new relic

The Digital Opportunity:

Customer insights from the financial services industry

Report / 2022

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Consumers in financial services have more choices than ever. Both challenger and traditional institutions are trying to keep up with evolving expectations of customers in the digital space. The ease of filtering through different providers, coupled with the switch guarantee and new regulations like PSD2, has made changing providers easier than ever. Customers who were previously tied to one provider for all their insurance or banking needs, now rely on multiple apps and digital services. This new market has set a new customer standard—a personalised service across channels that can not only understand customer needs, but predict them.

This begs the question: How can the fintech sector harness customer insights to gain a competitive advantage? To learn more, we surveyed 1,001 consumers in the UK from ages 18 upwards with varying gross household incomes in March 2022. Of those:

→ 75% used traditional established providers, such as HSBC, Santander and Lloyds.
→ 8% used digital-native banks, such as N26, Monzo and Starling.
→ 17% used a mix of both.

In the following report, we analyse consumer insights and investigate the role digital services play in realising better customer experiences, while offering takeaways to apply to your financial services institution. We investigate views surrounding traditional financial service institutions and examine what you can do today to win over more customers.

Top 3 priorities for consumers in financial services.

These priorities are all linked to the ability to see all the complex processes and priorities that make up many teams and tech stacks.

01.
Digital services (apps/online banking)

02.
Security and data protection

03.
Customer service

Consumer insights

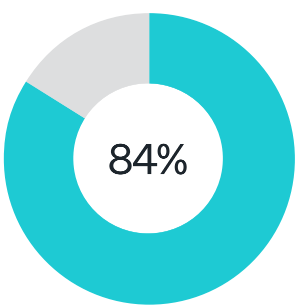
Is there an app for that?

In 2009, to promote its app store, Apple trademarked the phrase "There's an app for that." The world hasn't been the same since. Mobile apps and online services have become key in the new digital era for consumers: 84% of respondents say that it is important or critical that financial services providers have an app. This is true for older demographics too, just over half (55%) of respondents aged 66 and over also say that having an app is important, or critical when choosing a financial services provider.

In a 2018 survey we asked 2,000 adults in the U.K. about their preferences when dealing with financial services institutions. Here's what we found:

→ Nearly half (47%) preferred online banking
→ One in three (34%) preferred apps
→ Only 14% preferred to go in-branch.

In 2018, the top advantages of using an app were the ease of paying contacts, biometric logins, NFC payments, and not having to visit a branch. Only 15% of respondents reported never using an app. In just four years, there has been a massive increase in the number of people who are demanding apps as a critical part of their financial services institution.



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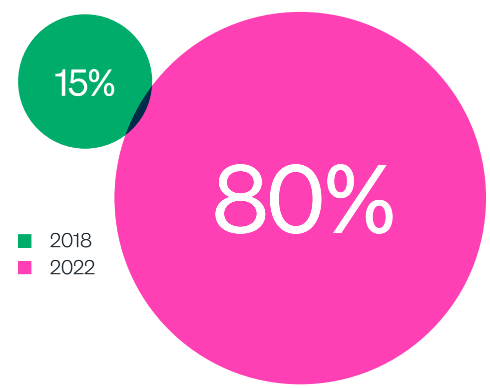
Customer expectations are evolving

Apps need to keep up with user expectations. Respondents' top priority is that the app is working 24/7. Consumers want an always-available app. The app shouldn't fail when customers try to log in, or have unexpected downtime. As a demographic less forgiving of any errors, 71% of older demographics find this particularly important

In our 2018 research, respondents shared the top reasons why they would stop using an app: frequent downtime, payments failures, too many error messages, and app timeouts. This isn't too far from the results in 2022. What is different is customer expectations about downtime. Back then, nearly half of respondents (40%) expected their app to be down at least once a month for repairs or updates. Only a small percentage (15%) expected their apps to be available 24/7. Now respondents' top priority is app availability 24/7.

Then vs now:
The percentage of customers expecting 24/7 app availability



Personalised interactions

Apps are convenient, but they're up against face-to-face interactions that provide useful, personalised, and accurate information. That's why consumers want the same services they'd get at their physical branch—on their apps. This can mean everything from personalised digital service or the option to speak to a customer services representative. The other challenge is navigation. An app should be as easy to navigate as simply walking into a physical branch. This is where monitoring the customer journey and interactions within the app can help. It can show the user journey and help pinpoint failed interactions while uncovering areas for improvement.

