SELF-SERVICE, ATM, AND OTHER CHANNEL BANKING: OMNICHANNEL EXPERIENCE NEEDED

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CustomerMonitor Survey Series
Insight Summary Report
Volume 4, Report 8 **June 2013**

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Introduction

"You can't trust other people. If it's important, you have to do it yourself."
–Neil Gaiman, The Graveyard Book

Self-service banking is growing rapidly as consumers do more of their day-to-day banking activities using ATMs, online banking, or mobile banking without the aid of branch personnel. Consumers want to be able to do more banking themselves at their own convenience. Automation reduces the cost per financial transaction, increasing financial institutions' profitability while offering consumers a more convenient way to bank 24/7, free of restrictive banking hours. Many of the industry pundits predict a transformation in banking channel use with the adoption of new video, mobile, and ATM technologies.

Financial institutions (FIs) continue to develop self-service banking with the expansion of online and mobile banking as well as the functionality of ATMs and increasingly videoconferencing. As we will see in this report, consumers who use self-service banking engage more often with their financial institutions and use a wider variety of self-service channels. Although most financial institutions in the U.S. and elsewhere offer multiple banking channels and a variety of options for self-service banking, to date, these services are kept fairly distinct and transactions performed in each channel may not be updated as soon as these customers reconnect with their bank wherever they may be—online, on their mobile device, or at the ATM.

As consumers take advantage of the growing array of self-service banking options, they have more choices as to how, when, and where they bank and will take advantage of the enhanced convenience. Financial institutions need to listen to their customers, especially those who engage with them more frequently than average and through multiple channels. Customers will want the bank to recognize their communications and transactions as quickly as possible and enable them to optimize the convenience of multiple channels with seamless integration—the "omnichannel" experience.

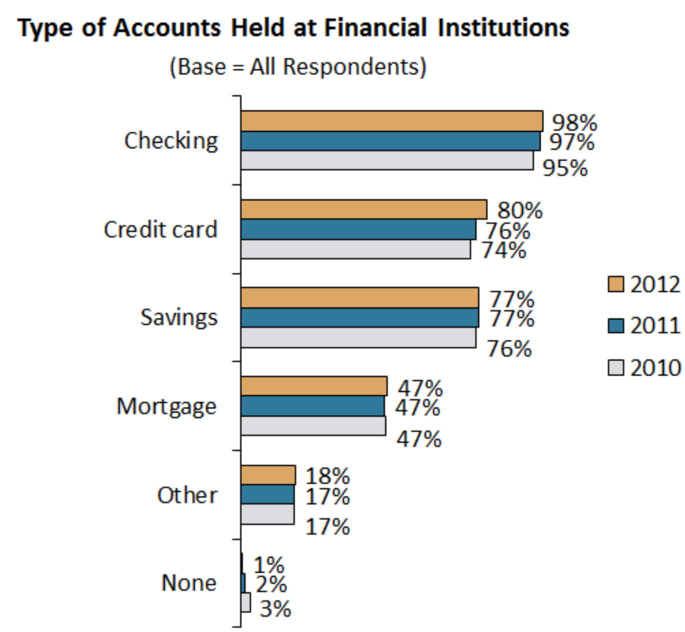
The 2012 CustomerMonitor Survey Series survey on self-service banking channels in the United States focuses on the use of ATMs and the convergence of ATMs with mobile and online banking. The findings highlight ways in which financial institutions can enhance the customer experience with expanded services that ATMs may offer and customer interest in new technologies such as teller-assisted videoconferencing for bank transactions. This study identifies the demographics of self-service banking customers, frequency of channel use, channel preferences for deposits, and differences based on check value as well as consumer interest in new self-service technologies for transactions.

Self-Service Banking: Who Uses It?

First, What Types of Accounts Do Consumers Have?

