44% in 2011 to 58% in 2012).

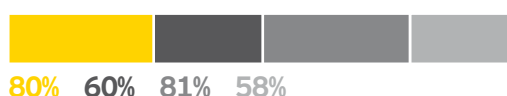
Customers want to see improvements to fundamental services they expect to work perfectly, such as payments. Other priorities include straightforward interactions, such as dealing with life-changing events or handling the loss or theft of a bank card. Complaint handling is another service that generates particularly low satisfaction, and one that customers highlight as an area for improvement. Apart from improving specific details of complaint handling – most notably, speed to resolution – one of the best ways to improve complaint management is to improve other elements of customer service, reducing the strain on the service.

These improvements often need to be delivered through branch networks, but they must be supported by complementary changes in other channels, especially call centers. This means that delivering improvements in even relatively basic services can be a deceptively complex challenge, and technology is increasingly critical to success. Banks will be forced to prioritize their areas of focus, to balance the expense of service improvements with the need to improve crucial drivers of retention.

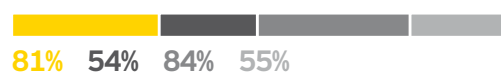
Thinking about the different channels of your banking relationship, how satisfied are you with your bank at the moment?  
(Very satisfied and satisfied)

■ Branch experience  
■ Call center experience  
■ Internet site experience  
■ Mobile banking services

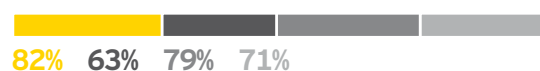
**World**



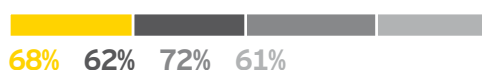
**EU**



**India**



**Brazil**



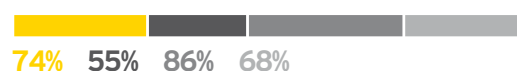
**Japan**



**Canada**



**South Africa**




**China**



**US**



Multiple-choice question whereby respondents selected all the categories that applied to them

A black and white photograph of two men in business suits walking on a city street. They are both holding glasses, possibly beer. The man on the left is looking towards the camera, while the man on the right is looking off to the side. In the background, there are multi-story buildings and other pedestrians. A traffic light is visible on the right side of the street.

Globally

27%

of respondents enrolled in a bank  
loyalty or rewards program.

## Rewarding loyalty will boost retention and customer acquisition

Customers identify bank loyalty programs as having a crucial role to play in retention and acquisition. For the banks, greater loyalty among more affluent customers has the potential to outweigh the cost of providing financial rewards. Enrollment in loyalty programs is accelerating fast, particularly in Asia-Pacific. Developing tailored rewards for specific groups of customer segments could help banks boost enrollment in other markets.

05

## Rewarding loyalty will boost retention and customer acquisition

**Loyalty programs offering tangible rewards are crucial to retention and recruitment. For banks, greater loyalty – especially among more affluent customers – could outweigh the financial costs of the program.**

Customers strongly believe that loyalty to a bank – quantified as actively using three or more products – should be rewarded. Loyalty programs are not just something customers value highly; they are seen as a leading attraction for new customers.

Customers across all regions identify tangible rewards for loyalty as a leading factor that would persuade them to change their bank. Most expect

bank loyalty programs to offer tangible financial rewards, typically cash-back offers on credit or debit cards and price reductions on products and services. Customers in Indonesia and Vietnam prefer gifts, but this is a rare exception.

Customer demand for financial rewards creates a cost problem, in contrast to “the upgrade” type of rewards offered by hotels and airlines. However, the potential benefit to banks in terms of customer attraction and retention are significant. We note that customers with more than US\$315,000 in assets are more likely to join loyalty programs, increasing the potential value of higher rates of enrollment.

Would you consider switching your primary banking relationship to a bank that offered the following rewards? (Based on respondents who agreed that banks should reward customers who actively use three or more products from an institution.)

World

60%



70%

Brazil

62%



70%

Canada

46%



64%

China

73%



77%

■ If you actively use three or more products from a bank, that loyalty should be rewarded with better service.

■ If you actively use three or more products from a bank, that loyalty should be rewarded with lower fees or higher rates on deposits.

EU

51%



66%

India

62%



64%

Japan

44%



58%

South Africa

65%



76%

US

45%



60%

Multiple-choice question whereby respondents selected all the categories that applied to them



**Enrollment in loyalty programs is accelerating rapidly, especially in Asia-Pacific. Giving customers greater choice over their rewards could help to replicate this growth in markets with lower levels of enrollment.**

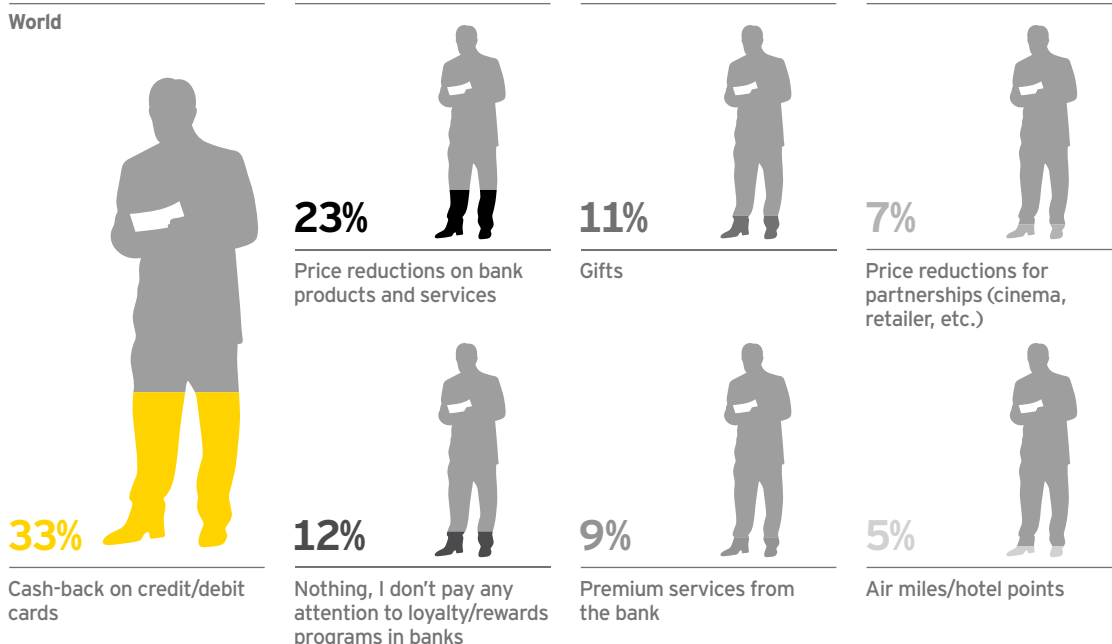
Worldwide, 27% of customers have enrolled in a bank loyalty or rewards program, but this varies widely between markets. Enrollment rates are comparatively high in several key emerging markets including India (48%), South Africa (45%) and Brazil (35%). Rates of enrollment have also picked up rapidly since 2011, climbing from 20% to 25% in Europe, and from 17% to 26% in the Americas.

Enrollment rates in Asia-Pacific have doubled, growing from 16% to 36% in China in the space of one year.

In contrast, enrollment rates in some Western European markets are low by global standards – these lower rates are seen in Germany (5%), the Netherlands (10%) and the UK (12%). Japanese enrollment, at 15%, is also low by Asian standards. Developing tailored, loyalty programs that give customers the chance to choose the rewards they value highly could be one way to overcome low enrollment rates in these markets.

What do you or would you value the most from a loyalty program?

World



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## Conclusions

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The behavior of retail banking customers continues to evolve rapidly. This survey shows that customers are becoming more assertive and taking greater control of their banking relationships. They are increasingly less loyal and are more likely to try new banks. They are listening to each other and becoming more vocal as advocates – or critics. They are also demanding lower costs, better service and greater personalization and flexibility.

Faced with this fast-changing environment, banks need to regain the initiative by giving their customers greater convenience, choice and control. This requires more than cosmetic changes; it means reconfiguring business models around customer needs.

Just as no two banks are exactly the same, there is no single strategic response that will suit every institution. Each will need to develop its own approach. We have identified nine key implications that affect the industry.

## Give customers more flexibility

### 1 Make pricing and service promises transparent

Transparency over pricing and service promises is vital if banks are to deliver value to customers and meet the demands of regulators and investors.

### 2 Offer segmented levels of customer service

Banks should offer customers a choice of products, services and pricing. Customers should be able to earn upgrades to different service levels through loyalty.

### 3 Move from multi-channel to omni-channel distribution

Banks need to look beyond multi-channel distribution, recognizing that customers care more about convenience than about channels.

## Help customers to shape their experience

### 4 Encourage customer self-service

Banks need to make their information and advice more innovative and compelling, targeting self-directed customers and encouraging greater self-service.

### 5 Shift marketing from push to pull

The growing importance of word of mouth means that banks need to change their approach to marketing. Banks should try to recruit and retain satisfied customers as advocates.

### 6 Develop flexible loyalty programs

Banks need to offer financial rewards for loyalty. Despite their cost, loyalty programs that are flexible and can be tailored, offer huge, potential benefits in loyalty and advocacy.

