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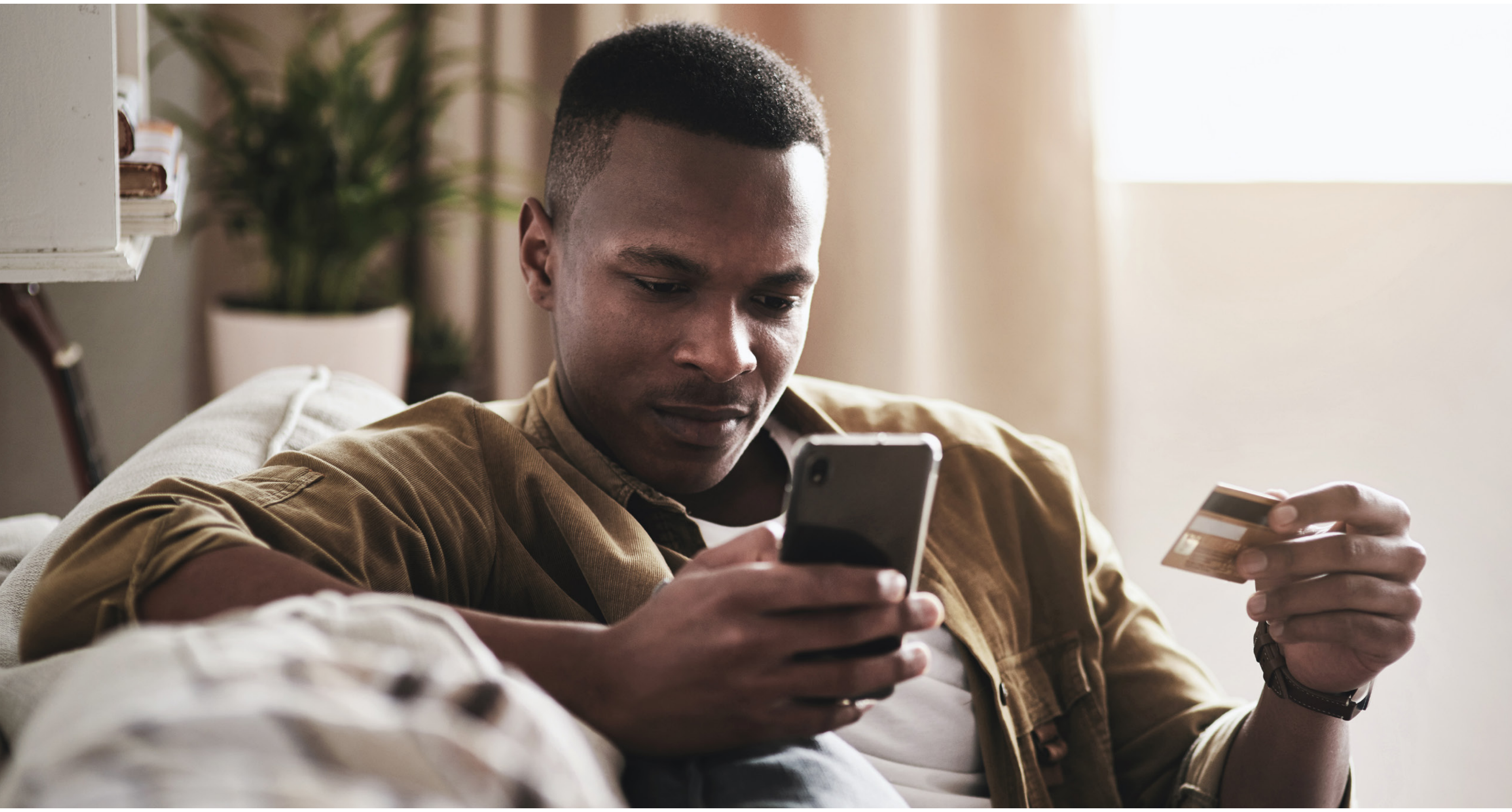
Remaking banking customer experience in response to coronavirus

In the context of COVID-19, banks can better serve customers in distress by enhancing support in the use of digital tools and new products and services.

by Eleanor Bensley, Shital Chheda, Robert Schiff, Daniel Stephens, and Nicole Zhou



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The last time there was a global crisis, banks were widely perceived to be a big part of the problem. This time around, banks are central to the solution.

