Banking on Relationships

How the banking industry’s top decision-makers are rethinking customer engagement for the digital era
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Banks have long played an important role in every business and consumer’s financial universe. But as banking goes digital, the way banks build and maintain relationships with their customers is changing — fast. Face time with customers in the local branch is no longer a given. Today, banks are increasingly interacting with customers through mobile and online banking experiences.

So how exactly are new technologies transforming the way banks build relationships and interact with their customers? This report explores the top priorities on the innovation agenda for US banks over the next 24 months; examines how banks view new digital services; plus provides a special breakout section on innovation in small business banking.
P R I O R I T I E S

What’s Top of Mind for Top Banking Leadership?

Banks today have an unprecedented opportunity to redefine the banking experience and cement longer and richer relationships with their customers. But with so much innovation happening across nearly every avenue of banking all at once, where do they start?
Do you agree that new technologies are changing the way your institution engages with consumers?

There’s no doubt about it. Nearly all (91%) banking leaders agree that new technologies are dramatically changing the way they engage with consumers.

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<th>Agree</th>
<th>Disagree</th>
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<tr>
<td>91%</td>
<td>9%</td>
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Over the next 24 months, what is your top priority for investing in customer-facing technologies?

Banking outside of just the branch is the top priority for bank leaders over the next 24 months.

- Banking outside the branch: 86%
- In-person: 14%
When it comes to digital payments, small business customers are twice as important to banks as large businesses. Over the next 24 months, banks also expect to place nearly as much focus on small business payments as they do consumer payments.
FRIEND OR FOE?

The Impact of Technology on Customer Relationships

Starting with the arrival of the ATM in the 1960s, technology has been driving a wedge between banks and their customers. The latest fintech boom has accelerated this trend, but it also presents many new opportunities for banks. How do banks view the impact of new technologies on customer relationships?
OVER THE NEXT 24 MONTHS, HOW DO YOU EXPECT YOUR INSTITUTION’S SPENDING ON TECHNOLOGY SOLUTIONS THAT ENABLE CUSTOMERS TO CONDUCT ONLINE TRANSACTIONS AND/OR ACCESS THEIR FINANCIAL INFORMATION TO CHANGE?

Everyone agrees: digital banking is the future. The vast majority of respondents (82%) plan to invest more in technology solutions that enable digital banking.

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<th>Stay the Same</th>
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<td>82%</td>
<td>18%</td>
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This proliferation of new technologies is also impacting bank partnerships. Nearly half (48%) of all respondents say that partnerships with third-party financial technology (“fintech”) companies will increase over the next two years.

<table>
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<td>48%</td>
<td>51%</td>
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Today, banks are still comparing themselves to other banks when evaluating their digital customer experience as opposed to comparing themselves to fintech startups.

Over the next 24 months, which payment solution for small and medium businesses do you think poses the biggest competitive threat to your institution?

This may soon change, as banks are split between fintech startups and other banks as their the biggest competitive threat in the future.

When evaluating customer experience for your online solutions, which of the following does your institution use most often as a benchmark?

Today, banks are still comparing themselves to other banks when evaluating their digital customer experience as opposed to comparing themselves to fintech startups.
Small and medium businesses represent one of the largest and most important customer segments in banking. While SMBs are traditionally slower to adopt innovative new products and services than consumers, the onset of new technologies is starting to impact the demands and expectations of this segment as well. Clearly, banks have SMBs in their sights and are gearing up for greater digital engagement.
WHICH CHANNELS HAVE THE HIGHEST LEVELS OF ENGAGEMENT AMONGST YOUR INSTITUTION’S SMALL AND MEDIUM BUSINESS CUSTOMERS?

Banks today still view in-person branches as the channel with the highest levels of SMB customer engagement.

OVER THE NEXT 24 MONTHS, HOW IS YOUR INSTITUTION PRIORITIZING CHANNELS FOR CUSTOMER ENGAGEMENT AMONGST SMALL-AND MEDIUM-BUSINESS CLIENTS?

Looking ahead, however, the future of SMB banking is clearly digital. Seventy six percent say that digital and mobile represent the highest priority channels for their bank over the next 24 months.
When it comes to digital experiences, measuring engagement is key. Today, only 36% of banks surveyed are tracking digital engagement metrics with SMBs customers. Within the next two years, the vast majority (74%) plan to measure SMB digital engagement.
This survey was conducted online within the United States by SourceMediaResearch/American Banker on behalf of Bill.com in August 2016, among 205 banking leaders who self-identified as director level or above at a banking institution. For complete survey methodology, please contact Tanya Roberts at troberts@hq.bill.com.