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Retail Banking CX Singapore

Insights on Opportunities and Trends to Create
a Competitive Advantage

A Frost & Sullivan White Paper

In Collaboration with

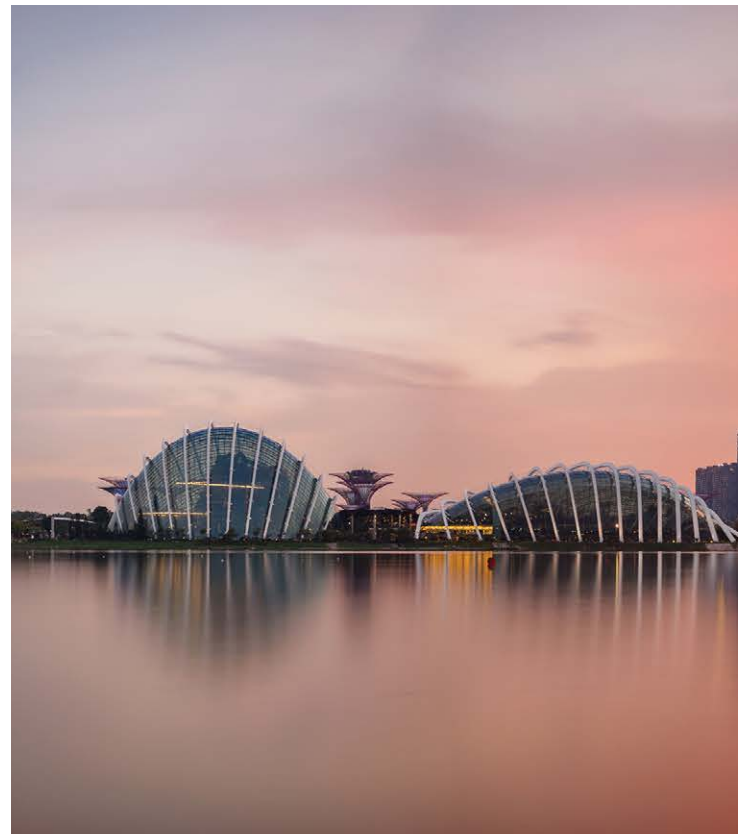
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Executive Summary

In today's hyper-connected, mobile world, customers want to be able to contact brands from anywhere, at any time, on their preferred channel, be it voice or text, wired or mobile, human or virtual. Superior customer experience (CX) is fast becoming a core differentiator for businesses across all industries.

Organisations have an unprecedented opportunity to engage customers with better brand experiences across multiple channels. No more so than in the retail banking sector where the competition to adapt and respond to changing customer expectations has never been fiercer, especially set against a backdrop of regulatory changes, legacy environments, margin pressures, and new competitors. In fact, CX is the single-most important factor for customers in Singapore choosing their primary bank, according to a 2015 Frost & Sullivan survey. Retail banks need to grasp this new reality or risk losing their customers.

To further our understanding of customers' interaction preferences with their primary banks, Frost & Sullivan conducted an online survey of 500 customers across six leading banks in Singapore in the second quarter of 2017, with a focus on identifying underlying CX trends in the retail banking landscape. The study uncovered the following key findings:



○ Customers ready to switch banks over poor customer experience

About 40% of respondents cancelled services with their bank due to poor customer services in 2016, with having to contact the bank multiple times cited as the most prominent factor driving service abandonment. Prompt issue resolution and the ability to contact respondents through their preferred channel were cited as the top two determinants of satisfaction.

The narrow gap in CX scores between primary and secondary banks also suggest tepid customer loyalty. Effortless customer service is what builds customer loyalty. Primary banks failing to satisfy their customers risk being relegated to secondary bank status, if not losing the customers altogether.



○ **Banks in Singapore yet to integrate silo-ed multichannels for omnichannel engagement**

Over 90% of Singapore customers prefer to go online or use self-service channels. However, when contacting their banks, only 10% believe their banks provide omnichannel support with the ability to track their interactions, purchase history, and preferences across multiple channels. In the survey, banks scoring higher Net Promoter Score (NPS) offered seamless support to customers across three channels though performing poorly in areas such as self-service and first-call resolution.

○ **Foreign banks outperforming local banks in customer services**

Respondents across the six banks expressed similar mean scores for CX and likelihood to purchase additional services. However, NPS, which measures customer loyalty, varied among the respective banks. Two foreign multinational institutions recorded the highest NPS; while the lowest scores came from two local banks that showed negative NPS.

○ **Contact centre and branch banking still relevant amid growing popularity of online channels**

One out of four customers surveyed purchased banking services online. Despite the growth of new digital channels, 87% of banking customers still prefer traditional support (e.g., contact centre, branch) when seeking assistance to resolve complex issues. The finding highlights the slow progress of banks in deploying digital capabilities to meet customer expectations.

○ **Customer analytics key to sustaining competitive advantage**

Banks in Singapore need to rethink their customer engagement strategy to drive loyalty and retention, and growth in share of wallet despite customers' overall satisfaction with the level of service they receive. The opportunity for banks to capture and analyse customer data to create more meaningful interactions with their customers is immense.

Introduction

As a leading financial hub in the region, Singapore is home to three of the largest banking groups in Southeast Asia: DBS Group, OCBC Bank, and United Overseas Bank (UOB).

Since Singapore began to liberalise its commercial banking system, many reputable foreign financial institutions such as Citibank, HSBC, and Standard Chartered have established a presence in the country as fully-licensed banks and continue to flourish. However, intensifying competition is placing enormous pressure on banks to continuously evolve their products and services as well as focus on better customer engagement strategies.

To examine the state of customer experience (CX), interaction preferences, and underlying trends among retail banking customers in Singapore, Frost & Sullivan carried out an extensive end-user study in Q2 2017 to capture the voice of customers from the country's leading banks. More than 500 consumers were randomly selected from consumer panels and sent invitations online to participate in the survey. Participants, aged 18 and above, who had interacted with their respective banks in the past 12 months were chosen for the study. The survey was also distributed to selected customers from the top six retail banks in Singapore.