## Shape business models around customer needs

### 7 Make low-cost, digital channels customers' preferred choice

Banks should encourage customers to use digital channels whenever possible, using price incentives, if necessary.

### 8 Prioritize investment on critical customer interactions

Banks should focus operational improvements on customers' most valued interactions, optimizing the resulting impact on attrition, dormancy and loyalty.

### 9 Use innovative technology to deliver the retail bank of the future

The use of technology is crucial to delivering lower costs, greater reliability, more flexibility and personalized products and services.

# Methodology

This research was conducted in March 2012 using an internet questionnaire. A total of 28,560 participants were surveyed, comprising of:

## 13,001 in EMEA

(500 Belgium; 500 Czech Republic; 1,000 France; 1,000 Germany; 500 Greece; 500 Hungary; 1,000 India; 1,000 Italy; 500 Netherlands; 1,001 Nordics; 500 Poland; 500 Portugal; 1,000 Russia; 500 South Africa; 1,000 Spain; 1,000 Turkey; 1,000 UK)

**3,002 in North America**  
(2,002 US; 1,000 Canada)

## 4,548 in Latin America

(500 Argentina; 1,019 Brazil; 504 Chile; 500 Colombia; 1,023 Mexico; 500 Panama; 502 Peru)

## 8009 in Asia-Pacific

(1,000 Australia; 2,004 China (mainland); 502 Hong Kong (special administrative region of China); 1,001 Indonesia; 1,002 Japan; 500 Malaysia; 500 Singapore; 1,000 South Korea; 500 Vietnam)

Participants' gender, age, occupations, income and wealth are shown in the graphics below.

### Gender

Male **50%**  
Female **50%**



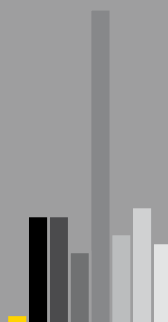
### Age

18–24 **14%**  
25–34 **27%**  
35–44 **38%**  
45–54 **14%**  
55–64 **6%**  
65–74 **1%**  
75 or older **1%**



### Occupation

Farmer **1%**  
Self-employed **12%**  
Executive **12%**  
Intermediary **8%**  
Employee **35%**  
Unemployed **10%**  
Retired **13%**  
Student **9%**



### Population (place of residence)

< 2,000 **15%**  
2,000–100,000 **36%**  
> 100,000 **49%**



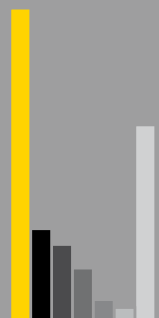
### Annual income

Less than €10,000 **17%**  
€10,001–€25,000 **27%**  
€25,001–€50,000 **24%**  
€50,001–€100,000 **13%**  
More than €100,001 **5%**  
Prefer not to say **14%**



### Asset

Less than €50,000 **40%**  
€50,001–€100,000 **12%**  
€100,001–€250,000 **10%**  
€250,001–€500,000 **7%**  
€500,001–€1,000,000 **3%**  
More than €1,000,000 **2%**  
Prefer not to say **26%**





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At-a-glance

## Country pages and contacts

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Global Consumer Banking Survey

28,560

Banking customers

35

Countries

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# Australia

## Regional contact

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Australia's retail banking sector is relatively concentrated, with four large domestic banks – the “four pillars” – dominating domestic retail and commercial lending. Australian banks are experiencing slow lending growth, growing reliance on deposit funding and pressure on net interest margins. Faced with limited opportunities for domestic acquisition, the banks are looking to international expansion for their next phase of growth.

At home, regulatory reforms are combining with the saturated local market to dramatically change the distribution landscape. The banks' appetite for innovation is growing as they seek to increase their share-of-wallet by selling insurance and investment products to their customers. Expense management and improved efficiency are also a key focus as the banks look to offset falling margins. This objective is putting off-shoring to other parts of the region back on the agenda.

## Customer confidence

In Australia, 52% of customers say that their confidence in the banking industry has fallen during the past year. 67% cite dissatisfaction with banks' bonus culture, and 45% point to macroeconomic reasons as the main two factors.

## Multi-banking

18% use three or more banks, versus an Asia-Pacific-wide

figure of 54%. And 38% of customers say they multi-bank to obtain the best rates and fees.

## Finding information on banking products and services

63% of customers use face-to-face discussions with friends, family and colleagues as a source of banking information. 20% use social networks to find out about banking products and services, compared with 57% across Asia-Pacific.

## Drivers of attrition

46% of customers have changed their main bank before. 59% of these cite high fees or charges, 45% said poor rates on accounts, and 34% mentioned poor branch experience as the main drivers.

## Personalization

72% of customers would be willing to share personal information to receive better service from their bank.

## How to improve customer satisfaction

35% of Australians want their bank to improve its fees and charging structures.

## Loyalty program appetite

26% of customers have enrolled in a bank loyalty program. 37% would value cash-back on credit or debit cards as a reward for loyalty.

# 44%

44% of customers have just one banking provider, compared with 14% across Asia-Pacific.

# Belgium

## Regional contact

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The Belgian retail banking market is extremely concentrated. The sector's key features include its strong dependence on deposit funding, its extensive branch network and its high level of foreign ownership. In addition, “bancassurance”<sup>\*</sup> has become dominant.

At the height of the Eurozone crisis in late 2011, a major Franco-Belgian banking group was nationalized and subsequently broken up. This process led to the creation of a domestic retail bank (including insurance activities) fully owned by the Belgian government. As many municipalities and social organizations were shareholders of this group, the ensuing financial losses were felt throughout Belgium. This, together with the political and economic uncertainty of 2011, contributed to a decline in confidence in the banking sector. However, the new government is now taking steps to get the Belgian economy and banking sector back onto more stable footing.

## Customer confidence

60% say that dissatisfaction with the banks' bonus culture is the main cause for this fall in confidence.

## Multi-banking

Almost 80% of customers have one or two banking providers. 42% of customers multi-bank to obtain the best rates and fees and 38% use more than one bank to spread

their deposits around compared with the European average of 22%.

## Finding information on banking products and services

67% of customers use financial advisors as a source of banking information. 54% use face-to-face discussion with friends, family and colleagues. 18% use social networks as sources of information, compared with the European average of 37%.

## Drivers of attrition

Customer attrition rates have changed from 35% in 2010, to 30% in 2011, to 33% in 2012. 53% of customers who have changed their main bank did so because of high fees. Customers who plan to switch their main bank provider have increased from 7% in 2011 to 10% in 2012.

## Personalization

63% of customers would be willing to share personal information to receive better service from their bank.

## How to improve customer satisfaction

29% of customers want their bank to improve its fees and charging structures.

## Loyalty program appetite

25% of customers have enrolled in a bank loyalty program, compared with just 13% last year. 37% value cash-back on credit and debit cards as a reward for loyalty.

# 72%

In Belgium, 72% of customers say their confidence in the banking industry has fallen over the past year compared to 51% last year.

<sup>\*</sup> The term used to describe the partnership or relationship between a bank and an insurance company whereby the insurance company uses the bank sales channel in order to sell insurance products.

# Brazil

## Regional contact

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The domestic Brazilian banking sector is strong and relatively well-capitalized, with a mix of state-owned, independent and foreign-owned banks. Local banks continue to expand within the region to compete with international banks that have an established presence in Brazil.

Growth prospects in Brazilian banking remain strong, supported by increasing foreign investment and the infrastructure requirements of the 2014 FIFA World Cup and 2016 Summer Olympic Games. Lending growth may also receive a boost from the lending constraints on many European banks. The next couple of years are likely to see expansion in investment and corporate banking.

On the consumer side, banks serving Brazil's growing middle class will see greater demand for credit and, at the top-end of the market, growing expectations for sophisticated wealth management products. Both products and services should evolve across the range of customer segments during the next couple of years.

## Customer confidence

In Brazil, customer confidence in the banking industry has fallen from 18% in 2011 to 28% in 2012. 65% of customers cite the quality of advice, services and products offered as the main reason for their decline in confidence.

## Multi-banking

45% of Brazilians bank with two banking providers. The number of customers banking with three or more providers has increased by 2% in the last year to 21%. Of those who multi-bank, 34% have always used different banks for different services, and 31% are seeking the best rates and fees.

## Finding information on banking products and services

77% of customers keep informed about banking products and services through face-to-face discussions with family, friends and colleagues. 70% use financial comparison websites and 69% use media reports. 57% also use social networking sites in this way.

## Drivers of attrition

29% of customers have changed their main banking provider compared to 40% last year. 53% of customers changed their bank because of high fees or charges.

# 20%

The number of Brazilians planning to switch their bank has increased from 7% to 20% in the last 12 months.

## Personalization

81% of customers would be willing to share personal information with their bank in exchange for better service.

## How to improve customer satisfaction

15% of Brazilians want their bank to improve its fees and charging structures.

## Loyalty program appetite

35% of customers have enrolled in a bank loyalty program, an increase of 11% compared to last year. 30% of customers would value a loyalty program that offered price reductions on banking products and services.