Banks can play an immediate role in slowing the spread of COVID-19 by helping customers make better use of existing digital and remote channels. And banks can help limit the impact of the likely downturn by building new experiences to help their customers manage debt, adjust budgets, and make full use of new government programs.

In normal times, customer experience in banking is about making customers happy—with the result that they are more loyal, use products more, and cost less to serve. In the context of COVID-19, superior customer experience means clarity and transparency, support for digital tools with which many customers are still unfamiliar, and new products and services for customers in distress.

A first-cut action plan

In response to the crisis, most banks need to meaningfully reset their customer agenda to meet urgent needs—and to do so for the uncertain period likely to continue for some time.

1. Help customers go digital and remote right now

In the current crisis, there are immediate actions banks can take to help retail and small-business customers; in particular, they can support the use of digital channels so that customers can bank from home, and they can provide extra support to borrowers in distress.

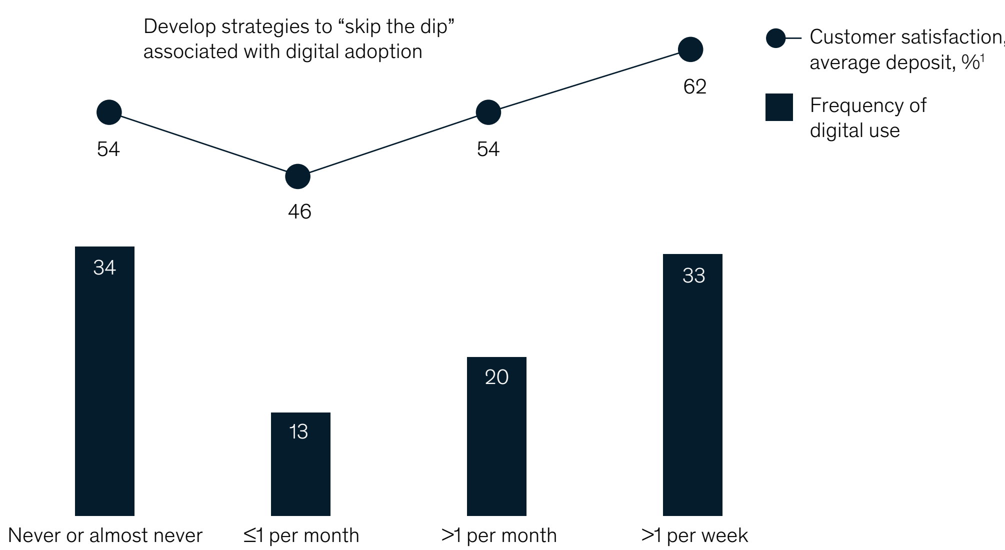
Many banks struggle to increase digital adoption among their customers. In the United States, for example, nearly half of banking customers either never use their mobile app or do so infrequently (Exhibit 1).

In normal times, many customers struggle with the transition to digital. For instance, in the United States, while the most satisfied customers use digital multiple times per week, the second most satisfied customers *do not use digital at all*. The least satisfied banking customers are those who use digital tools infrequently, less than once per month. This is because customers go through a learning curve as they adopt digital tools, and

Exhibit 1

Half of US banking customers engage digitally infrequently or not at all and need extra support to make the transition.

Frequency of mobile-app usage for deposit products in 2019, %



[1] Percentage of respondents that selected a 9 or 10 on a 10-point overall customer-satisfaction scale.
Source: McKinsey Banking Journey Pulse Benchmark

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most banks under-support their customers in the adoption journey. In the current environment, banks should redouble their efforts to smooth customers' transition to digital.

