Customer trust: without it, you're just another bank

Part of a series of articles exploring key themes from EY's Global Consumer Banking Survey.

Building a better working world

Introduction

Trust is essential to relationships in all facets of life – personal, professional and financial. We trust airlines to deliver people and luggage to the right city, safely, on time and in good shape. We trust grocery stores to provide safe and healthy food – efficiently, conveniently and cost-effectively. And we have long expected that banks and financial advisors will do the right thing for their customers.

But trust is often found wanting in today's banking relationships, presenting a challenge for both consumers, who want to trust their banks, and for financial institutions, which need trust to retain customers and grow their business. Banks consider trust a strategic imperative both because it is a key predictor of advocacy and future business and because the impacts can be highly destructive if it is eroded. The stakes around trust have never been higher than they are today, with trust-breaching incidents having far reaching consequences and a new generation of competitors ready to exploit consumer skepticism regarding traditional banks.

About the survey

EY's 2016 Global Consumer Banking Survey set out to measure the state of banks' relevance to consumers' lives. More than 55,000 consumers participated in the survey, which was conducted in early 2016.

Findings from EY's 2016 Global Consumer Banking Survey contain both good news and bad news in relation to trust. On one hand, banks are largely trusted to keep consumers' money safe. On the other, relatively few consumers completely trust banks to provide unbiased advice that puts their needs ahead of the banks' objectives. Traditional banks also fall behind non-traditional competitors relative to transparency of fees and recommending products and services most relevant for their customers' needs.

All is not lost, however. The gap is not large and traditional banks have certain advantages to build on as they seek to increase levels of consumer trust. Their scale, long relationship histories and well-known brands mean traditional banks are well positioned to rebuild trust. The goal should be to convince customers that banks always have their best interests at heart and are committed to improving their financial well-being.

This article will explore a range of trust-related issues for banks, with analysis and ideas about how banks can strengthen consumer trust. The recommendations are illustrative and are meant to be neither prescriptive nor exhaustive, largely because there is no cookie-cutter approach to building and maintaining trust. Differences in size, products, customer segments, culture and value proposition dictate that each organization must define what trust uniquely means for their business and what they want to stand for in consumers' minds. Then, individual banks must proceed to building solutions and consistently delivering experiences that are in line with that vision.

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Perspectives on trust

In the past, some industry veterans may have viewed trust as a vague, qualitative metric. That is no longer the case, even if trust remains somewhat difficult to measure accurately and, therefore, challenging to manage effectively. But trust is a real and important consideration for consumers, who experience it as a feeling that is built over time or, in some cases, irreparably broken in a single transaction. Changes in trust result in actions that have direct business impacts. When serious breakdowns in trust occur, the consequences can be severe for banks.

Because trust can be an elusive concept to grasp, it is useful to dissect its positive and negative implications, as well as expected and differentiating characteristics associated with it. The foundations of trust are built on fulfilling the most basic expectation that consumers have of all financial institutions: to protect their money and identity. While satisfying this fundamental expectation won't necessarily help traditional banks fend off new competitors, violating it will absolutely encourage consumers to entertain the possibility of moving some or all of their banking relationships. The availability of intriguing alternatives and new, nontraditional financial services providers gives consumers more choices to consider in their search for more trustworthy options. The negative consequences of basic trust violations in banking are more pronounced than they are in other industries, given the financial and emotional aspects associated with safeguarding one's money and sensitive financial data.

The next level of trust is based on tactical "promises" that banks implicitly or explicitly make relative to transactions or tasks (e.g., that deposited money will be available after a certain time period or that mortgage applications will take no more than an hour). These typically relate to the core services offered by most institutions. Such commitments are similar in nature, albeit with varying degrees of timeliness and accessibility. The impact of not delivering is more negative than positive — that is, it's more common to frustrate customers who experience errors than to delight them through competently processing basic transactions. However, the negative impacts are not as severe as with the foundational or tactical levels of trust, because most operational errors can be corrected fairly easily and quickly.

Nevertheless, there are clear opportunities for differentiation through operational excellence, particularly via user-friendly digital devices and seamless integration and data sharing across channels, and through rapid and effective problem resolution when errors do occur. Because consumers are more likely to use traditional banks for complex products with inherently more operational risk (such as loans, lines of credit and investment products), it's essential that banks master these basics and not gain a reputation for being difficult to do business with.

The highest, most strategic dimension of trust is centered on aspects of relationship building, such as banks' willingness and ability to do the right thing by their customers. This level of trust speaks to a bank's ability to keep its brand promise and consistently deliver products and services that contribute to a consumer's financial well-being. Some policies and procedures are already in place to help fulfill this brand promise (e.g., rules to confirm suitability of investment products for individual consumers and consultative sales processes designed to help representatives understand customers' needs before recommending products).