Respondents, of which 67% are working professionals in Singapore, were asked about their interaction preferences and possible gaps between expectations and experiences with the banks to ascertain business imperatives for delivering high customer satisfaction levels. The study also explored differences in the level of satisfaction between primary and secondary banks.

Research findings presented in this report aim to share insights that could enable key stakeholders to better understand and formulate a targeted CX strategy to drive satisfaction and loyalty. The study explores the following critical areas influencing CX in Singapore retail banking:

- Customers' perception and attitudes towards customer experience delivered by leading banks
- Interactions customers have with their banks over their entire engagement lifecycle
- Level of satisfaction and impact on buying behaviour
- Areas where customer experience require improvement
- Quick comparisons with industry peers

The results highlight significant gaps in customer experience and opportunities for banks to create a competitive advantage.

Customer Experience is Dictating Choice of Primary Bank

The financial services industry in Singapore is robust, dynamic, and disciplined, with strong oversight from the Monetary Authority of Singapore. Over the years, local banks in Singapore have consolidated into three major groups, as part of the Republic's continuous efforts to stay competitive both regionally and globally. Its highly competitive market and limited user base compel organisations to innovate products and services continually, offer attractive rates and fees, introduce new technologies as well as enhance and establish easier access to services. These are critical differentiators to acquiring new customers and retaining existing ones.

So, what makes customers in Singapore choose one service provider over another? Customers and businesses recognise that purchasing decisions are not based on price alone. A Frost & Sullivan survey carried out in 2015 showed that CX is the single-most important factor for customers in Singapore in choosing a primary bank¹.



Customer experience is defined as the accumulation of a customer's experiences throughout their journey with the supplier across all touchpoints. In fact, our findings indicate that it is considered ahead of other factors including choice of products and services (the legacy determinant of trust), and rates and fees charged by the bank.

The same study revealed that CX (or lack thereof) is the second most important factor, chosen by 73% of respondents, that drives customers away from their bank after the rates and fees charged. CX was also ranked ahead of the choice of products and services offered by banks in Singapore. It is necessary that banks emphasise delivery of superior CX and overlook this only at their own peril.

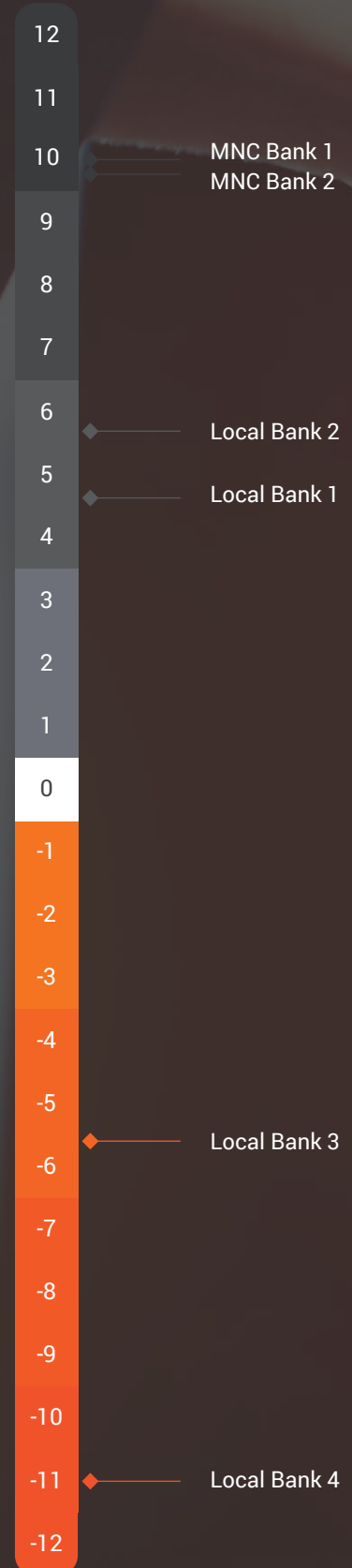
¹ Singapore Banking Services Customer Experience Management, Sept 2015

Are Singapore Banks Delivering As Expected?

International banks lead in NPS, while local banks languish

Overall, most customers surveyed in Singapore seem to be satisfied with their banking experience. Retail banking customers in Singapore revealed fairly similar mean scores for “customer experience” and “likelihood to purchase additional services across different banks”. However, when comparing NPS, foreign banks fared better than local institutions. Two local banks performed slightly above average (NPS of 2) whereas another two fared poorly with a high number of detractors.

Comparison of NPS Values in Customer’s Primary Banks in Singapore

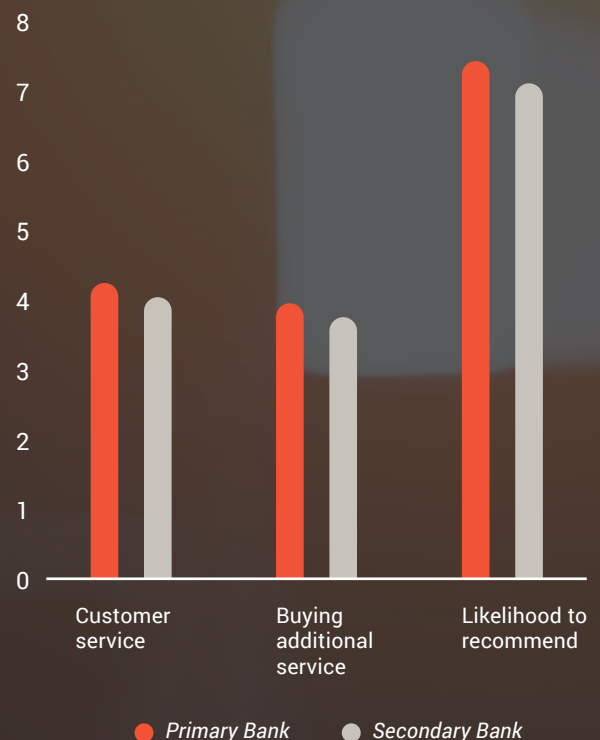


Primary banks could face churn as the customer experience gap closes with secondary banks

Delivering great experiences is critical to customer satisfaction, and ultimately, customer retention as well as the likelihood of them buying more services.