Effective approaches will include easy-to-find and clear communication, segment-specific campaigns, remote coaching and advice, and coherent experiences across each journey (for example, written and video explanations for how to accomplish specific digital tasks, along with ways to try them out, rather than a one-size-fits-all tutorial disconnected from the tools themselves).

For instance, in China, leading banks set up new online portals to explain available services and the actions they were taking in the context of the coronavirus. These portals provided video servicing and sales capabilities, as well as educational videos for investors who were worried about the impact on their portfolios.

One leading Chinese bank launched an integrated digital coronavirus program: banking services, wealth-management services, tutorials, and timely advisory content, as well as non-banking-related services ranging from help with online shopping to doctor appointments to the delivery of disinfectant. Another launched a digital site that combined information on how to use online tools to bank remotely with information on public-health awareness and a way to support the local Red Cross Society.

For services that require branch interaction, digital tools can still play an important role—they can provide information on adjusted hours, essential services, reduced staff numbers, heightened safety precautions, social-distancing measures, and digitally enabled queuing.

For more on what actions banks can take to drive digital adoption and engagement, see "Leading a consumer bank through the coronavirus pandemic" on McKinsey.com.

2. Introduce new experiences for distressed customers

In times of crisis, customers' priorities change. Banks can play a significant role in easing financial distress, so that customers can spend more energy on their families' and their own health and well-being.

In the United States, COVID-19 has made half of banking customers concerned or somewhat concerned about their job security.[1] For customers who were already in a financially vulnerable state before the pandemic, these new concerns are alarming. And there are many people in this situation. For example, in 2018, 39 percent of US households said they do not have the resources to cover an unplanned $400 expense.[2] And 2016 research found that the average US small business only had enough cash to cover 27 days of operation.[3]

Preexisting financial vulnerability plus new stresses from COVID-19 will make it harder for banking customers to navigate complexity or make the best financial decisions. For example, research suggests that financial scarcity takes a significant psychological toll and leads to more myopic decision making.[4]

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[1] McKinsey Financial Decision-maker Consumer Pulse Survey, March 2020.

[2] *Report on the economic well-being of U.S. households in 2018 - May 2019*, Board of Governors of the Federal Reserve System, May 2019, federalreserve.gov.

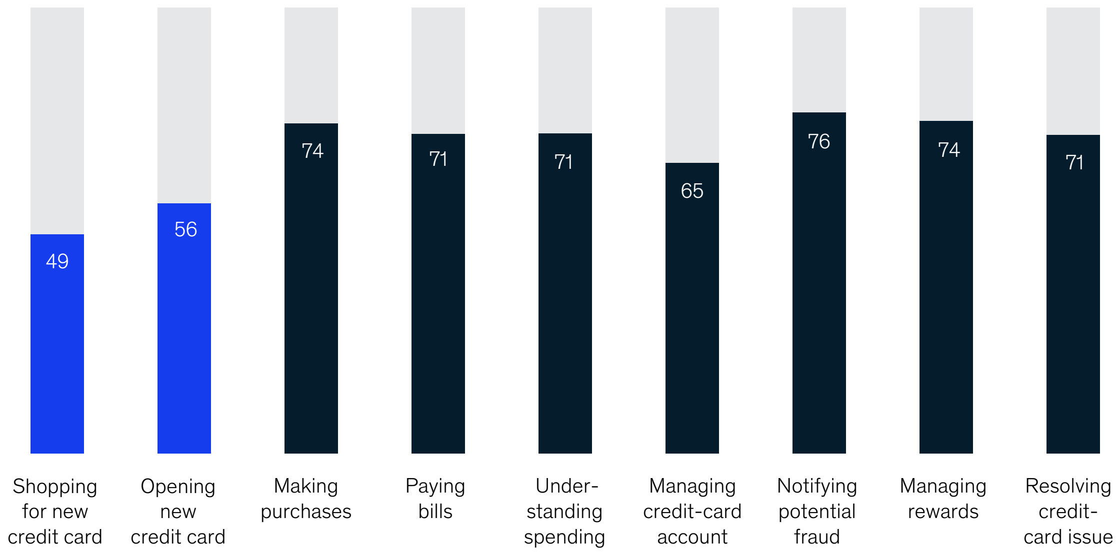
[3] *Cash is king: Flows, balances, and buffer days*, JPMorgan Chase Institute, September 2016, jpmorganchase.com.