However, cultures that are focused on — and even obsessed with — building long-term, trusted customer relationships are necessary to improve the business upside of trust. That requires the entire organization to be wired accordingly, with the right measurement and incentive systems, well-designed customer experiences and enabling technology all aligned to the goal of winning and preserving consumer trust. In such an environment, people at all levels of the organization, from front-line sales and service representatives to back-office teams, are able to exercise judgment and are guided by the overarching principle of treating customers fairly and doing what's in their best interest.

All three distinct levels are essential to well-rounded, multidimensional relationships. Not surprisingly, the strategic component is the most difficult to achieve and also the most rewarding — both financially for the institution and its customers and emotionally for the employees who work there. Thus, earning complete trust is a worthwhile aspiration. It also provides the most compelling basis for differentiation from both traditional banks and new types of competitors.

For more insight about what enables or undercuts trust, see the sidebar on page 10, "How customers think about trust — and how banks can rebuild it."

Key findings from the 2016 Global Consumer Banking Survey

Globally, customer trust in banks remains high (Exhibit 1). However, nontraditional providers have achieved parity on the foundational dimensions of trust and moved ahead on relationship-driven and differentiating dimensions of trust that matter most. This is a concern because traditional banks have long considered trust to be a fundamental strength, thanks to the visibility and familiarity of their brands and branches. But the results show that this competitive advantage no longer exists. Customers who bank with new players (nonbanks) trust them just as much, or even more, than those who consider traditional banks as their primary financial services provider (Exhibits 2 and 3).

In our 2014 study we established a strong link between complete trust and customer advocacy. Customers who have complete trust in their bank indicated that they were "very likely to recommend" the bank three times more than customers who had only moderate levels of trust.

Exhibit 1: Levels of trust.

"How much do you trust your primary financial services provider?"

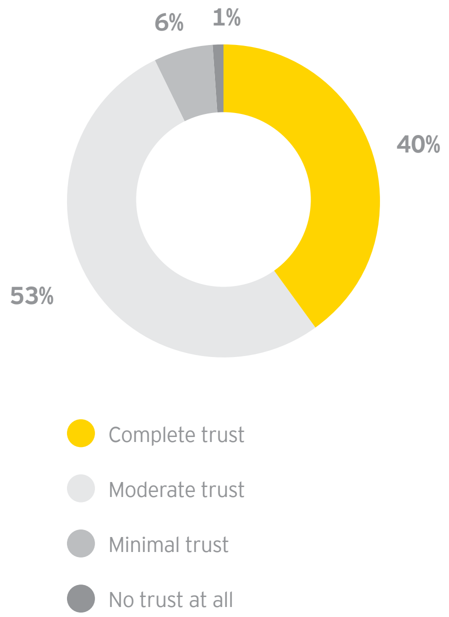


Exhibit 2: Presence of "complete trust"

"How much do you trust your primary financial services provider?"

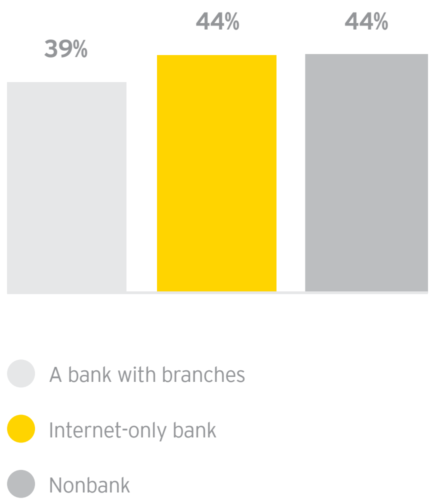


Exhibit 3: Degree of complete trust by type of primary financial services provider.

"What is your level of trust with your primary financial services provider with each of the following?"

Foundational

	A bank with branches	Internet-only bank	Nonbank
"Keeping my money safe"	48	49 (+1)	48 (+0)
"Protecting my personal and financial information"	43	45 (+2)	43 (+0)
"Protecting me against and/or helping me in the case of fraudulent activity on my account"	41	41 (+0)	43 (+2)
"Using my personal information only for purposes I have explicitly authorized"	40	43 (+3)	41 (+1)
"Complete transparency about fees and charges"	31	38 (+7)	35 (+4)
"Providing me with truly unbiased advice suited to my needs"	25	29 (+4)	32 (+7)
"Telling me if there is a better product for my needs/situation even if it means less money for them"	21	26 (+5)	29 (+8)