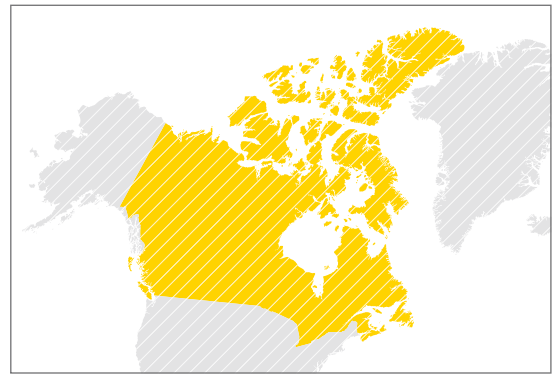
# Canada

## Regional contact

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The Canadian banking sector is dominated by six major banks, which collectively earned C\$23.5 billion in net income in 2011. Five of the six leading players are ranked among the world's 20 strongest banks. But despite the historical dominance of the "Big Six," recent years have seen increasing numbers of new entrants. These include Canadian branches and subsidiaries of foreign-owned banks and newly created domestic banks controlled by non-financial services groups.

All of these new players are targeting narrow, underserved segments of the Canadian banking market. This increasing level of competition, combined with a Canadian populace that has adapted to many new technologies faster than its North American and global counterparts, has led to a market where banks consistently strive to develop new and innovative ways to interact with their customers.

## Customer confidence

In Canada, 59% of customers say their confidence in the banking industry has not changed over the last year. 28% report a decrease in confidence, of which 55% cite macroeconomic reasons for this decline.

## Multi-banking

45% of customers have one banking provider, compared with 48% in 2011. And 16% have three or more, versus 15% in 2011. 35% of customers multi-bank to obtain the best rates and fees for each product.

## Finding information on banking products and services

67% of customers seek banking information from discussions with family, friends and colleagues. 21% gather information about products and services from social networks.

## Drivers of attrition

54% of those who have switched banks cite high fees as the main cause, and 38% cite poor branch experience.

# 45%

Attrition rates in Canada have increased from 38% to 45% in the past year.

## Personalization

73% of customers would be willing to share personal information to receive better service from their bank.

## How to improve customer satisfaction

33% of customers want their bank to improve its fees and charging structures compared to a global average of 22%.

## Loyalty program appetite

35% of customers have enrolled in a bank loyalty program, a 16% increase since 2011. 42% would value cash-back rewards on credit or debit cards as a reward for loyalty.



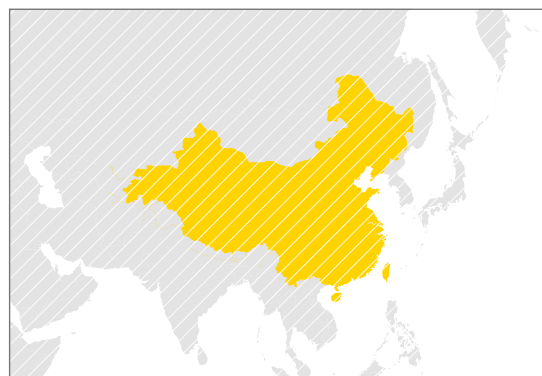
## China (mainland)

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The Chinese retail banking market is dominated by four major state-controlled banks, each with 10,000 or more branches. In comparison to the “Big Four,” the second-tier commercial banks are much smaller. High margins and growth continue to attract newcomers, intensifying competition. However, foreign ownership remains capped at 25%, so it is likely to be a long time before foreign banks can compete with the domestic leaders.

China is facing growing economic pressure, not least from the impact of the European debt crisis on the prospects for economic growth in China’s main export markets. In response, Chinese banks are looking to strengthen their stability, safety and efficiency. The banks will continue working to strike a balance between managing risk and promoting development by combining overseas experience with local knowledge to enhance the quality of internal management. Together with strengthened supervision, this should result in a stronger Chinese banking sector in the years ahead.

### Customer confidence

In China, 31% of customers say their confidence in the banking industry has increased, compared with 23% the previous year. 68% of these customers cited more personalized, innovative service, and 61% pointed to new consumer protection rules as the main reasons for their rise in confidence.

### Multi-banking

Only 6% of customers use one bank. 68% have three or more banking providers. 47% of customers multi-bank to obtain the best products and services and 47% have always used different providers for different services.

### Finding information on banking products and services

84% of customers seek banking information from discussions with friends, family and colleagues.

### Drivers of attrition

31% of customers have changed banks before, compared with 27% in 2011 and 23% are planning to switch, versus 13% last year. Among those who have switched, 41% cited high fees and 29% cited poor branch proximity as the main reasons.

# 81%

In China, 81% use social networking sites as a source of banking information.

### Personalization

72% of customers would be willing to share personal information to receive better service from their bank.

### How to improve customer satisfaction

16% of customers want their bank to improve online and mobile banking.

### Loyalty program appetite

36% of customers have enrolled in a bank loyalty program, compared with 16% last year. 44% of customers would value cash-back rewards on credit or debit cards as a reward for loyalty.

## Czech Republic

### Regional contact

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Retail banking in the Czech Republic is almost entirely controlled by foreign banking groups, but in other respects, it is very similar to the banking sectors of other medium-sized, advanced European countries. The market is relatively concentrated, with the four largest banks accounting for more than 70% of the total profit. Having undergone a series of essential reforms over the past 20 years, Czech banks are strongly capitalized. In addition, the sector took a conservative approach during the years before the global financial crisis.

As a result, the Czech banking sector today is profitable, highly solvent and supported by a strong base of deposit funding. The strong financial performance of the leading banks is supported by comparatively high fees and charges, as well as relatively low costs of risk.

### Customer confidence

In the Czech Republic, 57% of customers say that their confidence in the banking industry has not changed during the past 12 months, and 36% say their confidence has decreased. 46% say their dissatisfaction with the quality of advice, services and products is the main driver for their decline in confidence.

### Multi-banking

80% of customers bank with one or two providers.

28% of customers who multi-bank have always used different providers for different services.

### Finding information on banking products and services

67% of customers use discussions with friends, family and colleagues as well as comparison websites to stay informed about banking products and services. 48% use social networking sites in this way, compared to the European average of 37%.

### Drivers of attrition

40% of customers have changed their main bank at some point.

### Personalization

63% of customers would be willing to share personal information to receive better service from their bank.

### How to improve customer satisfaction

34% of customers want their bank to improve its fees and charging structures, compared to the European average of 21%.

### Loyalty program appetite

54% of customers have enrolled in a bank loyalty program, compared with the European average of 25%. 51% say they would value price reductions on bank products and services as a reward for loyalty.

# 69%

69% of customers have changed their main bank due to high fees – far higher than the European average of 53%.

## France

### Regional contact

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The competitive landscape of French banking is changing. The major banks are reducing their corporate and investment banking operations, and retail banking is now seen as the spearhead for the sector's growth and profitability. However, the increasing importance of retail banking to overall profitability is leading to greater competition. The banks are becoming more aggressive in their search for retail deposits and greater liquidity, which is depressing margins.

At the same time, the sector is subject to a range of new regulations. For example, all French systemically important financial institutions (SIFIs), will comply with Basel 2.5 by June 2012. The recent national election also raises the possibility of stronger segregation between speculative and non-speculative activities, as in the US Volcker Rule or the UK's Independent Commission on Banking reform. These requirements, together with the effects of falling margins, are forcing French banks to adapt their strategies and business models.

### Customer confidence

In France, 58% of customers say their confidence in the banking industry has decreased, compared to 54% last year, with 53% citing macroeconomic factors for this fall in confidence.

### Multi-banking

57% of customers bank with one banking provider, and only 9% have three or more. 35% of customers multi-bank to reduce exposure to bank failure, compared to 22% across Europe.

### Finding information on banking products and services

77% of customers take banking guidance from financial advisors. 15% of customers use social networking sites about banking, compared with an average of 37% across Europe.

### Drivers of attrition

Attrition rates have fallen from 39% in 2010, to 38% in 2011, to 35% in 2012. 57% of customers who switched banks cite high fees as a factor.

### Personalization

56% of customers would be willing to share personal information to receive better service from their bank.

### How to improve customer satisfaction

25% of customers want their bank to improve its fees and charging structures.

### Loyalty program appetite

27% of customers use bank loyalty programs, compared with 25% across Europe. 45% value programs that offer cash-back on credit and debit cards, compared to the European average of 32%.

# 47%

Those concerned about the banks' ability to protect their assets and data have grown from 19% to 47% in the past year.

## Germany

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The German banking sector is often described as having three pillars: the private commercial banks, the public sector banks and the cooperative banks. Despite some consolidation, the sector is comparatively fragmented, and the pillars remain largely separate.

During the financial crisis, many German banks were seen as undercapitalized, but the industry is making progress in regaining customers' trust in relation to the safety of their assets. Even so, customer attrition in Germany has increased in the last year, and customer loyalty remains among the lowest in the world. Increasing loyalty will require greater focus on the customer experience. German retail banks need to deliver personalized, high-quality service while retaining the competitive pricing that customers have come to expect.