[4] Sendhil Mullainathan and Eldar Shafir, *Scarcity: Why Having Too Little Means So Much*, New York: Times Books, 2013.

Exhibit 2

Shopping for new products and account openings are normally the least satisfying retail-banking journeys.

Average journey satisfaction, credit-card customers,[1] %



[1] Percentage of respondents that selected a 9 or 10 on a 10-point overall customer-satisfaction scale.
Source: McKinsey Banking Journey Pulse Benchmark

The challenge is that even in normal times banks are not well-equipped to help customers discover and apply for new products and services. Our 2020 Banking Journey Pulse Benchmarking, fielded prior to COVID-19, found that "shopping" is the single least satisfying banking journey across products (such as deposits, credit cards, and mortgages), with the application process itself being not far behind (Exhibit 2).

The key design principles for serving distressed customers are awareness, simplicity, transparency, clear expectations, and frequent status updates.

Services and experiences that are likely to be increasingly important to consumers in distress include pausing loan payments; enabling customers to restructure existing loans; refinancing home-equity loans to provide near-term liquidity; resetting budgets to reduce spending; providing relocation services associated with new job opportunities; and, for small businesses, taking advantage of new government programs that have been introduced around the world to increase access to capital (many are likely to be intermediated by banks).

One leading Singaporean bank rapidly introduced a comprehensive solution for small and medium-size enterprises (SMEs), including six-month property-loan principal deferments, temporary bridging loans, fee rebates, new digital account-opening services, and next-day and collateral-free business loans. The bank complemented these initiatives with an online "SME Academy" to help business owners navigate the new context. In China, one leading corporate bank quickly introduced a new online-only short-term corporate loan with a simple application, fast approval time, flexible payment options, and near-instant fulfillment.

3. Improve experience in ways that also address efficiency

The economic consequences of coronavirus will increase the need for banks to improve efficiency and the customer experience. They can do so by enhancing digital self-service as well as by making operational trade-offs.

Digital servicing and sales are less expensive than branch- and phone-based approaches. The problem for many banks is that too few customers use digital offerings because they find them unfamiliar and intimidating. To address this, banks can, for instance, reframe calls to the contact center to teach customers how to use digital channels in addition to addressing the reason, or pain point, for the call.

Understanding what leads to a superior customer experience also enables banks to make thoughtful and efficient trade-offs. For example, if positive experience for a bank's customers is grounded in trust, they might double-down on clear communications, achievable timelines, and status updates—and reduce investments in speedy service.

To improve experience and efficiency at the same time, many banks will need to reset their customer-experience priorities in general, and their approach to customer-experience measurement in particular.

Some banks do not know which parts of their digital experience work well or not, have little sense of which actions help customers learn how to use digital tools, or do not know where the opportunities for operational trade-offs are. In other words, they lack an interpretation of what matters to their customers and what drives behavior.

Too often banks track interactions rather than journeys—and thus are unable to make the connection between a single bad interaction and a customer's future behavior. In addition, they rely on surveys few customers fill out, and they therefore take a one-size-fits-all approach to customer feedback rather than responding to specific customers and business objectives.

To achieve simultaneous improvements in experience and efficiency, banks can use the following feedback and measurement approaches:

— Structure customer-experience measurement around journeys, not single-point interactions.

— Ask questions relevant to specific business objectives, such as digital self-service.

— Link measurement results directly to the potential impact on efficiency.

— Introduce predictive analytics to determine how to be successful with the vast majority of customers who do not fill out surveys.

— Set goals based on how experience and efficiency move together.

4. Reframe employee experience around mutual commitment, especially reskilling

Employee experience shapes customer experience. That is even more true in a crisis. In their efforts to

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provide a meaningful employee experience in the midst of the coronavirus pandemic, banks need to acknowledge and reflect on the sacrifices and struggles their employees face as they juggle their immediate job responsibilities with the concerns they have, that all of us have, about the health of their family and economy.