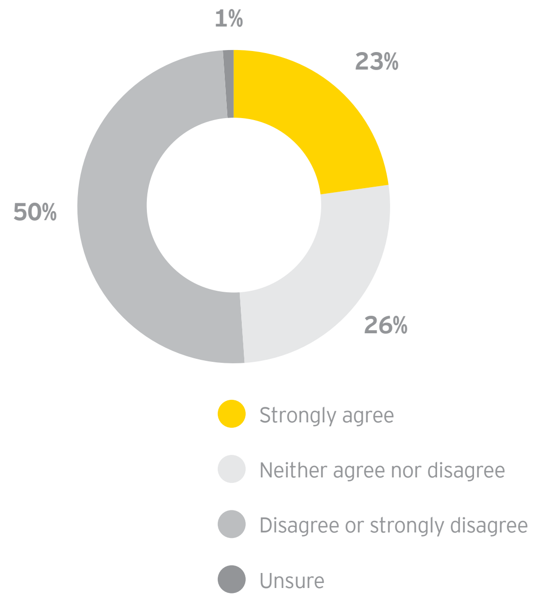
Relationship-building

The rise of financial self-management has occurred in parallel with increasing trust in nontraditional banks. A critical mass of customers is much less reliant on banks for guidance. In fact, a full 50% of customers don't want anyone to manage their finances for them (Exhibit 4). The number is even higher — greater than 70% — among financially savvy customers, or those who have a clear understanding of the different financial products and services available these days.

The emergence of strong digital capabilities has contributed to the trend toward financial self-management. For traditional banks, disjointed customer experiences and low levels of trust in key relationship components (e.g., unbiased advice and concern for financial well-being) have also played a role. EY's research found that less than one-fourth of global consumers (23%) have complete trust in their bank to recommend a product best suited for their needs even if it means less money for the bank. More of these "non-trusters" feel motivated and capable of financial self-management, especially now that nonbank competitors have given them new tools.

Exhibit 4: The rise of financial self-management. Attitudes toward managing finances (%).

"I like to have someone sort out my finances"



The geographic view

Not surprisingly, customer trust varies greatly around the world (Exhibit 5). Complete trust is highest in the emerging economies of the Asia-Pacific region (54%) and lowest in Europe (36%) and the mature economies of Asia-Pacific (31%). Chinese banks enjoy the highest level of complete trust (79%), followed by banks in India (65%). Japanese banks have the lowest level of complete trust (11%), followed by those in Ireland (21%).

A closer look at the data from these markets reveals that respondents in Japan and Ireland rated their primary financial services providers much lower than average on both the basic, foundational elements of drivers, and on the strategic, relationship-building elements (see Exhibit 6).

Exhibit 5: Consumer trust in banks around the world (%).

"How much do you trust your primary financial services provider?"