In evaluating the self-service banking channels, we first identify the type of accounts that consumers hold at financial institutions. Mercator Advisory Group's 2012 CustomerMonitor Survey Series on Banking and Channels focused primarily on U.S. consumers who have banking relationships with at least one financial institution. The design of this survey excludes some of the "unbanked segment" of consumers who do not have online access. As illustrated in *Figure 1*, nearly all respondents have checking accounts, 4 in 5 respondents have credit cards, and 3 in 4 respondents have savings accounts at financial institutions. A more inclusive survey sample (although it is still not completely random due to the online nature of the survey) in the 2012 CustomerMonitor Survey Series on Payments finds that average consumers have fewer FI relationships than do respondents to our more targeted Banking Channels survey. More specifically, 5% of consumers surveyed for the payment survey have no relationship with financial institutions, 93% have checking accounts, but only 61% have credit cards and 40% have mortgages with financial institutions.

Figure 1: Nearly All U.S. Consumers Surveyed Have Checking Accounts



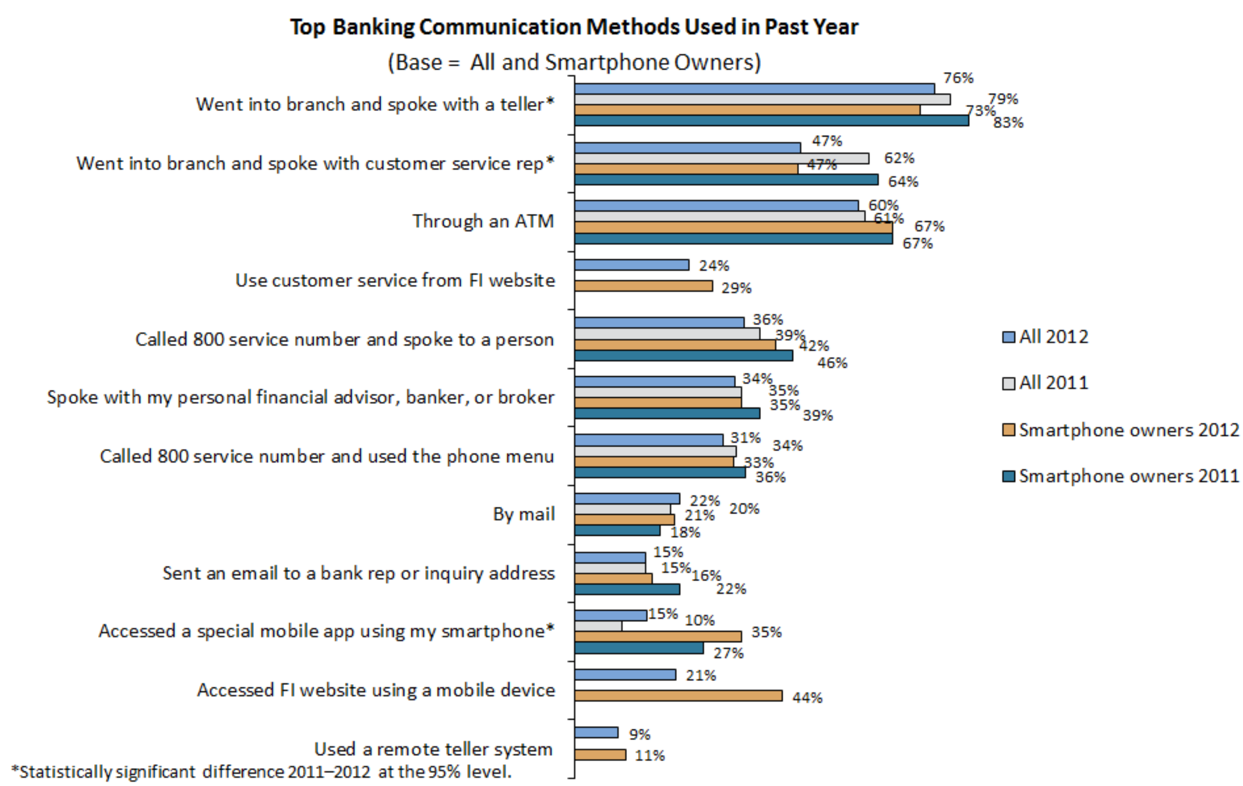
Sources: Mercator Customer Monitor Survey Series, Banking and Channels 2010, 2011, 2012, Question S2a