In normal times, employee experience may be a better predictor of customer experience than more commonly used indicators, such as the ratings of a bank's mobile app. For example, an analysis of 13 US banks with iOS App Store scores of 4.8 and higher, on a 5-star scale, found that their customer-satisfaction ratings ranged from an average of 47 percent for the bottom three banks, to an average of 69 percent for the top five; in other words, even if a bank has a great app, it does not seem to be determinant of overall customer experience. In comparison, employee experience tracked differences in overall customer experience well (Exhibit 3).

In the near term, banks will need tremendous effort from their employees to navigate the crisis, they must engage with customers empathetically, and they should adjust operations. In this context, banks need to make a credible commitment to their employees and acknowledge the contributions they are making, using both words and policy (for instance, flexible sick leave and compensation).

Greater emphasis on teaching customers how to use existing digital services will also require current staff to engage with customers in new ways and learn new skills. Banks can use this moment to significantly improve the quality and availability of reskilling programs, including introducing externally meaningful credentialing so that the new skills are portable. This will equip employees with the skills they need to support new digital experiences. And in many markets, it will not be appropriate for banks to reduce staff at a time of crisis, making reskilling the only sustainable way to fill existing gaps.

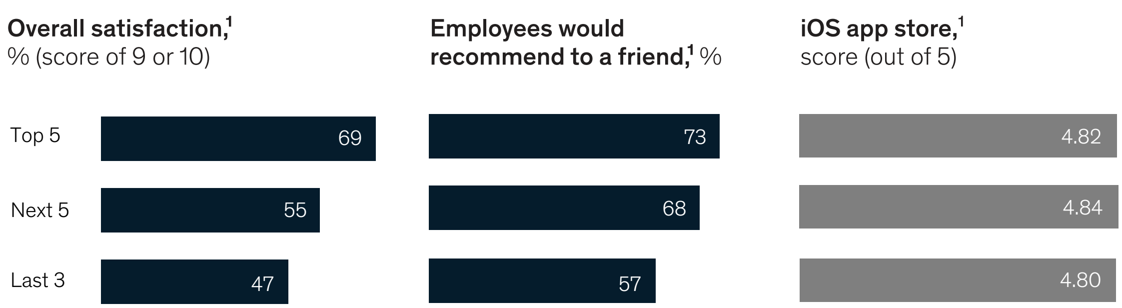
When done well, such reskilling programs are a powerful signal of banks' positive role in society and commitment to their people.

5. Make doing the right thing a competitive advantage

For banks, investing in customer experience was an imperative before the current crisis, both from a "good business" perspective and a "good

Exhibit 3

Strong digital offerings are necessary but not sufficient: Employee experience is a key differentiator.



[1] 13 US banks with iOS mobile-app scores of 4.8 or higher.

Source: McKinsey Banking Journey Pulse Benchmark; Apple iOS app store; Glassdoor employee reviews bank" perspective. Now, these factors are even more relevant.

Doing right by customers creates long-term shareholder value. Our analysis of 23 publicly traded US banks found that the half with a high customer-satisfaction score delivered 55 percent higher returns to shareholders from 2009 to 2019.

In addition, for banks, downturns are when market positions shift. For example, at the end of 2007, the most valuable of the US universal banks had a market capitalization that was 23 percent greater than the next bank. By 2012, their positions had reversed, and the new leader was 34 percent more valuable. By 2019, the difference in value had hardly moved.

Delivering on customer experience will be an integral part of how banks reassert their positive role in society during the coronavirus crisis. By addressing new customer needs and concerns while improving their own efficiency and effectiveness, banks will be a stabilizing force in a very uncertain environment.

Eleanor Bensley is an associate partner in McKinsey's Sydney office; **Shital Chheda** is a partner in the Chicago office; **Robert Schiff** is a senior partner in the San Francisco office; **Daniel Stephens** is a senior partner in the Washington, DC, office; and **Nicole Zhou** is a partner in the Shenzhen office.

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