

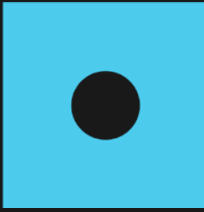


# Customer experience in the 2021 financial services market

An analysis of the leading CX strategies of financial organizations as they emerge from a disruptive year

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# Executive summary

The financial sector was already undergoing a digital sea-change due to changing market factors. Non-traditional banks, online lenders, and other new financial players have now become serious competition for even the largest financial institutions. Meanwhile, financial customers have widely embraced digital and self-service financial tools, forever altering their relationships with physical branches.

These changes already presented a unique challenge to financial organizations' customer experience (CX) teams. But because of the COVID-19 pandemic, many organizations have also had to pivot quickly to short-term goals like reducing costs and growing revenue.

According to Forrester in January 2021, only 35% of global purchase influencers at banks saw accelerating their digital business as a high or critical priority over the next 12 months, instead focusing on more immediate concerns.<sup>1</sup>

But the COVID-19 crisis also led many financial organizations to innovate and embrace hard-won lessons about who their customers are and what they want from their financial service providers. In this report, we'll explore how the customer experience has changed in the financial services industry since the events of 2020 and what the future of CX looks like for banks, insurance companies, and capital markets groups.

<sup>1</sup> <https://go.forrester.com/blogs/in-2021-banks-must-sustain-the-digital-momentum/>

# Key findings



**Most insurance companies in the study (55%) plan to provide customers with rebates or money back in the future,** including 34% that did so during the pandemic and 21% that didn't.



**63% of respondents claim providing enough self-service options for customers is a challenge** to delivering consistent, high-quality CX.



**86% of the respondents assign 25% or more of their overall budget to customer experience (CX),** where nearly half (45%) assign roughly 50% or more.



Nearly three-quarters of respondents (73%) claim about **50% or more of their customers' activities switched from in-person services to digital services in 2020.**



**Among the 46% of companies in the study who expect their organizations' CX budgets to increase somewhat or substantially in the next 12 months,** 59% will invest in leveraging customer data for real-time personalization at the branch level.



**In terms of technologies, most companies in the study leveraged smartphone apps, mobile-responsive websites, or both (81%),** customer onboarding and feedback automation (62%), and AI-powered predictive analytics (51%) during the COVID-19 pandemic AND plan to continue using them.



**Most respondents describe their CX as very consistent (45%) or somewhat consistent (28%)** across channels.

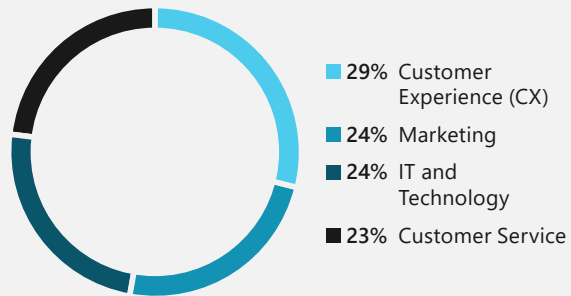


Although half of the respondents don't expect their customers' habits to change much in the next 12 months, most remaining respondents (38%) believe customers **will embrace digital financial tools over physical branch services in 2021.**

# About the respondents

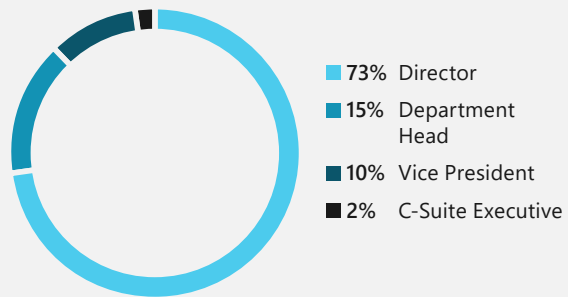
Microsoft and the WBR Insights research team surveyed 100 leaders from financial organizations to generate the results of this study. The respondents are almost evenly split in their roles. They occupy roles in CX (29%), marketing (24%), IT (24%), and customer service (23%).