- 88% of respondents ranked their primary bank's customer service as meeting their expectations, with one in three believing it strongly.
- Though banks, in general, met service expectations, customers polled indicated less enthusiasm in expressing their willingness to buy additional services.
- There is little difference in the scores between primary and secondary banks for customer service ratings, willingness to buy additional services, and likelihood to recommend.

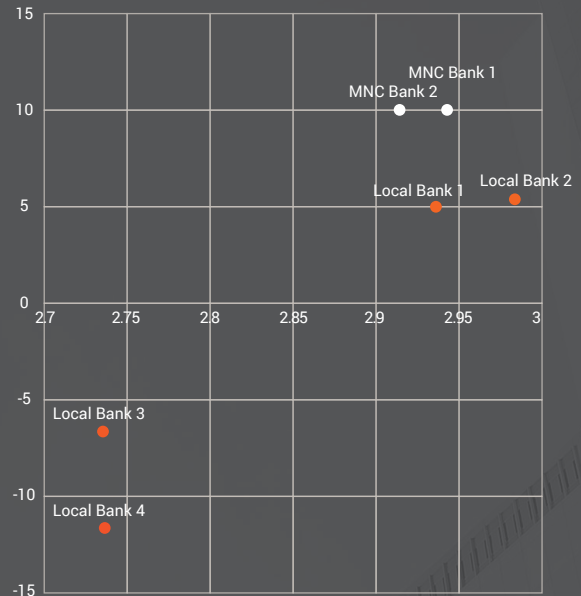
Customer service and buying additional services were measured on a scale of 0-5, whereas likelihood to recommend was based on a scale of 0-10.



A silo-ed experience is hampering NPS as banks struggle to establish customer context

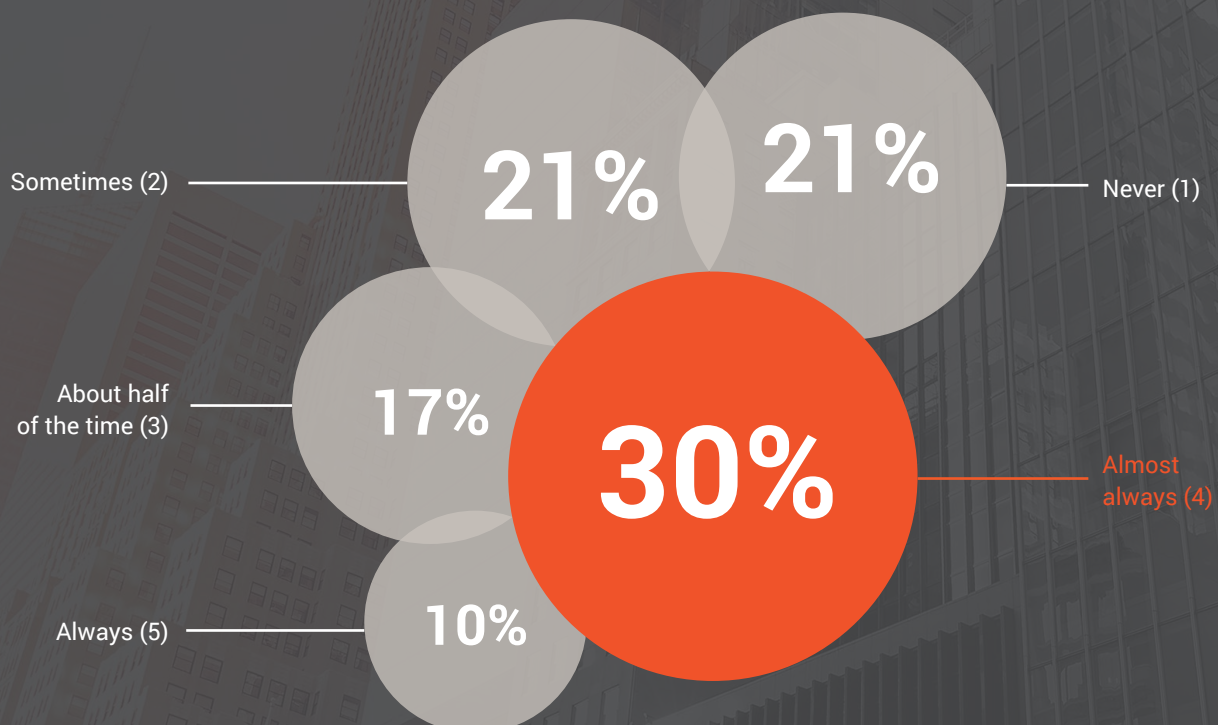
Banking customers prefer self-service to resolve their issues rather than seeking live assistance. When contacting their banks, majority of respondents indicated having to call the banks multiple times and repeat the information for issue resolution.

Survey results revealed that the banks with considerably higher mean score for “ability to maintain context” have better NPS. Lack of ability to “remember customers’ previous interaction” and “seamless handover” do not allow context from initial contact to be passed onto the next channel increasing frustration among customers who need to repeat the conversation numerous times. Findings suggest that Singapore banks operate much like in a basic multichannel environment rather than implementing a well-designed omnichannel platform.



NPS score Mean score for ability to maintain context

When I contact my bank after being online or using self-service, they remember who I am.



Customers want First Contact Resolution (FCR)

Singapore banking customers place a high value on convenience. This is especially important for working professionals who see efficiency as the dominant factor in decision-making. FCR is ranked among the top three determinants of customer satisfaction.

- Over 46% of respondents contacted the bank at least twice to resolve a single issue
- Over 43% of respondents expressed the need to use more than one channel or contact method to get the same issue resolved

Effort is causing customer dissatisfaction and abandonment

Long Interactive Voice Response (IVR) menus, having to make repeated contact to solve issues, and repeating the same information during interactions are the main causes of customer dissatisfaction.