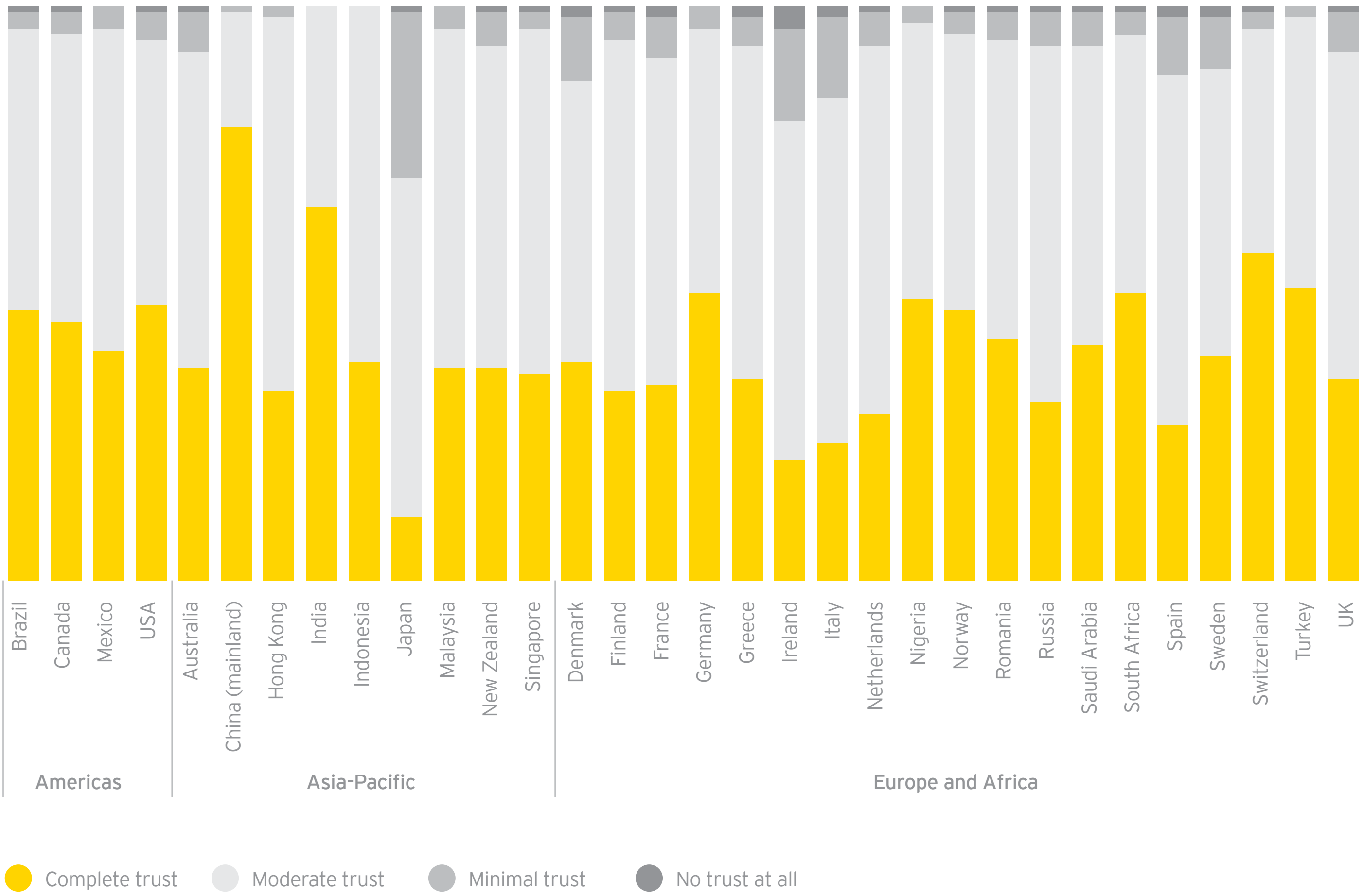


Exhibit 6: Consumer trust in banks around the world: basic and strategic drivers.

"What is your level of trust with your primary financial services provider with each of the following?"

		Complete trust		
	Trust driver	**Global**	**Ireland**	**Japan**
Basic	Keeping my money safe	48%	33%	17%
	Protecting my personal and financial information	43%	28%	10%
Strategic	Providing me with truly unbiased advice suited to my needs	25%	15%	5%
	Telling me if there is a better product for my needs or situation even if it means less money for them	21%	12%	4%

Looking at individual trust drivers in this focused, granular way can help institutions develop their own high-impact strategies. In some cases, it may also prompt regulators to introduce rules and guidelines that will generate improvements across all institutions.

We also sought to understand how consumers perceive their primary financial services provider in terms of what traits they most commonly attribute to them. We found that customers are more likely to think of them as accessible (58%) and responsive (32%) and less likely to cite relationship-related items such as being a trusted advisor (27%) and interested in their long-term financial well-being (14%). Countries where traditional banks were viewed as being strongest in terms of being a trusted advisor were Germany (45%) and Denmark (41%). Indonesia (10%) and Greece and Japan (each with 13%) demonstrated the lowest ratings for traditional banks being a trusted advisor.

Another potential concern for traditional banks: 26% of respondents chose "just like other financial services provider" as one of their top five descriptors. Clearly, there is an opportunity for banks to be able to differentiate based on trust-building capabilities and increased commitment to meeting customer needs.

Exhibit 7: Top five statements that best describe your primary financial services provider (Respondents choose five).

Please select up to five statements that best describe your primary financial services provider.

How customers think about trust — and how banks can rebuild it

EY's research into customer trust of banks corroborates the findings of other recently conducted research. A 2014 Harris poll of 2,500 US adults found that "half of US adults say their trust of banks has declined over the past few years."[1] Further, the study explored the largest factors influencing customer trust in banks and other financial institutions. The most commonly cited areas with a "great deal of influence" were:

- Personal experience: 66% of respondents and particularly important for older customers
- Quality of products and services: 56%
- Quality of customer care: 56%
- Willingness to work with me in times of need: 55%
- The number of different fees they charge: 54%

The implication is that customers base trust on higher-order, strategic behaviors — which set a high bar for banks.

Research from Forrester[2] highlights the relationship among trust, advocacy, loyalty and future purchase intent in financial services, as well as the business value of trust. According to the report's authors, there is a close correlation:

"Customer advocacy — the extent to which a firm's customers believe it does what's best for them, not just what's best for its own bottom line (in other words, TRUST) — is a top predictor of customer retention and growth. US financial services customers who rate their firms highest on customer advocacy are most likely to consider those firms for future purchases."

Forrester's research also found that big, traditional banks are lagging in this critical area for growth; in its rankings for customer advocacy, 7 of the top 10 organizations were member-owned organizations or nontraditional banks. Further, the study highlights the story of one large financial institution that increased its customer advocacy score by 13% through a transparent, consistent and team-based approach to customer service. Workflow automation and new tools that help advisors better understand customer needs and build deeper relationships were other critical steps.

While the methodologies of individual studies vary, the results collectively demonstrate that banks should be focusing on trust more proactively and regularly, as it can no longer be taken for granted.

1 "Why Are Americans Losing Trust in Banks (Again)?," The Financial Brand, 11 November 2014, https://thefinancialbrand.com/44896/customer-trust-banking-industry/.