**What is your role?**



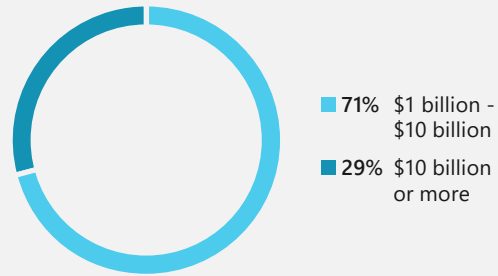
At 73%, a majority of the respondents are directors. The remaining respondents are department heads (15%), vice presidents (10%), and C-suite executives (2%).

**What is your seniority?**



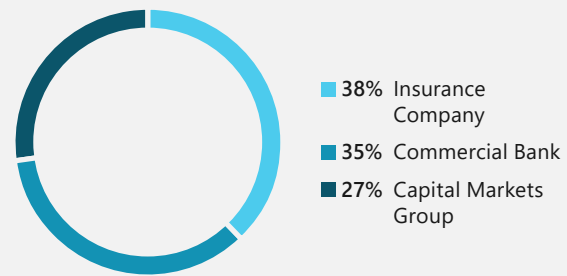
Most of the organizations represented in this study (71%) make annual revenues of \$1 billion to \$10 billion. The remaining 29% of organizations make \$10 billion or more annually.

### What is your company's annual revenue?



A plurality of the respondents (38%) represents an insurance company. The remaining respondents are from commercial banks (35%) and capital markets groups (27%).

### What type of financial services company do you represent?



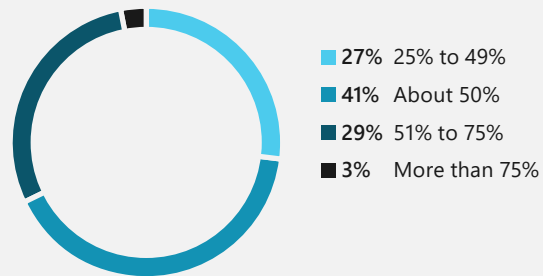
# COVID-19 called for new CX policies and technologies—some of which are permanent.

The COVID-19 pandemic had a significant impact on almost every industry, and the financial sector was no exception. Dramatic shifts in consumer spending and banking habits led financial leaders to adjust their customer experience strategies to better accommodate their customers' needs. By leveraging digital solutions and other innovative ideas, including debt relief and cash rebate programs, many financial organizations positioned themselves not only to endure the events of 2020 but also to push forward into new CX initiatives afterward.

Most of the respondents (73%) to this study say that at least 50% of their customers' financial activities switched from in-person services to digital services in 2020. These changes of habit are likely the direct result of social distancing policies set forth during the pandemic. However, the digital financial trend has been ongoing.

Some financial organizations were already prepared for this shift, as they had made significant investments in digital CX programs.

**To the best of your knowledge, what percentage of your customers' activities switched from in-person services to digital services in 2020?**