Approximately 40% of respondents cancelled or stopped services due to poor CX with their bank. Having to contact the bank multiple times to solve issues was cited as the most prominent factor driving service abandonment. One in three respondents chose "having to repeat information" as the key reason motivating customers to cancel or stop services.

Mention some of the reasons for your dissatisfaction with your bank.



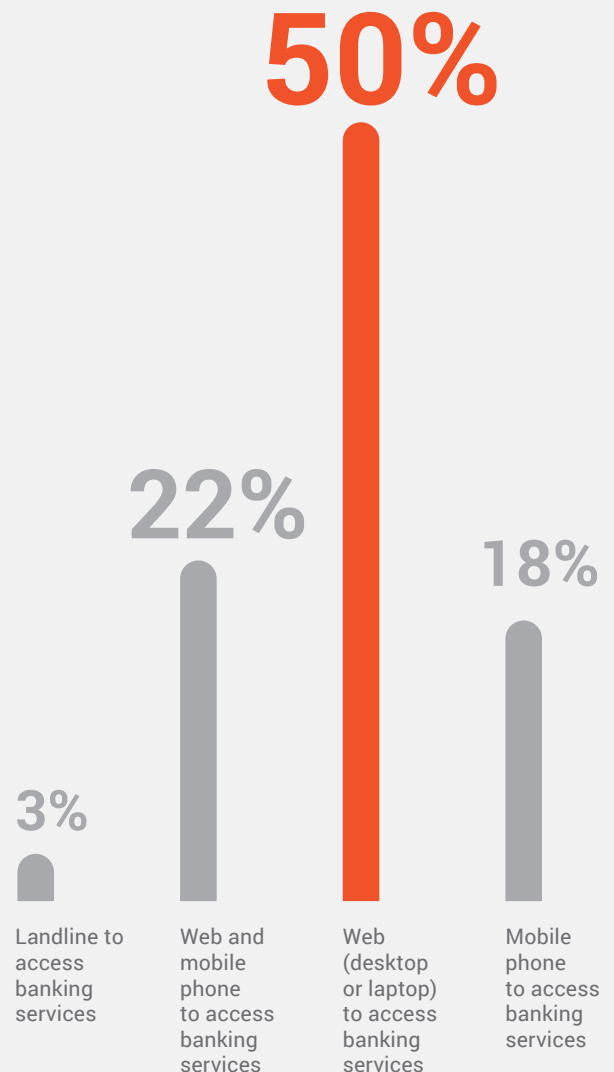
Knowing Your Customers, Their Preferences, And Needs

Banks in Singapore are increasingly demonstrating efforts to engage with customers more meaningfully and portray themselves to be more customer-centric. While banks are adopting various digital channels to make services available at customer's convenience, more needs to be done to align these touchpoints with the rapidly changing customer expectations. The following section highlights critical user behaviour of banking customers in Singapore:

Desktop/laptops preferred over mobile devices to access banking services

Although mobile phone penetration is high in Singapore (over 150% of the population), when it comes to accessing banking services, more than 50% of customers prefer to access the web using a desktop or laptop, with 22% using both desktops and mobile phones to access banking services.

Which statement best describes how you access banking services?