### Customer confidence

In Germany, customer confidence in the banking industry has decreased from 61% to 59% in the last year. 37% report no change in confidence. The number of customers concerned about the safety of their assets and data has fallen from 66% in 2011 to 37% in 2012.

### Multi-banking

In the last 12 months, customers with one banking provider have fallen from 41% to 38%, while those with

three have increased from 22% to 24%. Overall, 51% of customers multi-bank to obtain the best rates and fees.

### Finding information on banking products and services

63% of customers seek information about products and services from friends, family and colleagues. 23% use social networking sites to find information on products and services.

### Drivers of attrition

62% of customers who decided to change their main bank cite high fees as their main reason, and 36% cite poor branch experience.

### Personalization

58% of customers would be willing to share personal information to receive better service from their bank.

### How to improve customer satisfaction

31% of customers want their bank to improve its fees and charging structures.

### Loyalty program appetite

Only 5% of customers have enrolled in a bank loyalty program. 42% do not pay attention to loyalty programs, but 19% would value price reductions on bank products and services as a reward for loyalty.

# 45%

Attrition rates have increased from 17% in 2010, to 43% in 2011, to 45% in 2012.

## Greece

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In the years before the global financial crisis, the Greek banking sector was characterized by fast asset growth and high margins. This attracted investment from banks in more mature European markets, although the sector remained comparatively fragmented. Since 2009, however, Greece has been at the center of the Eurozone debt crisis. The country now faces a prolonged economic recession, and the Greek banking sector is under tremendous pressure.

Greek banks have suffered heavily from their exposure to the Greek government bond swap, forcing them to sharply reduce their lending. Greece's four largest banks alone recorded more than €28 billion in losses in 2011. Customer confidence in Greek banking has been the most negatively affected of any country covered by the survey. Deposit outflows have been significant, forcing the banks to rely on European Central Bank funding and emergency liquidity assistance from the Greek central bank.

### Customer confidence

75% identify macroeconomic reasons as the main cause for their decline in confidence.

### Multi-banking

Only 20% of customers bank with one bank, compared with the European average of 37%. And 38% have three or more banking providers. 39% of customers multi-bank because

they have always used different providers for different services, and 37% do so to obtain the best product or service.

### Finding information on banking products and services

73% use financial comparison websites to keep informed about banking products and services. 71% use discussions with friends, family and colleagues as a source of information, and 62% use social networks in this way – compared to the European average of 37%.

### Drivers of attrition

34% of customers have switched their main bank in the past. 61% of those cite high fees as the reason to switch, and 51% mention poor interest rates or branch experience.

### Personalization

65% of customers would be willing to share personal information to receive better service from their bank.

### How to improve customer satisfaction

20% of customers want their bank to improve how it deals with a life-changing event such as bereavement, compared to the global average of 8%.

### Loyalty program appetite

80% of customers have not enrolled in a bank loyalty program. 46% of customers would value a loyalty program offering cash-back rewards on credit or debit cards.

# 81%

In Greece, 81% of customers say that their confidence in the banking industry has fallen over the past year.

## Hong Kong (SAR)

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Hong Kong (a specialized administrative region of China) is one of the fastest growing international finance centers in the world. There are three types of banks in Hong Kong: licensed banks, restricted license banks (RLBs) and deposit-taking companies (DTCs). Only licensed banks can operate current accounts.

In their search for higher profitability, Hong Kong banks are working more systematically to acquire and retain customers. They are also looking to grow profit per customer by providing differentiated products and services to different segments. This means making sure that resources are channeled to the right areas of the business. As the market continues to evolve, the banks are investing to develop more sophisticated products and services for their increasingly demanding customers. Those banks with in-depth understanding of their customers' habits and behaviors will be best placed to meet their changing needs and expectations. In the long-term, such banks will be the most likely to succeed.

### Customer confidence

In Hong Kong, 47% of customers say their confidence in the banking industry has not changed over the last year. 17% say their confidence has increased, and 36% say that it has decreased. 75% cite macroeconomic reasons for this decline in confidence.

### Multi-banking

Only 13% of customers use one banking provider; 51% use three or more.

### Finding information on banking products and services

76% of customers use face-to-face discussions with friends, family and colleagues as a source of banking information. 75% use financial comparison websites and financial advisors. 77% access their account through social networks.

### Drivers of attrition

25% of customers have changed their main bank, and 19% are planning to switch. 53% of customers who have changed their main banking provider cite high fees as the main cause.

### Personalization

60% of customers would be willing to share personal information to receive better service from their bank.

### How to improve customer satisfaction

19% of customers want their bank to improve online and mobile banking.

### Loyalty program appetite

33% of customers have enrolled in a bank loyalty program. 42% value cash-back offers on debit or credit cards as a reward for loyalty.

# 44%

44% of customers multi-bank to obtain the best fees and rates and 43% to receive the best products or service.

## Hungary

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The Hungarian banking sector has had a turbulent few years. A rapid weakening in the forint had a disastrous effect on many customers' ability to repay their euro or Swiss franc-denominated mortgages. The new government elected in 2010 changed the regulatory environment for the financial industry. As a result, the banks incurred significant losses on these mortgages, and the potential for further write-downs remains significant. The government also introduced a heavy "extraordinary bank levy," further reducing profitability. The sector remains under pressure, and posted an overall loss in 2011.

Growing non-performing loans are putting solvency under strain, and liquidity constraints are further limiting Hungarian banks' ability to lend. The sector's low-level of retail deposits is making it particularly difficult to raise external funds in the current market environment.

### Customer confidence

In Hungary, 65% of customers say their confidence in the banking industry has fallen compared with 54% last year. 47% attribute this to macroeconomic reasons, and 34% to a lack of trust in their bank's ability to protect their data and assets.

### Multi-banking

Almost 80% of customers use one or two banking providers. Those with just one bank have fallen from 44% to

36% during the year. 34% of customers multi-bank to obtain the best product or service.

### Finding information on banking products and services

84% of customers use face-to-face discussions with friends, family and colleagues to keep informed about banking products and services.

### Drivers of attrition

36% of customers have switched their main bank. 69% did so due to high fees, compared with the European average of 53%. An additional 44% of customers cite poor branch experience as the reason for switching.

### Personalization

65% of customers would be willing to share personal information to receive better service from their bank.

### How to improve customer satisfaction

28% of customers want their bank to improve its fees and charging structures.

### Loyalty program appetite

Customer enrollment in banking loyalty programs has doubled from 8% to 16% during the past year. 39% of customers would value cash-back offers on credit and debit cards as a reward for loyalty.

# 42%

42% use social networking sites as a source of information, compared to the European average of 37%.



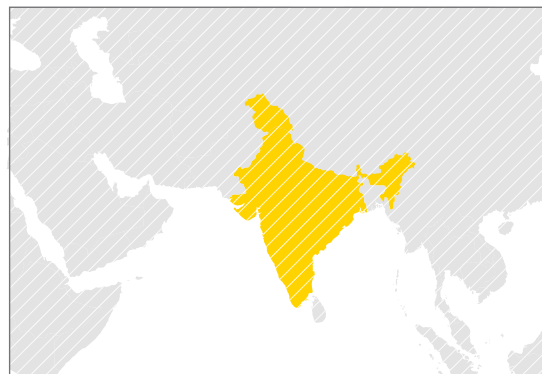
# India

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Traditionally, the Indian banking sector was dominated by public sector banks, which accounted for the majority of deposits and lending. However, multinational corporations (MNCs) and private banks, aided by their global reach, are increasing their market share by supporting Indian corporates with their foreign expansion and by developing innovative products aimed at younger customers. Additionally, many new, foreign MNC banks have received banking licenses to commence operations in the country.

Overall, the sector enjoys very high savings rates, and it has grown rapidly in response to favorable demographics and growing middle-class demand. Assets have grown by a compound annual rate of 23.3% over the past decade, but coverage of the wider population has not increased at the same pace.

The major challenge facing Indian banks is to increase their market share and meet the requirements of a rapidly growing economy, while raising sufficient capital to remain safe and stable. For policy-makers, the challenge is to make sure that credit growth is sustainable and aligned with social objectives.

## Customer confidence

In India, 72% of customers say their confidence in the banking industry has increased during the past year. 68% attribute the improvement to more personalized, innovative service from their bank.

## Multi-banking

83% of customers have two or more banking providers, although those with only one bank have grown by 5% since last year to 17%. Of customers who multi-bank, 48% do so to find the best products or services, and 47% to obtain the best rates and fees.

## Finding information on banking products and services

82% of customers seek banking information through face-to-face discussions with friends, family and colleagues. 67% also use media reports, and 61% use social networks as a source of information.

# 48%

Bank loyalty program enrollment has increased from 26% to 48% over the past year.

## Drivers of attrition

17% of customers have changed banks before, but those planning to switch have grown from 11% to 19% since last year. 37% of those who have changed banks did so due to high fees, and 32% due to a lack of personalized service or a poor branch experience.

## Personalization

86% of customers would be willing to share personal information to receive better service from their bank.

## How to improve customer satisfaction

14% of customers want their bank to improve online and mobile banking.

## Loyalty program appetite

36% of customers value loyalty programs with cash-back offers on credit and debit cards.