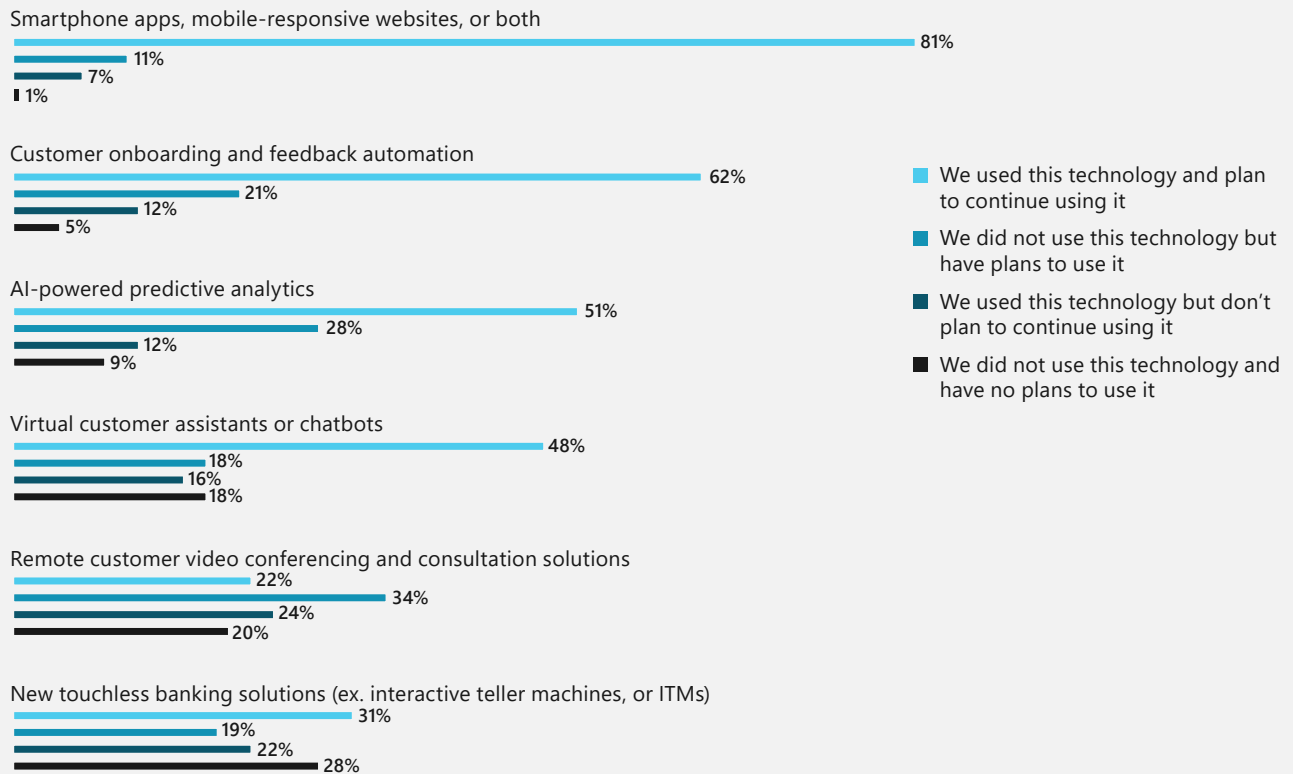
Indeed, most of the respondents to this survey say their organizations not only used several CX technologies during the COVID-19 pandemic and also plan to continue using them. These technologies include smartphone apps and mobile-responsive websites (81%), customer onboarding and feedback automation (62%), and AI-powered predictive analytics (51%).

Meanwhile, at 48%, almost half of the respondents say their organizations used virtual customer assistants during the pandemic. Altogether, 66% of the respondents say their organization plans to use this solution in the future.

The only technologies that didn't see widespread use were remote customer video conferencing solutions and interactive teller machines (ITMs). However, several respondents note that they intend to use these technologies in the future.

These results suggest that most financial organizations are working to deploy these technologies as part of their CX strategies, even if they didn't do so during the pandemic. It also suggests that the pandemic may have been a catalyst for CX programs that were already in the works at some organizations.

**Did your organization leverage any of the following digital CX technologies during the COVID-19 pandemic? And which technologies do you plan to continue using?**



Another response from financial organizations during the COVID-19 pandemic was an easing of rules for debt repayments. Companies took these unorthodox steps after recognizing that many of their customers were struggling financially. But debt relief programs weren't the only programs financial organizations launched to help their customers during the pandemic.