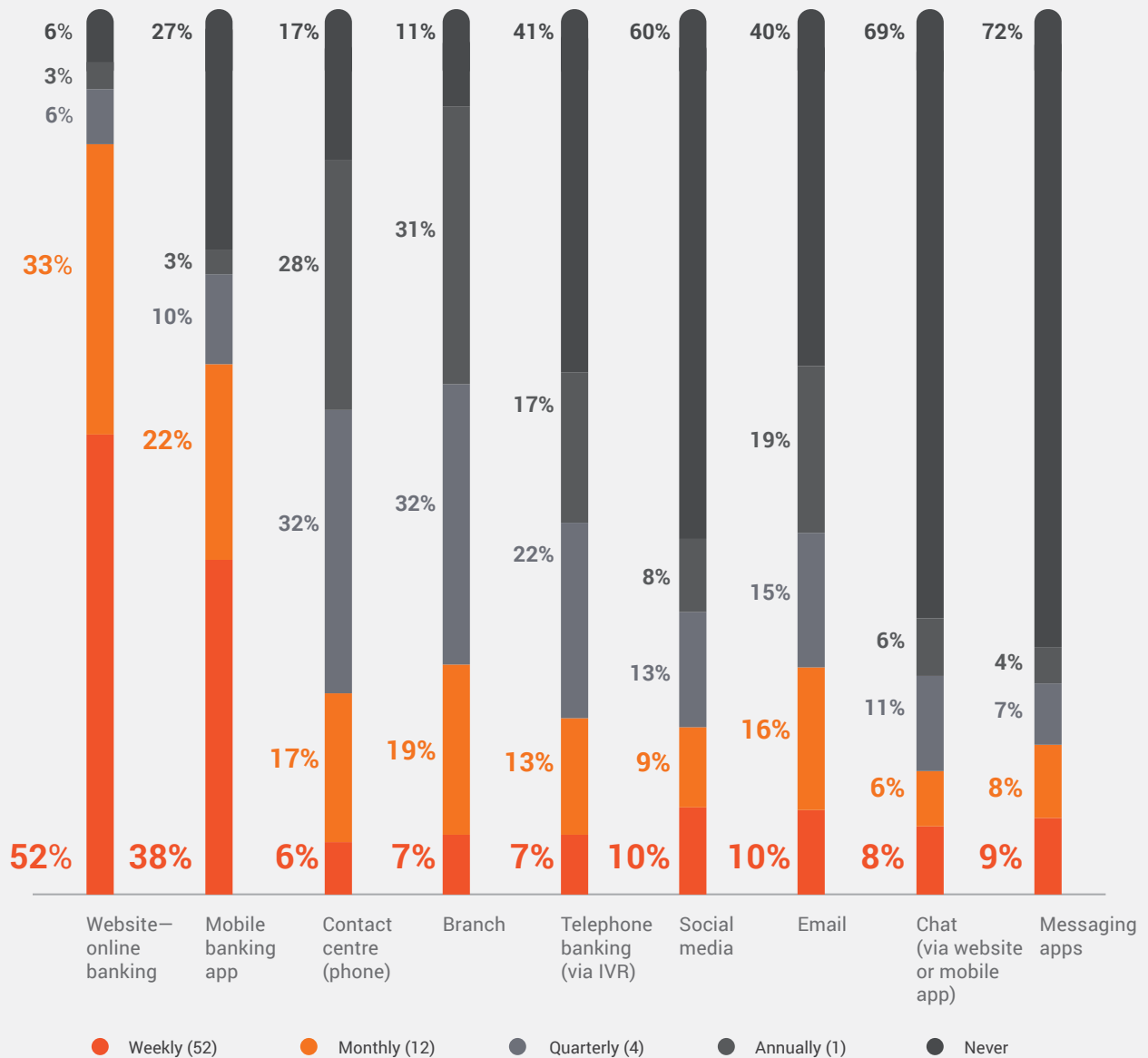


Preference for online as a communication channel

Online banking via a bank's website is the most frequently used communication channel followed by use of a bank's mobile app, with nearly 52% and 38% of respondents respectively using these channels on a weekly basis.

The growing popularity of mobile app usage is evident, even though almost 27% of respondents have yet to use their banks' mobile apps. Visits to the branch and interaction via phone are becoming less frequent.

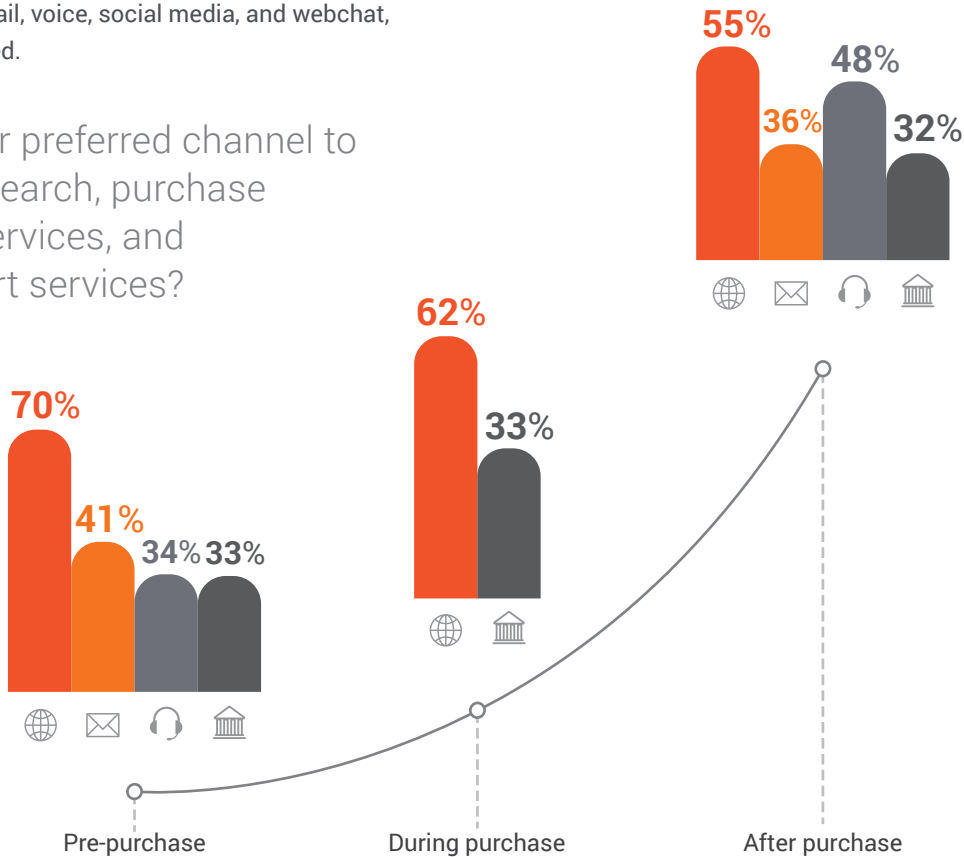
How often do you use the following channels to communicate with the bank?



Channel usage preferences vary across the customer journey

Banks utilise multiple channels to engage with customers depending on the customer lifecycle stage. In line with the “clicks and bricks” paradigm across the banking journey, customers tend to switch between channels, e.g., email, voice, social media, and webchat, based on their need.

What is your preferred channel to conduct research, purchase products/services, and seek support services?



- **Growing importance of online presence at the pre-purchase stage, followed by communication via email.**

Singapore bank customers surveyed do not choose to go for live assistance or face-to-face engagement first unless they require more information than what the company website and email communications provide.

- **Increasing trend for closure of purchase online as opposed to going to the branch.**

One out of four customers surveyed purchased banking services either via email, phone, mobile app or a combination of all three. This shows growing maturity in the “click” adoption and trust in signing up for services online.

- **Phone as a contact channel is increasingly losing its shine, although it remains vital at the post-purchase phase.**

Going online is typically the first thing customers do when attempting to resolve issues during the post-purchase phase. Email and mobile apps are also important channels for issue resolution.