2 "Customer Advocacy 2015: Drive Cross-Sell And Loyalty By Focusing On Advocacy," Forrester, 14 January 2016, https://www.forrester.com/report/Customer+Advocacy+2015+Drive+CrossSell+And+Loyalty+By+Focusing+On+Advocacy/-/E-RES122386

Six actions banks can — and should — take to preserve trust now

The erosion of trust is a worrisome trend for banks. Even if it has not yet become a full-fledged crisis, the stakes are high, given the immediate and tangible impacts on the bottom lines of organizations found to have breached consumer trust. The EY survey results also make clear that trust is a competitive and growth issue for banks, as much as it is a matter of branding or consumer perception. Restoring trust is a goal banks can and should work toward proactively and in a sustained manner. Based on our analysis of our survey findings, EY recommends that banks undertake six critical actions:

1. Inspire a customer-centric culture by setting the right tone from the top and using the right incentives at every level of the organization
2. Deliver complete transparency in product features and transaction fees
3. Proactively protect customer data like it's your own — and defend against cybersecurity threats
4. Radically transform the front line's ability to provide unbiased, high-quality advice
5. Master customer touch points by eliminating errors, streamlining service and driving operational excellence
6. Expand into new territory to create an ecosystem of products and services, including nonfinancial services that customers want

It bears repeating that individual banks will need to decide what trust means to its customers, why it's important to the business and how to best earn and keep it. Bank executives must also recognize that trust-building action plans must address both the strategic and tactical dimensions of trust, with impacts defined at the level of brand promise and value proposition and ultimately delivered and experienced in everyday operations. While there are some elements of trust that all banks should possess (e.g., protecting personal and financial information), there is no single right answer as to how financial institutions ultimately build trusted relationships. The design and execution of unique trust-building strategies by individual banks will enable differentiation from many forms of competitors.

1

Inspire a customer-centric culture by setting the right tone from the top and using the right incentives at every level of the organization.

Considerable cultural change is necessary if banks are to move trust-building to the top of their strategic agenda — and that change must and can be driven by senior leaders. After all, long-lasting, trusted relationships will not be created through a series of trust projects, although targeted strategic and tactical initiatives will certainly be required.

It is a matter of action, not just talk. A set of clearly articulated and continually reinforced values and principles that permeates all decisions and behaviors is necessary in order to build customer-centric cultures that orient the entire organization around customer needs.

Perhaps the most meaningful way to "walk the walk" in relation to trust is by motivating and rewarding the right behaviors. Incentive compensation structures and career paths must reflect the importance of trust. Senior management and front-line workers must be incentivized to do the right thing for customers at all times. Individuals who act in ways that put customer trust at risk must be disciplined appropriately.

Front-office staff must be equipped with the tools and information they need to provide great service (see point 4 — "Radically transform the front line's ability to provide unbiased, high-quality advice" — below), while back-office personnel must understand — and be regularly reminded of — how their roles link to and support better customer relationships. The importance of customer trust must be emphasized from day one, starting with new employee onboarding, and continuously reinforced via ongoing training. In this sense, banks may need to consider cultural norms and practices from outside financial services and emulate customer-centric — and even "customer-obsessed" — leaders in travel and hospitality, retail and entertainment.

Banks need to find their own equivalents for culture-building best practices, sometimes from other industries:

- The world's leading entertainment company trains all of its employees to handle customer complaints and ensures that back-office employees are exposed to customer-facing roles to reinforce the importance of the customer experience.
- A top luxury hotel chain doesn't "hire" employees but rather "selects" people who fit its corporate culture. It's a critical consideration, requiring multiple interviews, but it's essential because the company encourages its workers to use their judgment to make its customers happy.
- One of the world's largest ecommerce companies keeps an empty chair at senior executive meetings to remind all participants of the most important person (the customer). Employees at all levels of the company regularly spend time in the call center to help them stay in touch with the front lines.

These strategies may or may not be effective at all banks, but such gestures are critical to reinforcing the message that the customer is at the heart of the business.

Banks must be guided and energized not by a focus on individual transactions — selling particular products to individual customers — but rather by meaningful value propositions and clear insights into evolving customer needs. In this sense, processes largely designed around internal IT constraints, compliance requirements and organizational boundaries must be re-engineered toward transparency, personalization and service. The management model shifts from "how to meet company objectives and how we do things" to "what customers need and how they prefer to engage."

It is worth noting that regulators around the world have been stepping in with more direct influence on the relationships between banks and their customers. For instance, in Brazil, consumer protection and financial oversight agencies are prioritizing a program that will enhance the process through which banks deal with customer complaints. The current process is widely viewed as inefficient and ineffective. Banks with more customer-centric cultures will likely need less regulatory prompting to improve in such areas.