# Indonesia

## Regional contact

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The Indonesian banking sector has undergone significant consolidation in recent years, with the number of commercial banks nearly halving since 1997. The top 10 banks now hold more than half of all banking assets, and foreign investors continue to be attracted by the sector's strong growth and high margins.

Indonesian retail banking continues to grow, driven by the growing middle class and expanding levels of consumption. Large local banks whose networks and offerings are able to attract retail consumers dominate the market. And the recent growth in e-commerce is encouraging retail banks to develop payment services and other solutions for the e-commerce industry. Going forward, there may be a short-term slowdown in retail lending due to several recently issued banking regulations intended to prevent excessive risk-taking by retail banks. The new regulations include loan-to-value (LTV) rules for mortgages and auto loans.

## Customer confidence

In Indonesia, 53% of customers say their confidence in the banking industry has increased in the last 12 months. 62% of customers cite receiving more innovative, personalized service from their banks as the main cause for their rise in confidence.

## Multi-banking

87% of customers bank with two or more providers; 15%

have more than three. 46% of customers multi-bank to obtain the best product or service, and 46% have always used different banks for different services.

## Finding information on banking products and services

Almost 85% of customers use media reports to keep informed about banking products and services. 84% of customers use face-to-face discussion with friends, family and colleagues. 71% of customers also use social networking sites to keep informed.

## Drivers of attrition

32% of customers have changed their main bank, compared to the global average of 34%. Of those customers, 53% of customers cited high fees as a main driver of attrition. Going forward, 10% of customers are planning to switch banks.

## Personalization

83% of customers would be willing to share personal information to receive better service from their bank.

## How to improve customer satisfaction

18% of customers want their bank to improve the way it handles complaints, compared to the global average of 6%.

## Loyalty program appetite

31% of customers have enrolled in a loyalty program. 32% of customers would value a program that offered gifts as a reward for loyalty.

# 18%

18% of customers want their bank to improve the way it handles complaints, compared to a global average of 6%.

# Italy

## Regional contact

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Despite some consolidation in recent years, the Italian banking sector remains relatively fragmented. Customer confidence in the industry has been heavily weakened by the financial crisis, with exposure to loan impairments putting many banks' capital positions under severe strain. The sector needs to rebuild trust, offer more transparent products and services, and enhance the clarity of its communication with customers.

Demand from customers for service improvements is equally strong. In the next few years, Italian banks will need to enhance the customer experience and refine their customer relationships through the development of more innovative and better tailored services.

## Customer confidence

62% of customers cite macroeconomic reasons as the main driver for their decline in confidence.

## Multi-banking

60% of customers have one banking provider, compared to 62% last year. Only 1% of customers bank with more than three providers, the lowest figure in Europe. Of those customers who multi-bank, 32% have always used different banks for different services.

## Finding information on banking products and services

66% of customers seek information about banking products or services from family, friends or colleagues. 32% look for this information using social networking sites.

## Drivers of attrition

Customer attrition in Italy has changed from 20% in 2010, to 36% in 2011, to 32% in 2012. The number of customers planning to switch banks has increased in the past year from 9% in 2011 to 12% in 2012. 52% cite high fees as the main reason to switch banks.

## Personalization

80% of customers would be willing to share personal information to receive better service from their bank.

## How to improve customer satisfaction

22% of customers want their bank to improve its fees and charging structures.

## Loyalty program appetite

The number of Italians who have enrolled in a loyalty program has increased by 4% to 18% since 2011. 32% would value cash-back offers on credit and debit cards as a reward for loyalty.

# 72%

72% say that their confidence in the banking industry has fallen compared to 48% in 2011.

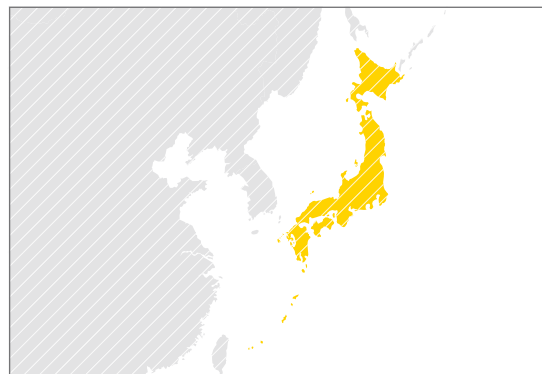
# Japan

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The major Japanese banks enjoy high levels of capital and have a huge base of domestic deposits. They have limited direct exposure to the Eurozone and should benefit from a recovery in the Japanese economy, aided by reconstruction after the earthquake and tsunami that struck Japan in March 2011. Set against these factors, the yen's appreciation and the ongoing Eurozone crisis have the potential to limit Japanese exports, offsetting the economic benefits of reconstruction.

The combination of strong balance sheets and slow domestic growth is encouraging Japanese banks to lend and invest overseas. At home, banks are likely to increase their investment in technology. This tactic is not only aimed at regulatory compliance and cost reduction, but also at providing customers with new products and services in the hope of increasing market share. The Japanese banking market is highly saturated, so the evolution of internet and mobile banking could have a significant impact on the sector's development.

## Customer confidence

In Japan, 69% of customers say that their confidence in the banking industry has not changed during the past year. 28% say their confidence has decreased, compared with 32% in 2011. 62% cite macroeconomic reasons as the main cause for this decline in confidence.

## Multi-banking

70% of customers use three or more banking providers, compared with 54% across Asia-Pacific. Those with more than three banks have increased from 30% in 2011 to 41% in 2012.

38% of customers multi-bank to spread their deposits in case of bank failure and to make sure they receive the best products and services.

## Finding information on banking products and services

59% of customers use face-to-face discussions with friends, family and colleagues as a source of banking information. 18% use social networking sites as an information source, compared with 57% across Asia-Pacific.

## Drivers of attrition

84% of Japanese customers have not changed their main bank. Among those who have switched banks, 25% cited high fees and 19% cited the proximity of branches as the main reasons.

# 45%

45% of Japanese customers want their bank to improve its fees and charging structures, compared to the global average of 22%.

## Personalization

47% of customers would be willing to share personal information to receive better service from their bank.

## How to improve customer satisfaction

45% of customers want their bank to improve its fees and charging structures, compared to the global average of 22%.

## Loyalty program appetite

85% of customers have not enrolled in a bank loyalty program. However, 32% of customers would value price reductions on bank products and services as a reward for loyalty.

# Latin America

(Argentina, Chile, Colombia, Mexico, Panama and Peru)

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The outlook for the Latin American banking sector remains promising since most banks have weathered the series of financial crises that began in 2008. This can be attributed largely to close supervision and many banks' conservative approaches to lending and other forms of credit risk. As a result, many Latin American banks have been able to aggressively expand their market share in lending and leasing at the expense of foreign banks. They also have had considerable success in gathering deposits.

Further growth in retail banking will be supported by economic expansion, a growing middle class, and increasing demand for financial products and services. A major challenge for the future is for the sector to improve the financial inclusion of low-income families. At the same time, banks across the region are working to improve their customer relationship management and operating efficiency. All of these factors are combining to create a new era in Latin American retail banking.

### Customer confidence

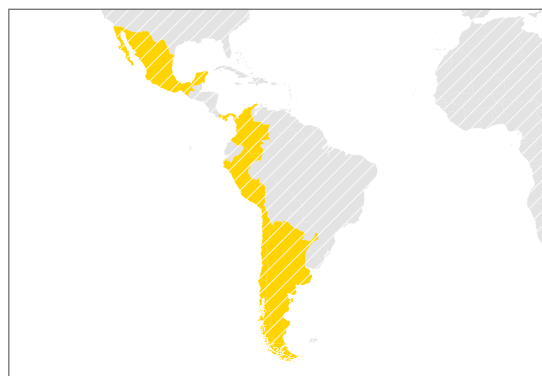
58% say that a more personalized service offering was a driver of higher confidence.

### Multi-banking

The number of customers with one banking provider has increased from 34% in 2011 to 35% in 2012. 21% have three or more. 37% of customers multi-bank because they have always used different providers for different services, and 27% do so to obtain the best fees or rates for each product.

### Finding information on banking products and services

72% of customers use face-to-face discussions with friends, family and colleagues as a source of banking information. 57% use social networks to search for information.



# 41%

On average, 41% of Latin American customers say their confidence in the banking industry has risen over the last year.

### Drivers of attrition

16% of customers plan to switch their bank, compared to 9% last year. 49% of customers who have changed banks cite high fees as the driver, 40% due to lack of personalization, and 37% due to poor branch experience.

### Personalization

73% of customers would be willing to share personal information to receive better service from their bank.

### How to improve customer satisfaction

14% of customers want their bank to improve its fees and charging structure.

### Loyalty program appetite

82% of customers have not enrolled in a bank loyalty program.



## Malaysia

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The Malaysian domestic-banking sector is dominated by nine, large, local banks and five, large, foreign banks. Concentration has grown, and foreign ownership has increased under 2001's 10-year Financial Sector Master Plan. The industry's development continues with the new Financial Sector Blueprint, which encourages further consolidation. The central bank is raising banks' capital requirements and is keen for Malaysia to become a global center for Islamic banking, as it already is for Takaful (Islamic insurance).