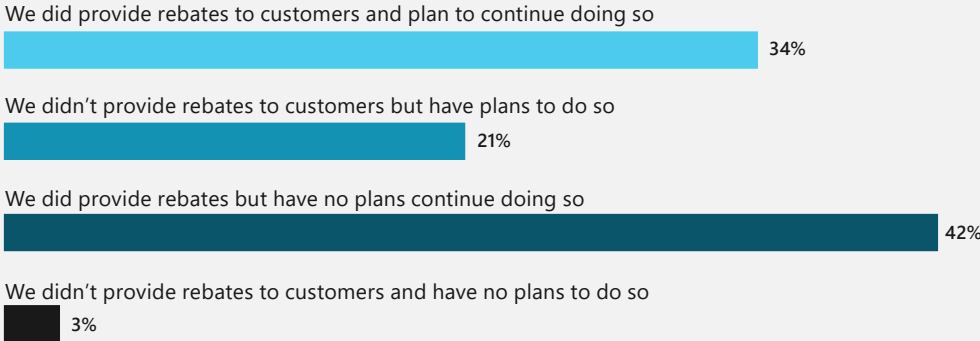
Among the 38% of respondents representing an insurance company, 76% say they provided customers with rebates or money back during the COVID-19 crisis. Significantly, 55% of insurance companies say they plan to continue offering rebates or money back to their customers. This includes 21% of companies that didn't provide rebates or money back during the pandemic.

This suggests that these programs were not only popular but could also provide significant benefits to the customer experience and secure customer loyalty. Although rebates and money back directly impact revenues in the short-term, they could result in long-term success.

Considering these changes, researchers asked the respondents to describe how their responses to challenges shaped by COVID-19 have changed their long-term CX strategies.

Several respondents recognize that the COVID-19 crisis was challenging but taught them valuable lessons. One of the most important lessons is that financial organizations must be agile if they intend to persevere through the disruptions of the future.

**As an insurance company, did you provide customers with rebates or money back during the COVID-19 crisis; and do you plan to continue this practice in the future (e.g., to inspire customer loyalty)?**





"Due to COVID, we had to expand our product suite and work countless hours to keep customers' assets safe," says a CX department head at a capital markets group. "This was a good experience. In the future, we'll stay aware of the measures we must undertake to provide a good customer experience."

Meanwhile, a marketing director at an insurance company recognizes that their organization will need to shift its strategy when new challenges arise: "There will be different situations in the future that will affect the psychology of customers. Just like COVID now, we may have a different set of challenges in the long-term future and our current strategy will be ineffective."

Other priorities highlighted by the pandemic are "flexibility," "consistency," "security," and "connectivity."

As one capital markets group director puts it, "Maintaining connectivity was a challenge due to COVID and delivering consistent responses to customers was essential. We are working on improving our connectivity for the future."

Although many financial organizations expect consumers to engage in some level of in-person financial activity once the pandemic subsides, they recognize that digital must always be an option. They also recognize the importance of building valuable and intuitive digital experiences ahead of time, so they can be more agile and flexible when challenges do arise.

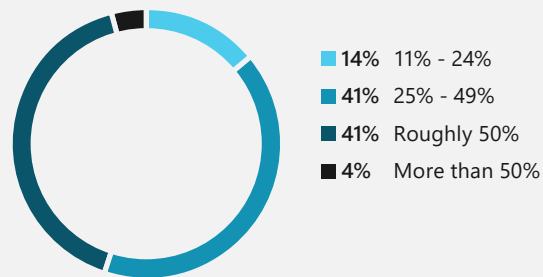
# Financial organizations are maintaining their CX budgets and prioritizing a wide range of initiatives.

The financial sector has been prioritizing customer-centricity and, by extension, the customer experience for several years. Under normal circumstances, we could expect financial organizations to expand their CX budgets to adopt the next wave of CX solutions and meet their customers' increasingly high demands for service.

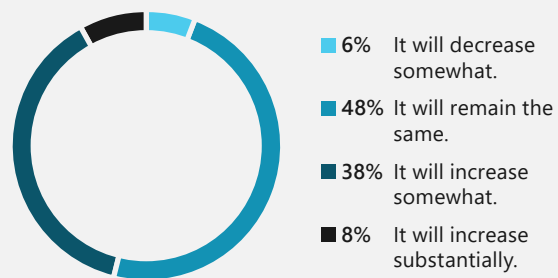
Based on the results of this study, it appears that most financial organizations still place CX as a high priority. Although 55% of organizations devote 11% to 49% of their overall budgets to CX, 45% devote roughly 50% or more.