- **Branch banking is most prevalent among customers aged 40 and above.**

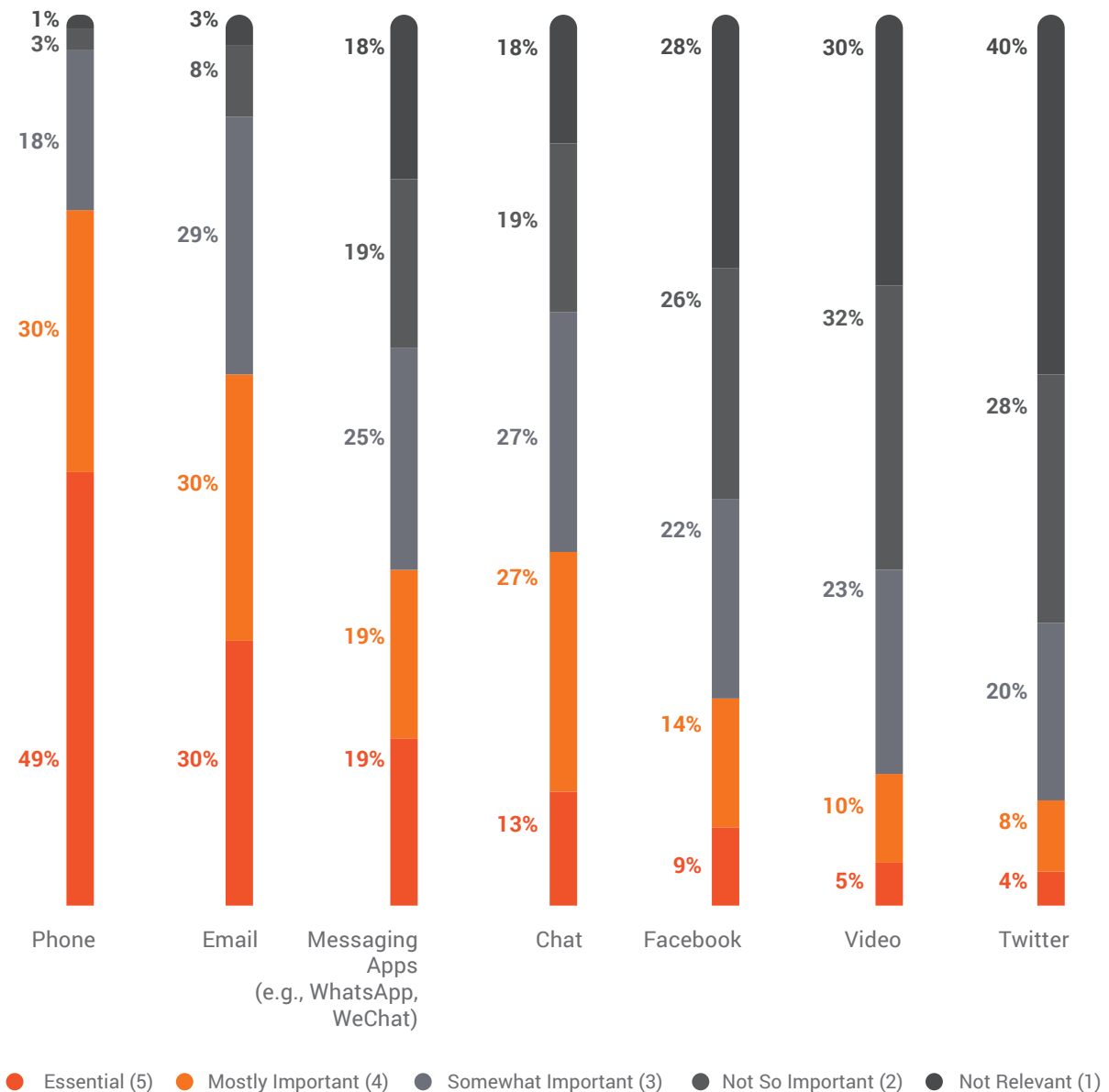
The preference for branch banking may be due to these customers’ level of comfort with traditional banking that may likely delay the adoption of self-service facilities and online banking options. Mature customers (aged 40 years and above) surveyed showed more propensity to seek human interaction in over-the-counter banking transactions compared to their younger counterparts.

Voice interactions remain important in the digital world

Banking customers in Singapore firmly believe that contact via phone is essential; followed by email, another traditional engagement channel. Among the newer channels (e.g., messaging apps, chat, social media, video), messaging apps are viewed as the most preferred for future communication. New digital channels are available on mobile devices delivering greater convenience to banking customers, especially in Singapore, which has a high mobile penetration rate.

Typically, customers prefer these new channels due to greater familiarity. However, awareness of the availability of non-traditional channels seems much lower than the adoption of such platforms for consumer communication. Less than 25% of customers surveyed are aware that their banks offer social media, chat, or messaging apps for services.

Moving forward, how important are the following contact methods to you?