The Malaysian economy continued to expand in 2011, albeit at a slower rate of 5.1% real GDP compared to 7.3% in the previous year. Against a backdrop of global uncertainty, the country's economy depends on domestic demand to drive growth. Malaysian banks are investing to improve customer service, enhance mobile and online banking, and customize their products. They are also exploring cross-border expansion as a way to "regionalize" their businesses.

### Customer confidence

62% of customers cite receiving more innovative, personalized service from their banks as the main cause for their rise in confidence.

### Multi-banking

91% of customers bank with two or more providers.

30% have more than three. 47% of customers multi-bank to obtain the best product or service.

### Finding information on banking products and services

86% of customers use face-to-face discussion with friends, family and colleagues as a source of information. 85% use financial advisors. 68% of customers also use social networking sites to keep informed.

### Drivers of attrition

22% of customers have changed their main bank, compared to the global average of 34%. Of those customers, 56% cited high fees as a main driver of attrition. Going forward, 14% of customers are planning to switch banks.

### Personalization

73% of customers would be willing to share personal information to receive better service from their bank.

### How to improve customer satisfaction

21% of customers want their bank to improve online and mobile banking.

### Loyalty program appetite

47% of customers have enrolled in a loyalty program. 49% of customers value loyalty programs that offer cash-back rewards on credit and debit cards.

# 48%

48% of Malaysian customers say their confidence in the banking industry has increased in the last 12 months.

## Netherlands

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The banking sector in the Netherlands has been heavily affected by the global financial crisis. Public expenditure to provide capital support to banks was significant, and the Dutch banking landscape remains challenging due to its interconnectivity with Europe and the influence of the European debt crisis. State-aided banks have made good progress on restructuring, but they need to remain resilient and have been urged to further strengthen their capital buffers for continuity. As a result, banks continue to prioritize balance-sheet strength over near-term profitability. Consumer confidence is still relatively low, primarily because customers are concerned about their mortgage debts.

A large portion of consumer income goes to mortgage payments, and savings per capita is limited. Reforms are being explored to mitigate the risks of mortgages and stem a decline in house prices for consumers.

### Customer confidence

In the Netherlands, 49% of customers say that their confidence in the banking industry has decreased during the past year compared to 51% last year. 77% cite dissatisfaction with banks' bonus culture as the main cause for their decline in confidence.

### Multi-banking

41% of customers have just one banking relationship, compared to 46% last year. Of those customers who multi-bank, 40% have always used different providers for different services.

### Finding information on banking products and services

58% of customers use financial comparison websites to research financial products and services. 21% use social networks to access their account.

### Drivers of attrition

The number of customers planning to switch banks has increased from 3% to 5% in the last year. 43% of customers moved banks due to high fees.

### Personalization

54% of customers would be willing to share personal information to receive better service from their bank.

### How to improve customer satisfaction

26% of customers want their bank to improve its fees and charging structures.

### Loyalty program appetite

90% of customers have not enrolled in a bank loyalty program versus 94% last year. 24% pay no attention to loyalty programs. 37% of customers would value a loyalty program that offered price reductions on bank products and services.

# 21%

Attrition rates have changed from 13% in 2010, to 26% in 2011, to 21% in 2012.

## Nordics

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The Nordic banking sector is dominated by a few large institutions, but it faces competition from niche banks and smaller players. Although the European economic crisis has had an impact on the industry, the majority of Nordic banks have delivered relatively good results in terms of revenue and credit losses. Despite these results, the credit ratings of a couple of the major Nordic banks have been downgraded. With coming regulatory changes, these downgrades will lead to higher lending costs and lower margins.

Many Nordic banks are currently performing necessary cost-cutting programs. To stay competitive, they will also need to strengthen their customer relations and increase the profitability of the customer base.

### Customer confidence

In the Nordics, 50% of customers say that their confidence in the banking industry has not changed in the past year. Customer confidence has fallen from 35% in 2011 to 39% in 2012. 48% cite dissatisfaction with the banks' bonus culture and 45% cite macroeconomic reasons as the main causes for their decline in confidence.

### Multi-banking

27% of customers multi-bank to obtain the best rates and fees for each product.

### Finding information on banking products and services

70% of customers use discussions with family, friends or colleagues as a source of banking information. 30% use social networking sites to access their accounts.

### Drivers of attrition

44% of customers have changed their main banking provider before. The number of customers planning to switch banks has increased from 4% to 8% in the last year. 41% have moved banks due to high fees.

### Personalization

69% of customers would be willing to share personal information to receive better service from their bank.

### How to improve customer satisfaction

18% of customers want their bank to improve its fees and charging structures, and 16% want better online and mobile banking.

### Loyalty program appetite

31% of customers have enrolled in a bank loyalty program, an increase of 7% since 2011. 42% would value price reductions on bank products and services as a reward for loyalty.

# 47%

47% of customers bank with only one banking provider, compared to 43% last year.

## Poland

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The Polish retail banking sector is largely controlled by foreign banks, but the sector's strong performance has left parent groups keen to retain their investments. Polish banks are among the strongest in Central and Eastern Europe, benefiting from strong capital ratios, good asset quality and Poland's comparatively robust economic performance. In fact, the sector generated its highest ever profits in 2011.

Looking ahead, Polish banks need to reposition their operating models if they are to build on this positive base. One of the primary objectives is to adapt to changing regulatory frameworks and the subsequent shift in focus between different products and customer segments. Ever-growing regulatory attention continues to threaten the availability of credit to consumers, most notably in mortgages. The banks also need to rethink their propositions to win the loyalty of customers, who show a growing inclination to switch between banks in search of the best prices and service.

### Customer confidence

In Poland, customer confidence in the banking industry has fallen from 26% in 2011 to 39% in 2012. 58% of customers cite macroeconomic factors as the main cause for their decline in confidence.

### Multi-banking

70% of customers use two or more banking providers, and

30% have three or more, compared with the European average of 23%. Customers with just one bank have decreased from 47% in 2011 to 30% in 2012. 46% of customers multi-bank to obtain the best products or services, and 41% to make sure they receive the best rates and fees.

### Finding information on banking products and services

72% of customers use face-to-face discussion with friends, family and colleagues, and 73% use financial comparison websites, as a source of banking information.

### Drivers of attrition

41% of customers have changed their main bank before, with 61% citing high fees or rates as the main cause. Going forward, 12% are planning to switch their bank, compared to 9% in 2011.

### Personalization

56% of customers would be willing to share personal information to receive better service from their bank.

### How to improve customer satisfaction

21% of customers want their bank to improve its fees and charging structures.

### Loyalty program appetite

43% of customers have enrolled in a bank loyalty program, compared with the European average of 25%. And 31% of customers value cash-back offers on credit and debit cards as a reward for loyalty.

# 45%

45% of customers use social networking sites as a source of information, compared to the European average of 37%.

# Portugal

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The Portuguese banking sector did not suffer from a large wave of bad lending in the lead-up to the financial crisis. Nonetheless, it has come under serious pressure as a result of Portuguese sovereign downgrades, making it hard for the banks to raise funds from the financial markets. Despite this, the sector has shown remarkable resilience, and customer deposits have actually increased over the past two years.

The sector continues to face significant challenges, especially from regulation intended to protect the banks from the effects of a prolonged recession. The European Assistance Program to Portugal and the recommendations of the European Banking Authority are leading to new capital requirements. Other factors augmenting the banks' capital needs include additional impairments on loan portfolios and the haircut\* on Greek public debt imposed by the Banco de Portugal.

## Customer confidence

In Portugal, 68% of customers say that their confidence in the banking industry has decreased during the past year. 68% cite macroeconomic reasons as the main driver of this decline in confidence.

## Multi-banking

Almost half of all customers bank with two banking

providers, but only 3% use more than three. 45% of customers multi-bank because they have always used different providers for different services.

## Finding information on banking products and services

75% of customers stay informed about banking products and services through discussions with friends, family and colleagues. 32% use social networking sites in this way.

## Drivers of attrition

34% of customers have changed their main bank at some point. 63% of those customers who moved banks did so due to high fees and 40% due to a specific service failure. Going forward, 11% of customers are planning to switch banks.

## Personalization

84% of customers would be willing to share personal information to receive better service from their bank.

## How to improve customer satisfaction

25% of Portuguese customers want their bank to improve its fees and charging structures.

## Loyalty program appetite

21% of Portuguese customers have enrolled in a bank loyalty program.

# 34%

34% of customers would value a loyalty program offering them a price reduction on bank products and services.

# Singapore

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Singapore's retail banking sector is highly concentrated and enjoys strong profitability. It is tightly regulated, with Singapore banks having some of the highest capital ratios in the world. However, Singapore's banks are under pressure to maintain profitability in 2012. They face challenges from the continuing low interest rate environment and declining loan growth, primarily from the effects of more restrictive lending rules for mortgages.

Faced with a mature, concentrated local market, banks are developing strategies for regional expansion. These plans are already being executed, with at least one bank announcing planned acquisitions in Southeast Asia in recent months. At home, much of the banks' focus is on wealth management and private banking. The latter segment is growing rapidly as Singapore attracts offshore funds, but it is highly competitive. Private banking requires a thorough understanding of customers' investment and risk appetites, coupled with strong relationship management skills.