An expanding customer base: **Chilean Bank BCI**

In 2017, Chilean bank BCI introduced free prepaid cards. The bank created an in-house startup to go cloud native from day one. The MACH platform—composed of more than 30 microservices running in Docker containers hosted in the AWS cloud—gained a million users in the first year. To keep up with its rapidly expanding user base, the bank needed high system availability. New Relic helps BCI understand how its services are working in production by delivering data to the team on a single platform, while providing easy integration with the current environment. With New Relic, BCI reduced the average response time by 30% and eradicated error rates.

The rise of all-in-one apps

Consumers want to access their finances across multiple accounts from a single app—a function made possible through opening banking APIs. This is a marked change from our research in 2018, which found that half (53%) of respondents were unlikely to use a banking platform that consolidated their accounts into one place.

Fintech start-ups have built this cross-functionality into their products. Digital banks like Monzo and Starling leverage disposable architectures to provide services like saving pots, cashbacks, and cost splitting. Even traditional institutions are dedicating more time to user-friendly interfaces.

Respondents are also interested in access to customer services through the app, such as a chatbot or chat function. In comparison, they show less interest in easy-to-use and intuitive features; regular updates with new features; and an engaging in-app experience.

Developing apps that are always available, with a full range of services and complete access to finances and accounts, is essential to providing a seamless customer experience. Financial service providers need to ensure that they provide apps with the cross-functional services consumers want, paired with a frictionless customer journey.

Top app priorities for consumers

- Always working
- Access to all services
- All accounts/finances accessed on one interface
- Customer service
- Easy to use

Security and trust: Bridging the digital divide

The financial services sector has a high number of regulations that are constantly evolving. This makes compliance complex. For example, the FCA Operational Resilience policy requires that financial services plan for severe but plausible risks that might disrupt customers' access to their funds. The Payment Services Directive (PSD2) and open banking also require that providers give customers quick and easy access to an entire financial situation. While this is incredibly useful from a customer's point of view, for financial institutions, it adds extra layers of working cross-functionally with other providers, including new fintech companies.

Our findings show that trust and security continue to be key for customers. This is especially true for older demographics, ages 56-65, 74% rate security and data protection as a top priority. While just under half (45%) of younger demographics, ages 18-35, say that security is important for them. Younger people tend to balance data security against other considerations, like digital services.

We've established that data security is a major pillar in building trust with customers. Another is delivering frictionless journeys with digital services that are available around the clock. This shows that an institution is secure, reliable, and trustworthy—crucial for reputation. But what could be easily followed in traditional institutions 50 years ago, isn't so straightforward now. The user journey and its customer touchpoints with the business can become lost in the new omnichannel era. A business' tech stack is more complex, and bugs and outages are commonplace.

Building trust in the financial services sector

58%
Data security

60%
Reliable online services

Finding, fixing, and predicting issues helps build trust

Mean time to repair (MTTR) and mean time to detect (MTTD) are critical success indicators for engineering teams that can foster trust with customers. MTTD is the amount of time to detect an issue. MTTR is the amount of time to fix the problem. These key metrics help teams understand how responsive an operation is to bugs, attacks, and internal, and external errors that occur in the open banking system.

If a business is getting most of its errors reported by customers via social channels or the customer service teams, DevOps teams will spend hours of time searching for the root cause before they can even begin fixing it—let alone working on new features to remain competitive. Identifying errors before they reach customers is best practice and covers multiple customer expectations around security, experience, reputation, and availability.

Pinpointing issues fast:
The Access Group

As one of the largest providers of business management software, The Access Group needs to pinpoint slow transactions that impact customers. But non-stop alert noise made it a challenge to pinpoint uptime and reliability issues. When New Relic was introduced, the team discovered that one third-party process thought to be slow, was actually internal. The old code was rewritten in a day and added to the next sprint. Access was also able to reduce the number of machines in its clusters, reducing cloud costs by identifying which servers were busy. A database that previously ran at 60% is now at 25%-30%, saving about £1,000 per month in AWS costs.