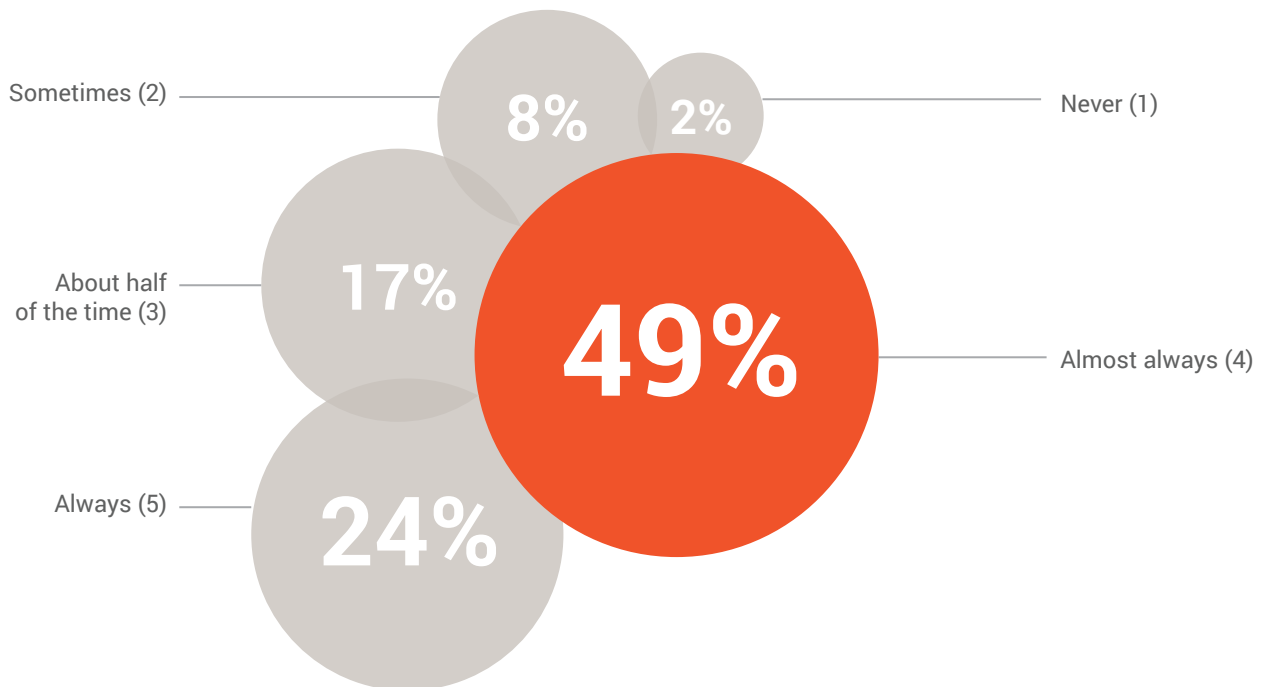


Self-service is the new norm

As more banking customers in Singapore increasingly access information and services online, they exhibit a higher propensity to use online banking or banking apps before seeking live assistance. This is mostly due to the convenience and little to zero waiting time.

Today, over 90% of Singapore customers regularly go online or try self-service channels as their first method for issue resolution. A comprehensive digital channel engagement strategy that leverages both self-service channels and a robust knowledge base is essential to helping customers find the information they need.

When I contact my bank, I have first been online or tried self-service options.



Consumers are consistent with their needs

Although banking customers in Singapore use different channels at different times along their customer journey, the primary reason they contact the bank remains consistent. Issue resolution is of utmost importance for consumers.

In fact, more than one-third of respondents believe the convenience of “getting things done the first time” is more important than contact options. Respondents exhibited relatively high satisfaction levels when accessing banking services via the two most used channels (online banking and mobile banking apps).

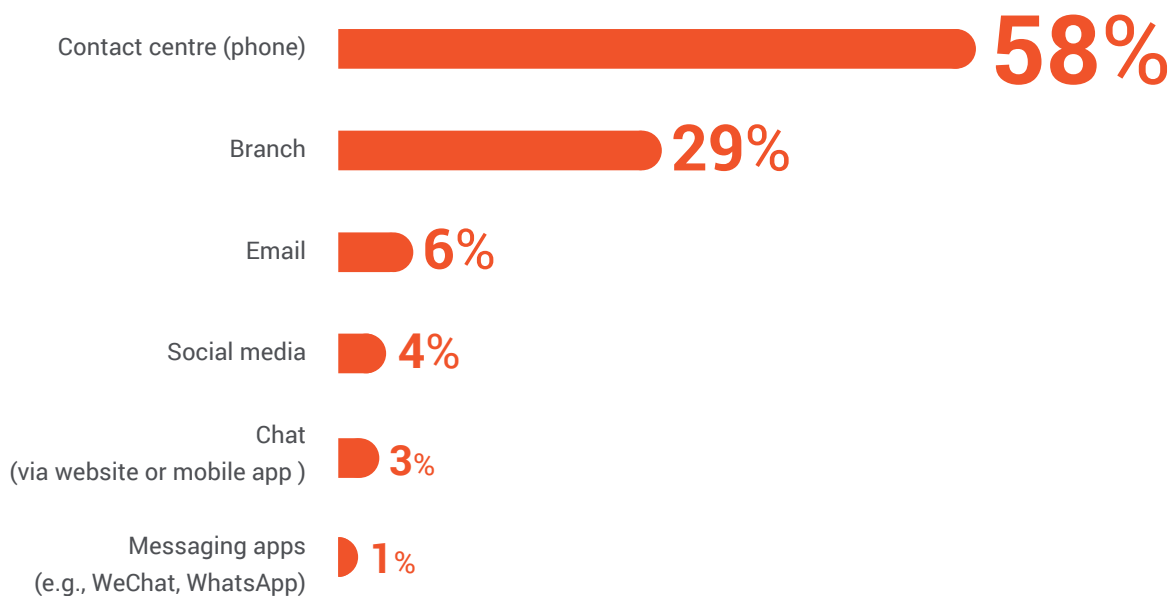
Human touch is still valued in issue resolution

The ability to successfully resolve an issue plays a considerable role in channel preference. Most respondents in Singapore chose the contact centre (phone) as the most effective channel for issue resolution followed by a visit to the branch even if they can access digital channels such as chat, messaging, and social media.

Survey results indicate that majority of banking customers in Singapore continue to use a multichannel approach to issue resolution with traditional care dominating the mix. While there has been much talk about the adoption of an omnichannel strategy to deliver an enhanced CX², the reality seems quite far from achieving that goal.



When you require live assistance, which channel do you find most effective in resolving your issues?



²What omnichannel strategy can do for Singapore businesses, Singapore Business Review, Jan 2014 (<http://sbr.com.sg/information-technology/commentary/what-omni-channel-strategy-can-do-singapore-businesses>)