Still, most respondents say their CX budgets will either remain the same over the next 12 months (48%) or decrease somewhat (6%). These organizations are likely already satisfied with the amount of funding they're providing their CX initiatives or they are devoting larger budget allocations to other initiatives.

## What percentage of your company's overall budget is currently dedicated to customer experience (CX)?



## How do you expect your organization's CX budget to change in the next 12 months?



Almost half of the respondents (46%) say their CX budgets will increase. These organizations are also prioritizing a wide range of CX initiatives over the next 12 months. Majorities of these respondents are prioritizing all but one CX initiative presented to them in the study.

For example, 59% of respondents who say they are increasing their CX budgets are working to leverage customer data for real-time personalization at the branch level. This reflects a strategy of merging some of the best aspects of digital financial activity with the in-branch experience. By empowering associates and intelligent machines with real-time customer data, in-store financial activities can become just as personalized as online experiences.

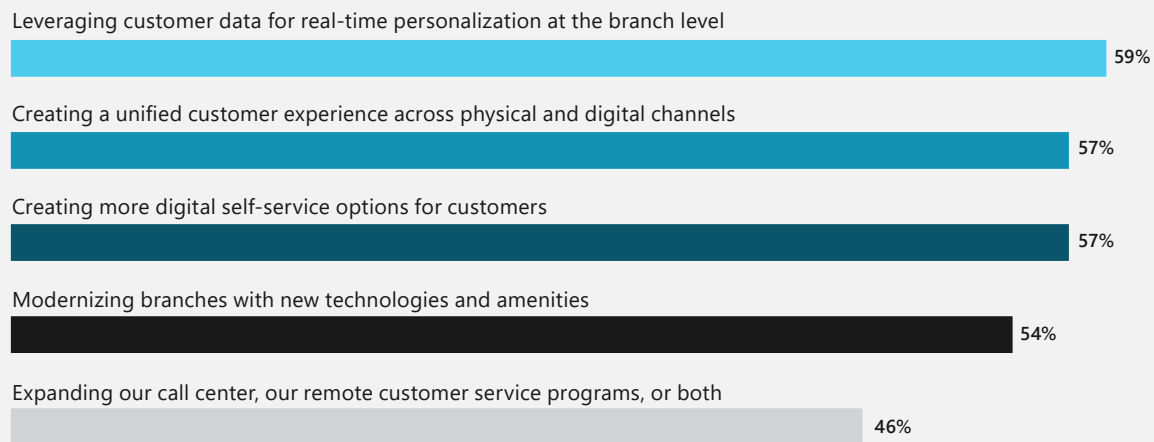
Similarly, 57% of these organizations plan to create a unified customer experience across physical and digital channels.

This reflects not only a desire to leverage customer data more effectively in the branch but also to avoid friction in their experiences when customers switch between channels.

Finally, a majority of the respondents who are increasing CX budgets plan to create more digital self-service options for customers and to modernize branches with new technologies and amenities. Some financial organizations, especially community banks, are envisioning a new strategy in which branches are transformed into community hubs through the implementation of technology, events spaces, and amenities like foodservice.

As in-person financial activity returns, it's possible that the branch experience consumers are used to will be completely revolutionized.