Committing to sustainability is important

Our respondents want to see community impact and a commitment to diversity and sustainability from their financial services providers. Over four in five respondents say that environmental, social, and governance (ESG) are either important, very important, or critical factors when choosing a provider. This is especially true of younger demographics, ages 26-35, at 90%.

There are strict new regulations and bodies monitoring sustainability reporting, including the Corporate Sustainability Reporting Directive and the International Sustainability Standards Board. Their goal is to make a standardised methodology of reporting that both investors and consumers can refer to when choosing brands to back. It's shown that institutions that commit to ESG can also improve direct decision-making, attract and retain talent, and improve productivity.

ESG policies represent huge changes to financial services providers—and new policies that require enhanced reporting also create new tech challenges. Dashboards can collect data from multiple sources to bring teams together and keep them accountable for meeting targets. The ability to collect data from across the organisation to quickly and easily create reports can help an institution internally and externally. Internally, teams are able to connect their work with ESG initiatives, creating purpose and providing opportunities to improve and celebrate achievements. It also frees up time for innovation, productivity, and creativity. Externally these metrics can be used to show an institution's progress and help win customer trust.

We're living in a kinder world, 81% say social good and purpose are critical/important when choosing a banking provider

What's motivating customers now

Surprisingly, over 1 in 3 respondents (37%) say that although essential, financial services aren't important to them. This is more true for those with traditional banks versus those with digital or mixed options, with a 10 percentage point difference. Why aren't financial institutions seen as more important to consumers?

Some insights from the survey:
- → Consumers are motivated by sustainability concerns.
- → Respondents look to digital and technology offerings when choosing a financial service provider.
- → Most say the most appealing option is a modern bank that is digital-first with physical branches.

There is a growing demand from customers to embrace the digital space. Over half of respondents (59%) say that banks should be digital-first. But despite the popularity of digital-native banks, individuals still don't use them for all of their financial needs. They aren't convinced that the digital can match its in-person counterpart—yet. But this is beginning to change. Younger respondents noticeably prefer a digital style of banking.

The survey results show that there is work to be done. Some 2 in 3 respondents indicate their provider is not highly responsive to their needs, digitally savvy, or delivering smart services. A smaller 8% report that the services are outdated. 41% say that they would use digital banking for some but not all of their needs. A smaller percentage, 9% of respondents, say they do not trust digital banks at all.

As financial technology improves, customer expectations will rise with it. The main benefits that customers should realise from a digitised infrastructure are:
- → A high-quality customer response, whether that's from customer service agents or AI.
- → Frictionless customer journeys.
- → Personalised products and services.

The good news is that new technologies offer a level of customised customer experience that was previously unavailable.

Big traffic days: **Cellulant**

One wave of traffic crippled payment platform Cellulant, covering half of the banks on the African continent and 17 million unbanked farmers. This traffic served as a wake-up call for Celullant, accelerating its migration to AWS. Since its AWS migration with New Relic, the company's throughput is 15 times faster with a 300% reduction in latency.

What's next?

Are customers still loyal to their financial institutions?

Our 2018 research asked consumers if they would be willing to use a consolidated banking platform to manage several different accounts from separate banks in one place. The majority (69%) of respondents said that they would be more inclined to use this as part of a traditional bank offering. Less than a third of respondents said that they would be willing to use this offering as a part of big tech providers like Amazon and startups. This customer sentiment has changed.

Now, customers are much more open to new technology and switching their bank or financial institution. But brand recognition and reputation is still important. What has changed is that consumers are much more likely to switch if a product or service isn't meeting their expectations.

Nearly half of our respondents had switched banks at least twice in the past 10 years. Those with traditional banks were much less likely to switch: 58% of those with traditional banks had never changed their provider; 71% of respondents with digital banking or a mixed banking solution had switched banks at least once over the past 10 years.

It is no longer a winner takes all scenario, customers are choosing multiple accounts from various providers. To cultivate customer loyalty, financial services providers need to see how customers are interacting with their platform, from start to finish. Over a third (38%) of customers think financial services should be doing more to win customer trust and improve data security, almost as many (36%) also say they want improved customer services.