## Customer confidence

In Singapore, 40% of customers say their confidence in the banking industry has fallen during the past year. 36% report no change in confidence. 67% cite macroeconomic reasons for their decline in confidence.

## Multi-banking

Only 15% of customers have one banking provider; 52% use three or more banks. 59% of customers multi-bank to spread their deposits in case of bank failure, compared with 33% across Asia-Pacific.

## Finding information on banking products and services

76% of customers use face-to-face discussion with friends, family and colleagues as a source of information on banking products and services. 47% use social networking sites to find this type of information.

## Drivers of attrition

80% of customers say they have not changed their main bank before. Just 8% are planning to switch providers. Of those who have moved, 68% cite high fees and charges, and 50% cite poor rates on accounts.

## Personalization

74% of customers would be willing to share personal information to receive better service from their bank.

## How to improve customer satisfaction

20% of customers want their bank to improve its fees and charging structures.

## Loyalty program appetite

61% would value cash-back offers on credit and debit cards as a reward for loyalty, compared with 36% for Asia-Pacific.

# 43%

43% of Singaporean customers are enrolled in a bank loyalty program, compared with 31% across Asia-Pacific.

\* In debt restructuring agreements, this is a reduction in the amount of debt to be repaid to creditors.

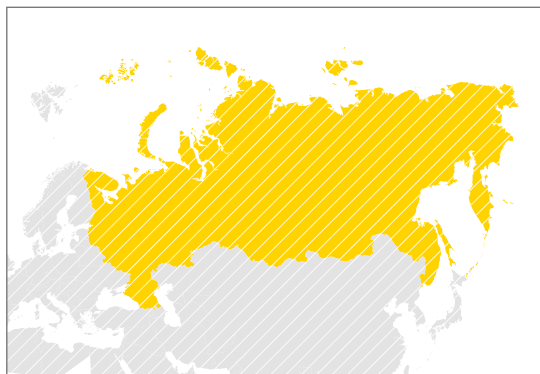
# Russia

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Despite the uncertain economic and sovereign debt outlook hanging over much of Europe, the Russian banking sector remains on solid footing. Total asset growth is strong, with most leading banks having expanded their assets by more than 25% during 2011. In consumer lending, mortgages and automobile financing, many banks' asset growth rates exceeded 50% over the same period. The number of debit and credit cards in circulation in Russia is now close to 140 million, equivalent to the total population of the country. After several years of stagnation, credit cards are becoming a standard product and ever-more popular.

Faced with this rapid growth in retail banking, leading Russian banks are now working hard to improve quality of service, customer attraction and retention, cross-selling and share-of-wallet.

## Customer confidence

In Russia, 44% of customers report no change in their confidence in the banking industry, whereas 36% of customers report an increase in confidence in the last 12 months. 54% cite more personalized, innovative service from their bank as the main reason for their rise in confidence.

## Multi-banking

76% of customers have more than one banking provider, and 32% have three or more.

## Finding information on banking products and services

72% of customers use personal discussions with friends, family and colleagues as a source of banking information. 55% use social networking sites to find out information about products and services.

## Drivers of attrition

29% of customers have switched banks before. 78% of these did so in the last five years, and 40% cite poor interest rates or high fees and poor rates on accounts as the reasons for leaving their bank.

## Personalization

68% of customers would be willing to share personal information to receive better service from their bank.

# 41%

41% of Russian customers multi-bank to obtain the best product or service.

## How to improve customer satisfaction

16% of Russians want their bank to improve online and mobile banking and the processing of payments.

## Loyalty program appetite

28% of Russian customers have enrolled in a bank loyalty program. 29% would value cash-back offers on credit or debit cards as a reward for loyalty, and 26% would favor price reductions on bank products and services.



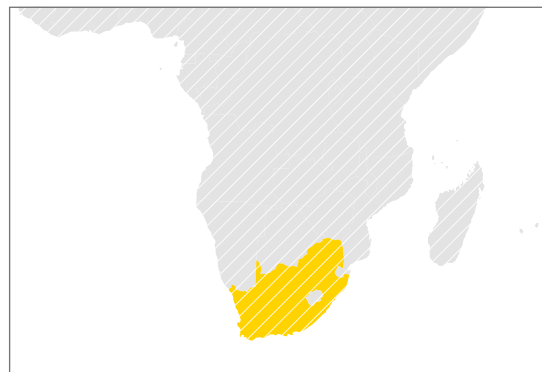
# South Africa

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South Africa is the largest banking market in Africa, with total assets of nearly US\$500 billion. The market is dominated by four banking groups, representing 80% of sector assets. Although not directly affected by the financial crisis, South African banks have struggled to grow in an environment of high household debt ratios and weak corporate demand for credit. However, very strong 2011 results suggest that the main banks have finally shrugged off the effects of the global financial crisis. Profit growth has returned to pre-crisis levels, but lending growth remains weak by historical standards.

New emerging players are increasingly encroaching on the large banks' markets, often focusing on low-income earners where revenue growth is highest. Across Africa there is a major focus on improving transparency and strengthening the regulatory framework. South Africa has opted to introduce Basel III alongside a proposed "twin peaks" regulatory approach, with different bodies providing prudential supervision and consumer protection.

## Customer confidence

In South Africa, 31% of customers say their confidence in the banking industry has increased, compared with 22% in 2011. However, 38% say their confidence has decreased, compared with 47% in 2011. And 66% say their bank's offering has become more personalized, and 50% note that communication has improved, which in turn has increased their confidence.

## Multi-banking

39% of customers use one bank, compared with 44% in 2011. Among those who multi-bank, 29% are looking for the best rates or fees for each product, and 26% have always used different banks for different services.

## Finding information on banking products and services

76% of customers use face-to-face discussions with friends, family and colleagues as a source of banking information. 71% use financial comparison websites to keep informed.

# 45%

45% of South Africans use social networking sites to comment on the service they have received.

## Drivers of attrition

Customer attrition has increased from 34% to 39% over the last year. 70% of customers who have switched banks cite high fees or charges as the main factor. Going forward, 13% of customers are planning to switch banks.

## Personalization

90% of customers would be willing to share personal information to receive better service from their bank.

## How to improve customer satisfaction

26% of customers want their bank to improve its fees and charging structures.

## Loyalty program appetite

45% of customers have enrolled in a bank loyalty program, compared to 27% last year. 52% of customers would value a loyalty program that offered cash-back on debit and credit cards.

## South Korea

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South Korea's banking sector is pushing ahead with expansion, running counter to the global trend for banks to slim down. Major banks in South Korea have established finance holding firms over the past few years, and smaller players have followed or are planning to follow the move.

South Korea's four major commercial banks plan to expand their business networks in Asia's emerging markets this year. Their 2012 targets include countries in Central and Southern Asia as well as those in Southeast Asia, China and Japan. However, the slowing global economy is likely to have a negative effect on banks' asset soundness and total earnings this year.

### Customer confidence

In South Korea, 44% of customers say their confidence in the banking industry has decreased. 72% of customers cite macroeconomic reasons as the main cause for their decline in confidence.

### Multi-banking

89% of customers bank with two or more banking providers, and 15% bank with more than three. 43% of customers multi-bank to obtain the best rates and fees for each product.

### Finding information on banking products and services

80% use financial advisors, and 78% have face-to-face discussions with friends, family and colleagues. 49% use social networking sites in this way.

### Drivers of attrition

25% of customers have changed their main bank provider, compared to the global average of 34%. And 25% of customers changed their bank due to proximity of branches. Going forward, 12% of customers are planning to switch their main bank.

### Personalization

58% of customers would be willing to provide their bank with more personal information, providing this leads to an improvement in the service they receive.

### How to improve customer satisfaction

South Koreans want their bank to improve its fees and charging structures – a change identified by 42% of customers.

### Loyalty program appetite

Only 11% of customers have enrolled in a bank loyalty program, compared to the global average of 27%. And 36% would value a loyalty program that offered cash-back on debit and credit cards.

# 83%

83% of customers use financial comparison websites to keep themselves informed about banking products and services.

## Spain

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The Spanish banking sector continues to experience consolidation, which will significantly reduce the number of financial institutions and, in turn, increase the average size of the remaining players.

The process of consolidation is being led by the central authorities in response to the weak economic environment, the real estate exposures of weaker institutions, and increasing capital and provisioning requirements. Following this consolidation program, the Spanish banking sector will have levels of concentration closer to those seen in other European markets.

### Customer confidence

58% of customers cite macroeconomic reasons or dissatisfaction with banks' bonus culture as the main causes for their decline in confidence.

### Multi-banking

45% of customers bank with two banking providers, and almost 20% with three or more. 32% of customers multi-bank to obtain the best rates and fees, and 31% have always used different providers for different services.

### Finding information on banking products and services

65% of customers use face-to-face discussion with friends,

family and colleagues as a source of banking information. 30% use social networking sites in this way.

### Drivers of attrition

Spain has seen attrition rates change from 15% in 2010, to 49% in 2011, to 42% in 2012. 56% of those who have switched banks cite high fees as a driver. 35% attribute switching to poor branch experience. Going forward, 15% of customers are planning to leave their main bank.

