DIEBOLD PERSPECTIVE

Consumer preferences: challenge or opportunity?

The top three myths about consumers

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Our physical and digital worlds are converging faster than ever. We're witnessing the global rise of tech-native consumers who can – and do – set their bar for brand experiences higher than ever. With access to so much information and so many options, they're making decisions in entirely new ways.

At the centre of this whirlwind of change is an essential truth – one that retail banking institutions can capitalise on to fuel powerful differentiation within an increasingly stratified industry. That truth is this: *Changes in consumer preferences and behaviours have driven the fusion of transactional banking and relationship banking.*

They are not two separate experiences. Transactional interactions don't supersede relationships between banks and their customers. Rather, they create and nurture them. In this environment, it's more important than ever to orchestrate channels and interactions in a way that FITs consumers' lives. We can't wait around for them to FIT into ours.

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That idea lies at the heart of Diebold's FITbanking™ philosophy, a consumer-driven approach to systems integration and branch transformation. If we examine some of the most commonly stated industry challenges through the FITbanking lens, it's apparent that these so-called challenges are actually myths – and they present not just opportunities, but ready-made advantages for retail banks.

Myth #1: Fewer people trust banks these days

In a global consumer banking survey, Ernst & Young found that 93% of consumers had moderate or complete trust in their banks. And 77% of consumers were satisfied enough with their financial institution (FI) to say that they'd recommend it to others. An Accenture study found that in the USA, 86% of consumers trust their bank more than any other type of company to securely manage their data.

What does this mean for FIs?

Consumers realise that banks still understand, handle and secure their assets better than anyone else. Despite the challenges of the past few years, banks still have a fantastic opportunity – not just to reinvent themselves, but to remind consumers what made them trust banks in the first place. Despite the recent frenzy about new Fintech startups coming out of Silicon Valley and London, most of these do not appear to engender the trust that banks have with consumers. How should banks use this advantage?

Trust is our most valuable asset and a critical element of a positive banking experience. That's the core strength banks must build their futures upon. We're working with financial institutions to cultivate the trust consumers already have, tapping into our FITbanking philosophy to foster that trust through deeper relationships on a personal, one-to-one level.

Myth #2: Millennials in particular, and consumers in general, prefer digital communication – and aren't interested in talking to bankers

A survey conducted by Salesforce found that among Americans who employ a financial advisor, Millennials (ages 18-34) were actually more likely than Baby Boomers (ages 50-69) or Gen X'ers (ages 34-50) to seek out advice in person, rather than through digital channels or via phone. Again and again, we find that consumers still crave a physical connection to their financial institution, and by association, their money. In fact, a recent Gallup poll discovered that only 11% of consumers want a banking relationship that's exclusively digital.

The branch is not a rotary phone destined for oblivion. Consumers believe in the expertise of their financial institutions – and FIs should harness that trust and belief to deepen their relationships. The bank should be the first – and only – place consumers think of when they think about their money: whether they're paying their taxes, planning their children's college funds or simply budgeting their expenses from month to month.

We're seeing FIs realise that closing branches isn't the end-all, be-all solution to their woes; rather, they're beginning to understand that right-sizing, finding the right FIT for their branch network, is the true key to future success. That takes data aggregation and systems integration; it takes a services-led, software-enabled approach that orchestrates end-to-end solutions to FIT a branch network's physical needs as well as its evolving digital requirements. Most importantly, it takes courage to be willing to break away from the branch model and experience that have existed for decades.

Myth #3: Consumers who prefer online banking are less engaged with their banks, so there are fewer opportunities to develop a relationship with them

The fact is, consumers who access more channels of a financial institution are actually more likely to interact with their FI through traditional channels. Additionally, 80% of consumers use at least three of their bank's channels, 64% use at least four channels and 39% use five or more channels.

Consumers have simply never met a channel they didn't like. In today's climate, it's vital for banks to realise that they can't focus their attention on one channel at the expense of another, because consumers don't think in terms of channels. They expect seamless, convenient access to their money, in whatever way is most efficient at that moment. Therefore, FIs will need to refocus their efforts on fostering an experience-driven banking environment, one in which FIs take the same channel-less approach to banking that their customers do.

Human beings are not shaped by cookie-cutters, and that's reflected in their varied approaches to banking. Preferences may change and evolve, but the need for options will not go away. In order to differentiate, FIs will have to understand what experiences (or parts of an experience) need to be delivered to which endpoint – ones that make the most sense for the consumer. From there, they'll need to proactively guide consumers in finding the best channel for each task, as delivering every capability across all channels may create unnecessary confusion. We find that consumers want to be guided to the channel that lets them get their task done in the quickest, easiest, most complete way.

If banks are able to deliver a secure, personalised, channel-less experience, I believe they'll find that their relationships with their customers (whether they're digital natives or branch advocates) become stronger, deeper and longer-lasting. We're working with our clients to help put the banker back into banking – and that's a good FIT for a healthy ROI.

You can find out more about our FITbanking approach to branch transformation and end-to-end solutions at Diebold.com/FITbanking. ■

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Human interaction is still a vital component of relationship banking, and as the industry becomes more and more consumer-driven, we'll see it become a true differentiator.

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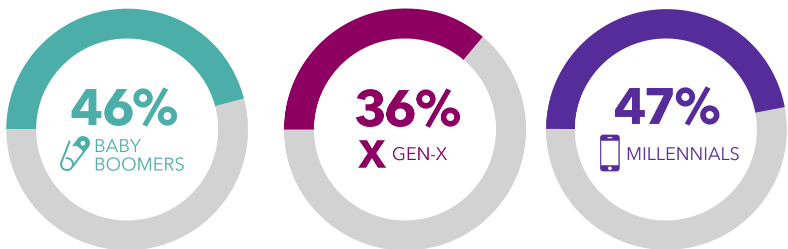

PREFER TO GET ADVICE FROM THEIR ADVISOR IN PERSON, RATHER THAN VIA PHONE, EMAIL OR ONLINE[1].

Consumers actually want a mix of options that includes both physical and digital channels[2]:

9%	11%	25%	55%
Want to bank in-person.	Want to bank through digital channels.	Want an equal balance of physical and digital options.	Have preferences that are neither exclusively digital or personal.

[1] http://www.businessinsider.com/new-data-shows-millenials-love-what-wall-streets-biggest-banks-have-to-offer-them-2015-5
[2] http://www.gallup.com/opinion/gallup/182813/bank-customers-trade-personal-banking-digital-banking.aspx