### Since you said your budget will increase, in which CX initiatives will you invest over the next 12 months?

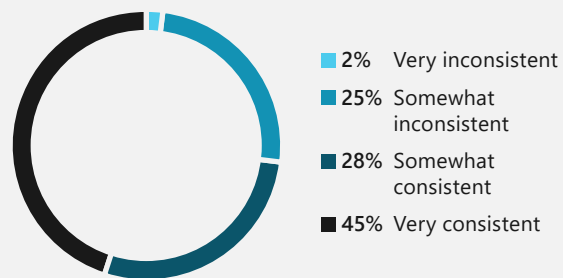


# More financial organizations are close to creating a consistent CX across channels but struggle with self-service

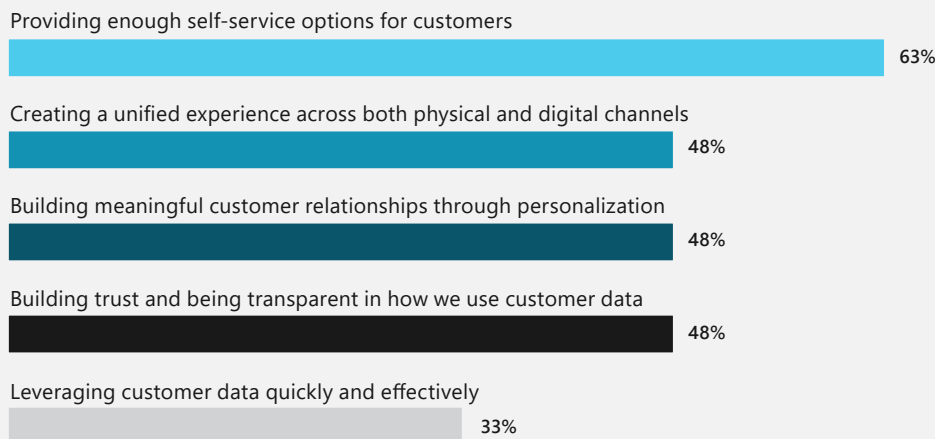
Creating a unified CX experience across channels has long been a challenge for financial organizations, especially since there has always been a significant gap between customer experiences in the digital realm and those that occur in-person.

Technology has provided some solutions, but organizations have reached different levels of maturity in their deployments of key technologies, such as AI-driven analytics and in-branch technologies like intelligent teller machines.

## How consistent is your organization's CX across channels?



## What challenges do you face in delivering consistent, high-quality CX?



Currently, almost half of the financial organizations surveyed (45%) have a “very consistent” CX across all their channels. These companies feel that their CX efforts have been unified and consistent everywhere their customers engage with them.

But at 55%, a majority of financial organizations feel that CX across their channels is either only “somewhat consistent” or less so.

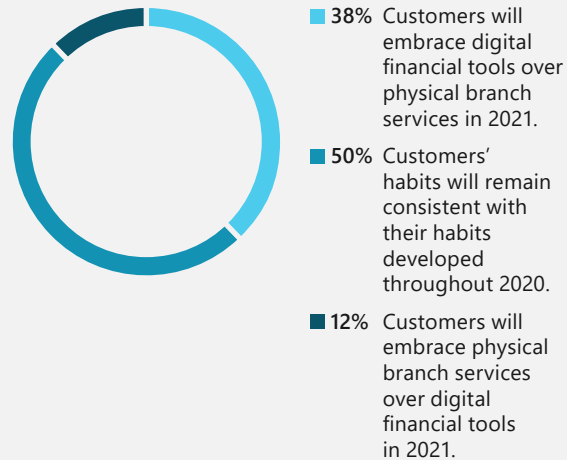
When asked to identify what challenges they are facing in delivering a consistent, high-quality customer experience across channels, the biggest culprit was an inability to provide enough self-service options for customers, at 63%.

Judging by consumers’ switch to digital financial tools, it’s clear that self-service will be a key driver of business moving forward. Customers no longer tolerate waiting in long lines to speak to an associate when they can take care of their financial business on their own, either through a self-service device in the branch or via their smartphone at home.

In particular, banking customers are more willing than ever to engage in self-service when conducting large transactions, such as taking out a loan. Banks must now compete with a consortium of internet-based lending companies that can offer loans like mortgages almost instantly.