### Personalization

74% of customers would be willing to share personal information with their bank to receive better service from their bank.

### How to improve customer satisfaction

25% of customers want their bank to improve its fees and charging structures.

### Loyalty program appetite

Almost 80% of customers are not enrolled in a bank loyalty program. However, 30% of customers would value a loyalty program that offered price reductions on bank products and services, and 27% prefer cash-back offers on credit and debit cards.

# 76%

In Spain, 76% of customers say that their confidence in the banking industry has fallen in the past 12 months compared to 58% in 2011.

## Turkey

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After considerable consolidation over the past decade, the Turkish banking sector is relatively concentrated for such a rapidly growing market. The 10 largest private-sector banks control more than three-quarters of loans and deposits. Turkey's banking sector is also in a stronger position than many of its European counterparts in terms of profitability, asset quality and capital adequacy.

Turkish banking enjoys strong growth potential. Comparatively low lending to GDP and a downward trend in non-performing loan ratios imply good scope for sustainable expansion. These fundamentals continue to attract foreign investors, with several leading banks being fully owned by foreign banks. However, given the problems in the Eurozone (which accounts for about half of Turkey's exports) and lower growth forecasts at home, sustaining the strong financial position of the Turkish banking sector will be challenging. Turkish banks are trying to balance the need for growth with the desire to manage risks and costs.

### Customer confidence

In Turkey, 27% of customers say their confidence in the banking industry has decreased over the past year, but 31% report an increase in confidence. 60% report dissatisfaction with the quality of advice, services and products offered as the main reason for their decline in confidence.

### Multi-banking

84% of customers use more than one banking provider, and 16% have more than three. 38% of customers multi-bank to obtain the best products and services; 6% of customers multi-bank to diversify their deposits to avoid banking failure. 29% try other banks before switching, compared with the European average of 17%.

### Finding information on banking products and services

76% of customers seek banking information from face-to-face discussions with friends, family and colleagues and financial advisors. 71% use online communities as a source of banking information.

### Drivers of attrition

29% of customers have switched their main bank at some point in the past. 50% cite high fees as the main driver of attrition. Going forward, 19% of customers are planning to switch banks.

### Personalization

72% of customers would be willing to share personal information to receive better service from their bank.

### How to improve customer satisfaction

17% of customers want their bank to improve its fees and charging structures.

### Loyalty program appetite

82% of customers have not enrolled in a bank loyalty program. However, 36% would value a program that offered cash-back on debit and credit cards as a reward for loyalty.

# 78%

78% use social networking sites as a source of banking information, compared with the European average of 37%.

## Vietnam

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The Vietnam retail banking marketplace continues to be dominated by a small number of large banks with government ownership and by local joint venture banks with international partners and shareholdings. There is a drive by the central bank to establish a safer and more resilient banking sector through the merger of smaller players. Ongoing banking reforms will force banks to improve their corporate governance and core business operations.

In addition, there is a strong push for deployment and compliance with the Basel II and III guidelines and a reverse of the "dollarization" of the country. Consequently, the Vietnamese market is expected to become increasingly efficient and competitive. Going forward, in order to succeed, banks will need to build confidence in their brands and improve the service they provide to their customers.

### Customer confidence

In Vietnam, 35% of customers say their confidence in the banking industry has decreased in the last 12 months. However, 31% report an increase in confidence. 62% of customers cite receiving more innovative, personalized service from their banks as the main cause for their rise in confidence.

### Multi-banking

88% of customers bank with two or more providers; 17%

have more than three. 54% of customers multi-bank to obtain the best products or services.

### Finding information on banking products and services

84% of customers use face-to-face discussion with friends, family and colleagues as a source of information. 75% of customers also use social networking sites to keep informed.

### Drivers of attrition

36% of customers have changed their main bank, compared to the global average of 34%. Of those customers, 59% cited high fees as a main driver of attrition.

### Personalization

88% of customers would be willing to share personal information to receive better service from their bank.

### How to improve customer satisfaction

15% of customers want their bank to improve online and mobile banking.

### Loyalty program appetite

47% of customers have enrolled in a loyalty program. 22% of customers value programs that offer gifts as a reward for loyalty.

# 24%

24% of customers are planning to switch banks.

# UK

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The UK retail banking marketplace continues to be dominated by a small number of large banks, some of which remain in government ownership. However some of these banks are, as mandated by the EU, selling off parts of their businesses to help establish a safer and more resilient banking sector. Ongoing banking reforms such as the Independent Commission on Banking, which will force banks to ring-fence their retail arms from riskier investment banking, mean that the UK market should become increasingly competitive.

New entrants have already emerged alongside established niche players using acquisitions to accelerate their business growth. Going forward, banks need to focus on rebuilding customer confidence in their brands and delivering quality service. Both of these factors will be vital to banks, success in the future.

## Customer confidence

In the UK, 65% say that their confidence in the banking industry has fallen, compared to 63% in 2011. And 80% cite dissatisfaction with banks' bonus culture as the main driver for this decline in confidence.

## Multi-banking

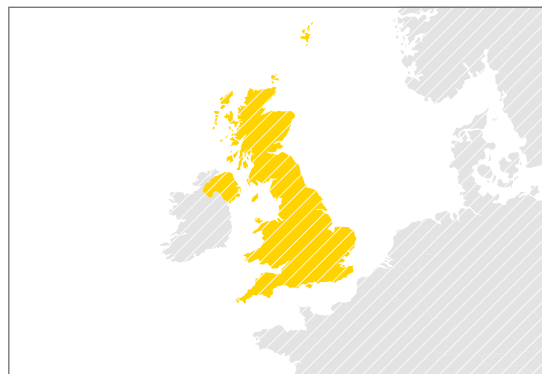
44% of customers use one banking provider, compared with 50% in 2011. The number of those with three or more has increased from 16% in 2011 to 19% in 2012. 37% of customers multi-bank to obtain the best rates and fees.

## Finding information on banking products and services

59% of customers use recommendations from friends, family and colleagues, and 58% use financial comparison websites, to seek information on banking products and services. Only 8% use social networking to source banking information, compared to the European average of 37%.

## Drivers of attrition

Attrition rates have increased from 16% in 2010, to 35% in 2011, to 41% in 2012. Among those who switched banks, 48% changed due to high fees, and 35% due to poor branch experience.



# 42%

In the UK, 42% would value a loyalty program that offered cash-back on credit or debit cards as a reward.

## Personalization

64% of customers would be willing to share personal information to receive better service from their bank.

## How to improve customer satisfaction

17% of customers want their bank to improve its fees and charging structures.

## Loyalty program appetite

88% of UK customers have not enrolled in a bank loyalty program.

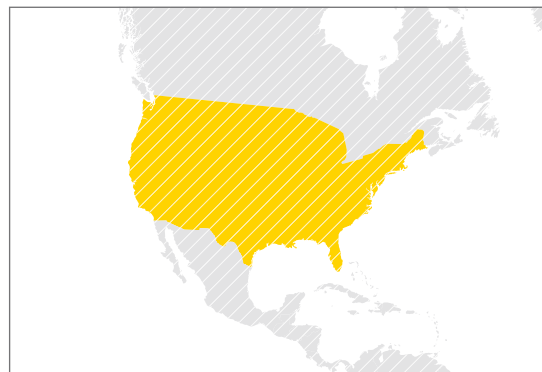
# US

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The outlook for the US banking industry is cautiously optimistic. Facing pressure from a number of factors beyond their control, including the impact of the Eurozone crisis, concerns about economic growth and regulatory uncertainty, along with competitive pressures from both traditional institutions and new entrants, US banks are working to reduce expenses and position their firms for growth when the environment stabilizes.

Capital management continues to be a top priority, but customer-focused growth and retention strategies are receiving more attention and retail banking operations are displaying growing momentum.

### Customer confidence

Only 9% feel that their confidence has increased in the past year. 72% of those feeling less confident cite that the banks' bonus culture is the main cause, and 57% attribute this to the macroeconomic situation.

### Multi-banking

58% of customers have more than one bank compared to 49% a year ago. Customers with three or more banks have grown from 16% to 23%. The top reasons customers multi-bank – stated by 33% of respondents – is to obtain the best rates and lowest fees.

### Finding information on banking products and services

63% of customers turn to friends, family and colleagues for information on banking products. 40% use a financial advisor. 13% interact with their bank via social networking sites to get informed about products and services.

### Drivers of attrition

The proportion of customers who have ever changed their bank has increased by 7% in the last year to 45%, and another 5% of customers are planning to leave their bank. 57% of those who have switched banks cite high fees as a driver, followed by 35% who point to poor rates on accounts.

# 51%

In the US, 51% of customers say their confidence in the banking industry has fallen, compared with 55% in 2011.

### Personalization

68% of customers would be willing to share more personal information to receive more personalized service from their bank.

### How to improve customer satisfaction

27% of customers want their bank to improve its fees and charging structures.

### Loyalty program appetite

Loyalty program enrollment in the US has jumped from 14% to 30% during the past year. 57% of customers prefer loyalty programs that offer cash-back rewards for credit or debit card use. Air miles and hotel points are only preferred by 4% of customers.



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## How Ernst & Young can help

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