Culture — like trust itself — is an intangible force, though there are specific steps banks can take to strengthen their culture around trust. For instance, senior leadership can become high-profile advocates for customer trust and identify it as a metric by which performance will be judged. It can be included on balanced scorecards, for instance, and as a component within incentive compensation plans at every level of the company. Customer surveys can be used as the tool by which trust is measured. Net Promoter Scores, willingness to recommend to a family member

or friend and other measures of customer advocacy could be used as proxies for gauging levels of customer trust. Training programs and employee performance reviews must also demonstrate the value banks place on customer trust. For instance, employees must be taught that acting in the best interest of the customers is not simply closing individual sales or meeting a monthly quota. These can be difficult lessons for organizations to learn and internalize, especially if there has been emphasis on cross-selling and upselling in the past. In fact, some parts of the organization may need to "un-learn" certain behaviors if they are to reorient around customer trust.

2

Deliver complete transparency in product features and transaction fees.

The survey results found strong positive correlations between customer trust in fee transparency and their likelihood to recommend their primary financial services provider to others. The implication: fee transparency is a driver of advocacy and future business for banks; if customers do not feel the bank is being transparent about its fees, they are less likely to recommend the bank to others. Banks are therefore missing out on future business, confirming that getting fee transparency right can offer tangible, top-line and bottom-line benefits for banks.

- Only 32% of global consumers have complete trust that their bank is providing full transparency about fees and charges (Exhibit 8).
- Consumers in Japan (13%) and Hong Kong (16%) have the lowest trust in fee transparency, while those in mainland China (57%) and India (50%) have the highest trust.

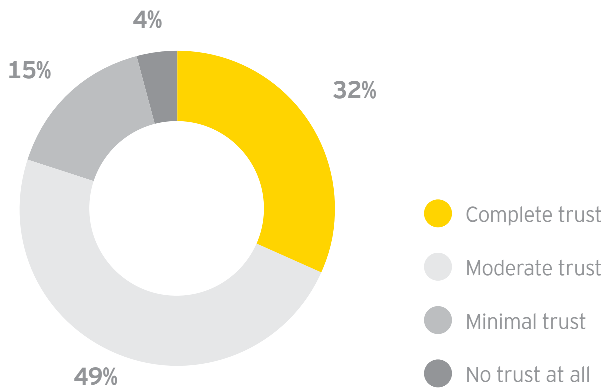
Traditional banks lag nonbank competitors in fee transparency: only 31% of customers of traditional banks have complete trust that their banks are fully transparent about their fees, versus 38% for customers of internet-only banks. There is a suggestion that today's customers increasingly associate transparency with digital channels. Even more troubling is that, in this area, traditional banks with branches ranked last among all types of primary financial services providers.

Fee transparency is critical to increased trust. The lagging position relative to nonbank competitors should serve as a warning signal to traditional banks. Improvements are likely to pay off in the form of higher satisfaction, improved retention, stronger advocacy and more opportunities to cross-sell. It's also important to note that increasing transparency does not necessarily require large investments in new technology, organizational restructuring or other types of business transformation.

Facilitating complete transparency on product pricing and features, as well as fees, is a prerequisite for banks to assume (or reassume) the role of trusted advisor. Thus, fee transparency may be a great starting point for banks to begin restoring their relevance and rebuilding trust. It may also help them retake competitive ground lost to nontraditional competitors.

Exhibit 8: Level of trust in primary financial services provider — complete transparency about fees and charges.

"Thinking about your primary financial services provider, what is your level of trust with each of the following?"



3
Proactively protect customer data like it's your own — and defend against cybersecurity threats.

It is not news that customers are concerned about data security and privacy, but its impact on banking relationships and customer trust seems to be nearing a tipping point. The survey results highlight an opportunity for banks to gain a competitive advantage by serving as data custodians, strong defenders of sensitive and valuable information. Increased consumer confidence in the banks' ability to protect their data would likely drive increased trust.

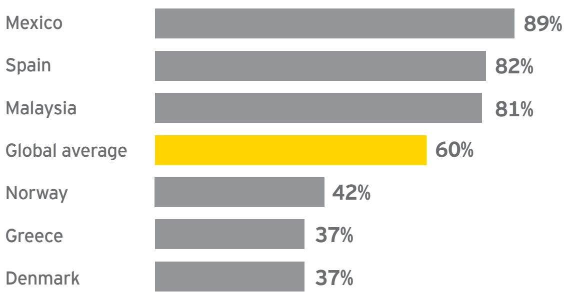
Nearly two-thirds (60%) of global consumers worry about hacking of bank accounts or bank cards, and 59% worry about the amount of personal information private and public sector organizations have about them. Again, the country and regional findings are revealing (Exhibit 9).

32 markets

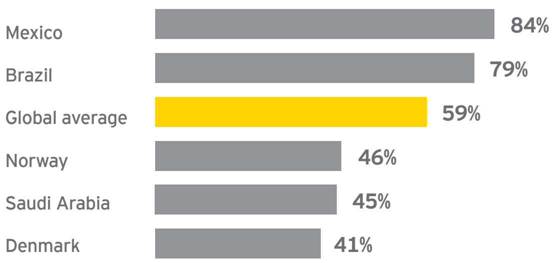
Across all 32 markets included in EY's 2016 global consumer banking survey, consumers have high levels of trust in their banks' ability to protect their personal and financial information. Banks should continue practices that support trust at this level and seek to reinforce the perception through proactive messaging to consumers about what banks do — and consumers should do — to protect their own identities.