Additionally, 48% of respondents say they are struggling to create a unified experience across their physical and digital channels, build meaningful customer relationships through personalization, and build trust and transparency in how they use customer data.

### How do you expect your customers’ habits to change in the next 12 months?



More encouraging is the fact that financial organizations recognize that consumer habits have changed. Half of the respondents surveyed believe their customers’ habits will remain consistent with the habits they’ve developed throughout 2020. Another 38% believe their customers will embrace digital financial tools over physical branch services in 2021.

Only 12% of the respondents believe their customers will embrace physical branches over digital financial tools in 2021. While there is likely to be a return to in-person services once the pandemic is under control, what isn’t clear is whether financial customers will visit physical branches with the same regularity as they did before the pandemic.

If the results of this survey are any indicator, financial organizations must unify their digital and physical customer experiences to deliver the same level of services and personalization on each.



# Conclusion: financial services CX in the future

To conclude the study, researchers asked the respondents to describe their vision for the future of CX in the financial services industry, paying particular attention to what might be some of the competitive differentiators among leading companies.

Several respondents say personalization will be integral to CX strategy moving forward. Although it isn't a new concept, personalization holds benefits and challenges for financial organizations.

"The future of CX will depend on how much a company can simplify finances for their customer," says a marketing department head from a commercial bank. "With this, the next big thing will be personalization, which will act as a major differentiator.

Similarly, a CX director from an insurance company says, "Demand will be more retail-like with interactive technology. But CX will depend on the level of personalization that a brand provides its customers."

As many of the organizations surveyed are still feeling the effects of the pandemic, resiliency is still a theme that emerges in strategic conversations about the future—not only resiliency from a back-office perspective but also resiliency in terms of the organization's ability to ensure customer loyalty and maintain positive customer acquisition even in times of disruption.

One marketing director from a large capital markets group says leading organizations will need to engage in

a variety of initiatives to stay ahead of the pack. "Only the most resilient organizations will survive in the future. Technology, customer acquisition, safety, and even environmental sustainability will play a role in delivering the right customer experience."

Despite different visions for the future, most of the respondents are focused on one area of their organizations' future CX strategy: technology. Customers are not as easily swayed by the friendly, person-to-person customer service that dominated the past. They want to be able to complete financial tasks quickly and efficiently, and they want to be able to do so on their terms.

According to one IT director, "Customers are expecting a minimal touch, mobile screen solution for their financial needs. If a brand cannot offer this, they could lose to their competition instantly."

This study has revealed that organizations that are increasing their CX budgets are prioritizing a variety of CX initiatives. Underpinning all of them is technology, both in the form of in-branch solutions, infrastructure, and software. Organizations that can deploy these technologies in a way that unifies CX across channels will be better positioned to serve tomorrow's customers.

As one CX department head puts it, "The organization with the best technology will lead in the future."

# Key recommendations



**Many insurance companies and other organizations embraced unorthodox CX strategies during the pandemic**, such as cash rebates and money back. Several are considering these strategies in the future. Now might be a good time to re-examine how your policies affect customers and identify those that can be changed to improve CX.



**Organizations that plan to increase their CX budgets are prioritizing a wide array of CX initiatives**, including real-time personalization and additional digital self-service options for customers. Even if you aren't increasing CX funding, identify the CX initiatives that promise to generate the most ROI in your customer relationships and prioritize them based on your analysis.

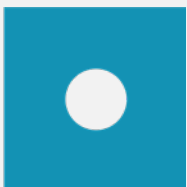


**Financial customers are embracing digital self-service tools like never before.** To adapt to this change, financial organizations must empower their customers. You can do this by deploying technologies like customer-facing smartphone apps, customer onboarding automation solutions, and AI-powered predictive analytics tools that can assist with personalization efforts.



**Most organizations don't expect customers to embrace physical branch services over digital financial tools in 2021**, but that doesn't mean CX initiatives in the branch should be abandoned. Instead, work to unify your CX efforts across channels so customers get a consistent experience no matter how they engage with your company.

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