Customer Satisfaction is Key

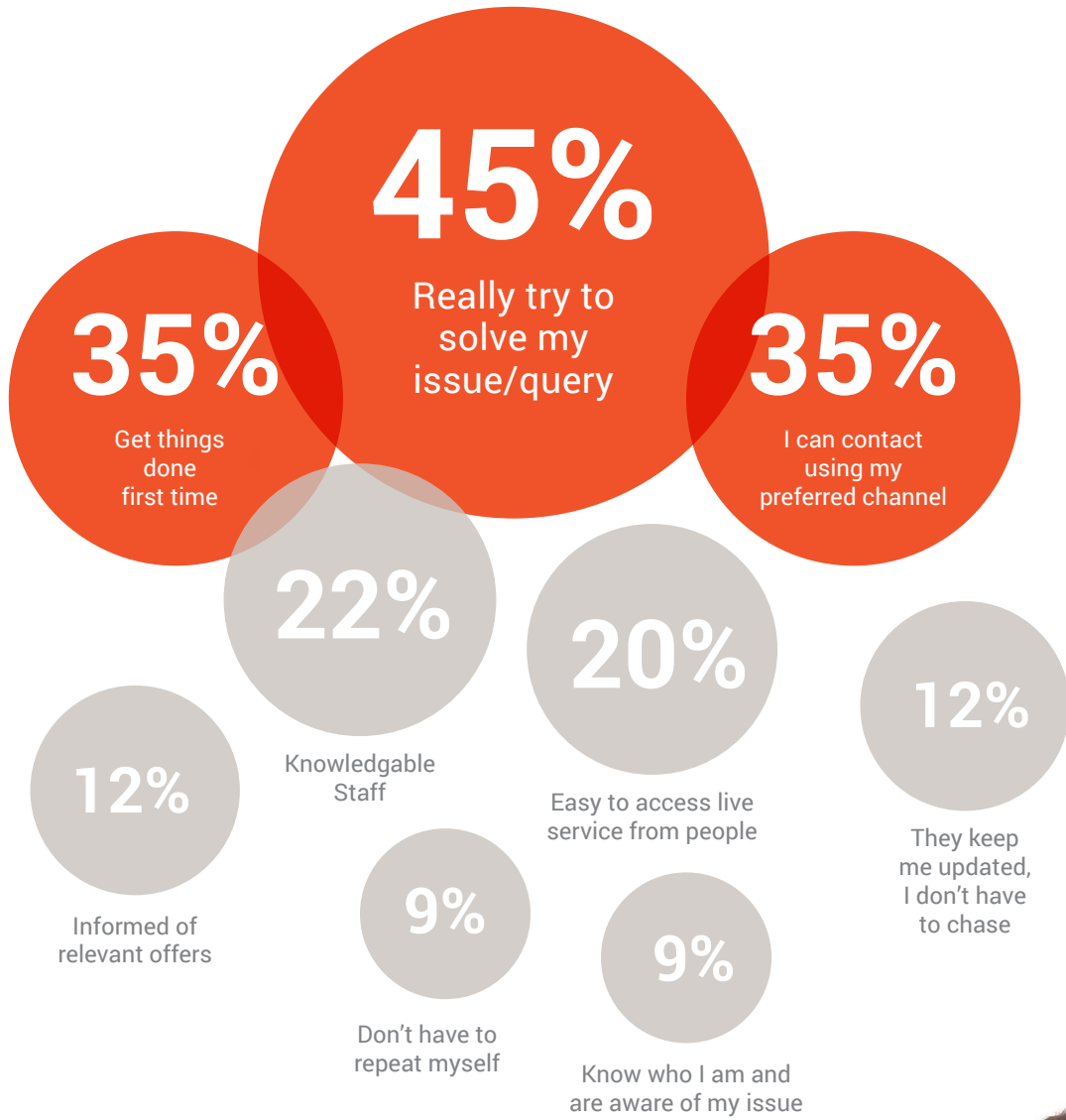
To drive customer satisfaction, retail banks in Singapore must gain an in-depth understanding of customer needs and expectations to align their resources and respond appropriately.

Such an approach could well become the cornerstone for further developing a well-orchestrated customer engagement strategy continually delivering personalised, predictive, and productive experiences.

Retail banking customers in Singapore have ranked issue resolution, satisfactory answers to queries, and the ability to contact them through their preferred channel as high in determining satisfaction levels.



What are some of the reasons (top 2) for satisfaction with your bank?





Rethinking Customer Experience Strategy

Building superior CX in today's era of immediacy requires banks to leverage customer insights to drive business strategies. Banks need to understand their customers, their needs, and challenges, and promptly address them with targeted solutions to enhance customer satisfaction.

Retail banks in Singapore need to evaluate the following considerations in the pursuit of transforming their CX strategy:

1 | Do you understand your customers enough to humanise interactions?

To develop a sustained relationship with your customer, your organisation's culture and processes have to be built around customer-centricity that requires an understanding of the entire buying lifecycle (consideration, purchase, experience, support, or advocacy/loyalty). Greater customer insights enable banks to personalise services that are relevant, helpful, and not high-pressure.

2 | Are you serving your customers the way they want to be served?

Based on customer demands for convenience, banks need to expand support to an "anytime", "any channel", "any device" environment. When it comes to channel options to serve customers, it is not a question of "either or". Banks should ensure that the channels complement each other. Other factors to bear in mind:

- Voice channel is becoming the last resort for issue resolution for many customers
- Need to integrate digital channels – email, chat, social media, apps, video – over multiple digital touchpoints (web or mobile devices)
- Offer choices of self-service knowledge base and easy access to assisted service

3 Are the available channels designed and managed for a true omnichannel experience?

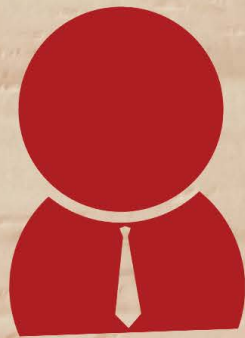
Better customer experiences start with in-depth knowledge and understanding of the customer journey, as in why and how customers interact with the bank over time. A compelling CX journey maps all channels and touchpoints, taking into account the motivations and emotional factors driving channel preferences. Banks must be able to link the interactions systematically to provide a personalised, contextual experience for each customer.

4 Have you invested in the right tools and processes?

Customer needs and expectations should drive the experience design, not outdated technologies or legacy organisational processes. The focus should be on promoting and supporting customer centricity by addressing legacy technology and operational barriers that make it difficult to drive change quickly.

5 Have you adopted a data-driven decision culture?

Customer interaction analytics can offer insights into how consumers use products, services, and interact with banks. Advanced digital channels augment existing data sources with additional behavioural data. Organisations can map their customers' entire journey in real-time and proactively engage them. At the same time, banks must monitor customer experience parameters and their impact on business performance to align resources and efforts appropriately.



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