Exhibit 9: Customer security and privacy concerns.

Customers most and least worried about being hacked.



Most and least worried about their governments and private sector organizations holding information about them, perhaps due to concerns of transparent governance.



Interestingly, 71% of consumers in mainland China are worried about their accounts being hacked, yet 60% of their consumers are willing to provide more data for a better customer experience.

These findings highlight opportunities as much as they present challenges. In Mexico, for example, where customers are most worried about being hacked (Exhibit 9), as well as government agencies and businesses holding information about them, banks could serve the country's societal interest by becoming trusted institutions in the fight against money laundering, identity substitution, theft, extortion and other crimes. Strict compliance and collaboration with regulators, in addition to the establishment of extra controls to guarantee data security and transactional transparency of transactions, would be the first steps.

Looking at different types of customers, financially non-savvy customers are the most likely to worry about data privacy, indicating that banks can do more to reassure them by providing more and better information and resources.

In addition, in some countries, traditional banks are also lagging behind banks without branches in customers' complete trust in measures such as "protecting me against and/or helping me in the case of fraudulent activity on my account." In the US, for example, traditional banks scored 51%, compared with banks that do not have branches at 58%. The same is true for using customers' personal information only for authorized purposes, in that large, traditional banks scored 40%, versus 43% for internet-only competitors.

Traditional banks have an opportunity to regain customers' trust by proactively protecting them from data and cybersecurity threats. It is not simply a matter of establishing infrastructure, processes and procedures to prevent attacks or data breaches, but also by instilling a proactive, service-oriented approach and offering products and services that better secure data and personal information. For example, some US banks, though unprompted, send replacement debit or credit cards to customers when suspicious account activity has been detected.

Banks should look at ways to build additional controls and security measures into customer products. They should also effectively communicate these "extras" so that customers have a clear understanding that their bank cares about their well-being and considers data security and privacy as top priorities in the relationship.

4

Radically transform the front line's ability to provide unbiased, high-quality advice.

The front line is where banks interact with customers and, therefore, build trust or lose it. Customers turn to front-line staff when they need new products or services, have questions about existing accounts or encounter issues.

The survey results confirm that banks have considerable work to do to strengthen the front line's ability to serve customers. Among the various trust factors measured, "providing me with truly unbiased advice suited to my needs" and "telling me if there is a better product for my needs/situation even if it means less money for them" scored the lowest among customers. Traditional banks also had lower levels of complete trust for these two metrics when compared with nonbank competitors. These "higher-order" relationship elements, which speak directly to trust, have become a significant competitive concern as alternatives are increasingly available.

The front lines also shape the customer experience — and banking customers are looking for better experiences: 36% of customers globally said they would be happy to share more personal information with financial services providers if it meant their banks could better anticipate their needs. Approximately two-thirds of customers in Nigeria (67%), mainland China (62%) and Saudi Arabia (60%) are willing to trade more information for better experiences. Consumers in Japan (20%), Russia (20%) and Germany (22%) are less likely to make that trade.

Respondents from countries that were more likely to say that their financial services companies offer the best digital experiences are also more open to sharing personal information if it meant their banks could better anticipate their needs. The implication is that mastering digital experiences opens the door to a broader relationship with customers — a greater share of wallet follows trust.

Why are banks lagging in these areas? Banks' siloed organizational structures and legacy IT systems are major barriers. Typically, front-line associates do not have easy access to all of the information they need to provide customers with quality or tailored advice. For example, full customer histories and complete financial overviews (including data on spouses, children

and mortgages) are not available, preventing associates from making well-informed recommendations, as well as limiting their ability to answer questions about existing accounts or resolve issues. Even front-line associates empowered and incentivized to do the right thing for customers likely lack the data, tools and technology to deliver truly exceptional service.

Beyond integrating data and making it more accessible, banks must also address training, communication and incentive compensation to cultivate and sustain long-term change in these areas. Corporate culture also plays an essential role in motivating the front lines.

Much work will be required to radically transform the ability of customer-facing staff to provide unbiased, high-quality advice, but the return on these investments will come in the form of stronger relationships, advocacy and, ultimately, more business for the bank.

5
Master customer touch points by eliminating errors, streamlining service and driving operational excellence

Infrastructure has an important role in rebuilding trust by enabling improvements in efficiency, accuracy and service. Both branches and technology are critical assets for any bank seeking to strengthen customer trust through improved customer experiences and superior service delivery.