Self-service banking options are often offered with checking accounts, most commonly through ATMs and increasingly with mobile and online banking. With ATMs in the United States at approximately 425,000 and holding steady, FIs enjoy a large installed ATM base with greater network interoperability than ever before. Scale and interoperability, combined with enhanced functionality, are positioning ATMs for an increasingly important role in the future of banking. But, as ATMs compete with advancing online and mobile banking capabilities and cash back is readily available in stores for consumers using debit cards at the point of sale, the issue becomes who is using ATMs and self-service channels, what are consumers' preferred methods of banking? For what types of transactions are consumers willing to use self-service options and how often?

Consumers Use Many Ways to Communicate with FIs

Figure 2 shows the methods consumers generally and smartphone owners use to communicate with their respective financial institutions. Consumers appear to be changing the way they communicate with their FI, using both traditional methods of branch banking with tellers, sitting down with customer service representatives if necessary, and increasingly using self-service options including ATMs, online banking, mobile banking and emerging self-service technologies to be discussed later in this report. Some consumers appear to be willing to use alternatives to face-to-face banking in the branch (such as videoconferencing). Financial institutions can take advantage of current self-service technology to attract customers into the branch.

Figure 2: Smartphone Owners Use a Wider Variety of Communication Methods, Including Self-Service



Sources: Mercator Customer Monitor Survey Series, Banking and Channels 2011, 2012, Question 5

While banks now enable customers to access their services in numerous ways, ATM use remains the most common method of self-service bank communication, noted by 60% of all respondents and 67% of smartphone owners in 2012, and the second most commonly used communication method, surpassed only by speaking with a teller, which was mentioned by 76% of all respondents and 73% of smartphone owners in 2012. Smartphone owners are more likely than average to communicate by ATM, but not with a teller or customer service rep in a branch, as smartphone owners are more familiar with technology and more apt to use self-service banking. Note that the year-over-year change from respondents' ATM use from 2011 to 2012 was minimal despite the rise in online and mobile banking.

The use of in-person methods of communication, while they are still among the most widely used communication methods, decreased in 2012 from 2011: 76% of consumers surveyed went into a branch and spoke with a teller in the past year, a slight decline from 79% of respondents in 2011, and 47% went into a branch and spoke with a customer service representative (CSR), down significantly from the 62% of respondents who reported speaking with a CSR in 2011.

Smartphone owners are more likely than average to communicate with banks using any type of self-service or emerging technology method, including using customer service from a financial institution's website (29% of smartphone owners, compared to 26% average), accessing a special mobile banking app using a smartphone (35% of smartphone owners, compared to 15% average), accessing an FI website using a mobile device (44% of smartphone owners, compared to 21% average), and even using a remote teller system (11% of smartphone owners, compared to 9% average).

Self-Service Users Communicate with Banks More Often

As shown by the survey results in *Figure 3*, although speaking with a teller in a branch is the most common form of communication with the bank noted by respondents, in-person communication occurs far less frequently than other methods. Consumers who use a mobile app either with a smartphone (64%) or tablet (51%) or who access an FI website (49%) communicate with the bank more often (at least weekly or more often) than those who communicate with their bank by any other method.

Nearly half of consumers who use an ATM to communicate with their bank do so at least once a month, including 1 in 4 who use an ATM weekly or more for bank communication. Consumers use ATMs for bank communication more often than they visit the teller in the branch, as only 2 in 5 consumers who visit a teller said they do so at least monthly and 1 in 10 visit tellers weekly or more.

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