The starting point for banks in this area is to ensure that they are consistently meeting customer expectations for efficient processes. For instance, the application process for mortgages, new accounts or other products should be highly streamlined, with no need for duplicative data entry. Statements should be designed for clarity and accuracy, and arrive promptly through whichever channels consumers prefer. Review and approval processes can get smarter, too, through the use of analytics to automate certain decisions and overall workflows.

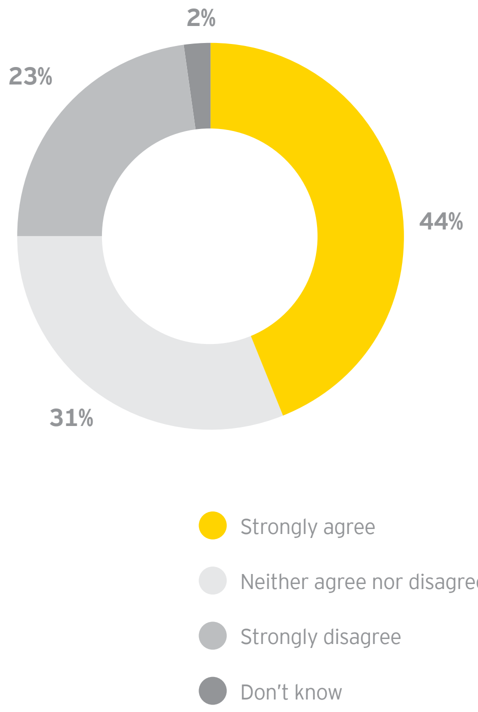
Ideally, integration among core systems allows customers to access information about all their accounts in one location via any channel. Extensive data integration and system modernization will be necessary for some traditional banks to create omnichannel experiences or launch advanced and intuitive mobile banking apps, for instance. Further, call center resolution times can be reduced, when agents don't have to toggle between disparate and incompatible systems, or manually hunt for transactional data.

The benefits of mastering back-office operations will also be felt across the branch network, a central part of traditional banks' infrastructure. Certainly, the visibility of branches provides traditional banks a unique and significant advantage over online-only competitors in the realm of building trust. Globally, 44% of consumers don't trust financial organizations that don't have any branches (Exhibit 10).

As banks achieve operational excellence in back-office operations, they will gain more freedom and flexibility to redesign and optimize their branches to align with current and future consumer needs. Additionally, with fewer errors being presented to the front line, they will be able to focus those employees' interactions on higher-value relationship-building activities.

Exhibit 10: Lack of trust in financial organizations without branches.

"I don't trust financial organizations that don't have any branches at all."



6

Expand into new territory to create an ecosystem of products and services, including nonfinancial services that customers want.

As they focus on strengthening trust with customers, banks must rethink how they can accompany customers along their long-term financial journeys and be available at specific points along the way to offer guidance, answer questions and provide necessary products and services. Again, the focus should not be on the transactional element of the relationship, but rather on serving as a trusted advisor.

The survey results confirm the opportunity for banks to think more broadly about how they engage with customers and how they can deliver a comprehensive customer experience. A full 60% of global consumers agree that "banks have an important role to play in helping people achieve their life goals through their expertise across all types of financial products." Clearly, the door is open.

For example, when customers buy a house, banks should not restrict their role to just arranging the mortgage. Banks could also help customers in their preparations to purchase a home (e.g., counseling on savings plans and realistic targets for the cost of a home). Further, banks could aid in the search and home-buying process, provide financing for the transaction, help plan the move, and assist with the products and services customers will need once they become homeowners.

Banks could also offer other value-adding content and services (as well as products) for young families before the birth of a child, pre-retirees or parents saving for their children's education. Beyond rebuilding trust, banks that can serve as valued partners around such major life milestones can regain their position at the center of their customers' lives.

It is clear that banks are uniquely positioned to play this broader, more supportive role. The question is whether they will develop the service models and cultures necessary to seize that opportunity.

The bottom line: the trust imperative

Traditional banks still more likely to be described as trusted advisors, but the margin is extremely small. If traditional banks are to retain or expand this edge, they must convincingly and consistently demonstrate their interest in customers' long-term financial well-being. Such a change in perception is also necessary to strengthen relationships with all types of customers, including financial self-managers.

To increase trust, banks will need to undertake multiple actions that are aligned to their distinct view of the meaning and importance of trust for their business. Certainly, there must be more customer education and information sharing in the context of multidimensional relationships. Banks must combine upgraded technology and improved data access with new service models, cultural change and increased transparency.

Yes, considerable investment of resources and energy will be required. But the payoff of increased advocacy and future business makes for a clear and compelling business case. Trust is very much an asset to be preserved and cherished.

While EY's latest consumer banking survey raises important questions for the industry, there remains ample reason for optimism. Fundamentally, we believe there is a bright future ahead, especially for those organizations that seize the opportunity to strengthen trust with customers and cultivate trusted brands as a way to differentiate from both new and existing competitors.

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