58%

of respondents with traditional banks had never changed their provider

71%

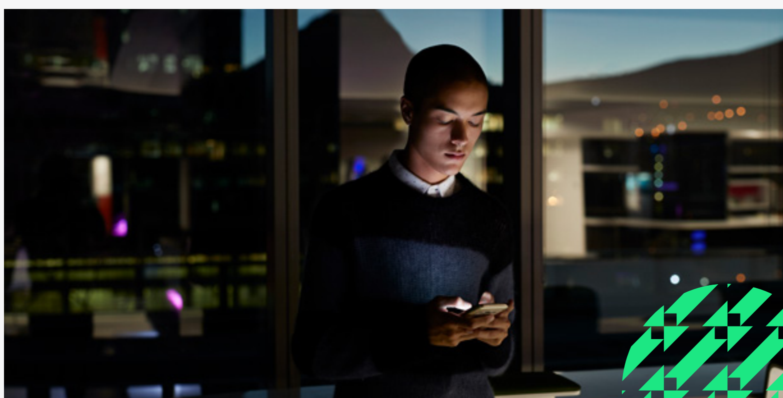
of respondents with digital banking or a mixed banking solution had switched banks at least once over the past 10 years

Will physical locations become obsolete?

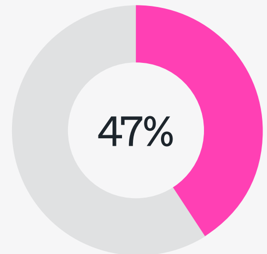
Consumer demand says that brick-and-mortar banks won't disappear anytime soon. The Financial Conduct Authority found that many customers still prefer to make larger transactions face-to-face—and our research shows that 87% of consumers say that financial service providers with physical branches are most appealing to them. Just 13% of respondents prefer digital native institutions that only have services available online or through apps.

Customer service is a top priority for consumers. They still aren't convinced that the digital can mirror its physical counterpart—yet. There's a lot of room to grow.

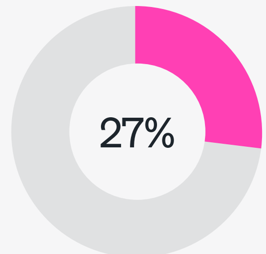
The financial services sector is ultra-competitive. So why do nearly half of all customers say their provider isn't paying enough attention to what they want?



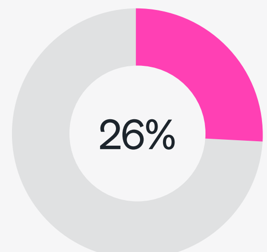
Customer opinions of digital banks



might use them for some of their banking needs



want to use their services



think digitals providers are more tune with their needs

The bottom line

Financial services providers still have a way to go. Nearly half (49%) of respondents say that not enough attention is paid to what they want from new features and services. Consumers want easy payments; the ability to view multiple accounts from a single app; intuitive features; and on-demand services. Respondents also want providers to do more for trust and data security.

Both the traditional and digital institutions can learn from each other to meet, and even keep ahead of evolving customer expectations. What's true for both, is the need to see the customer journey across the entire tech stack—with visibility across teams to improve the customer experience.

ABOUT NEW RELIC

New Relic gives engineers the data to plan, build, deploy, and run great software. As the only unified data platform that empowers engineers to get all telemetry—metrics, events, logs, and traces—New Relic helps businesses improve planning cycle times, change failure rates, release frequency, and mean time to resolution. We work with some of the world's leading brands, including American Red Cross, Australia Post, Banco Inter, Chegg, Gojek, Signify Health, TopGolf, World Fuel Services, and Zalora, to improve uptime, reliability, and operational efficiency to deliver exceptional customer experiences. www.newrelic.com

ABOUT OBSERVABILITY

Monitoring reveals what and when an error happened. Observability moves beyond monitoring to determine why and how it happened—and predict future issues before they impact users. Observability lets you measure how your systems are performing and identify issues based on telemetry data. Achieving observability brings a connected, real-time view of all data from different sources to one pane of glass, where teams can collaborate to troubleshoot and resolve issues, ensure operational efficiency, and produce high-quality software that focuses on user experience. Observability is known to increase uptime but it can also provide a range of metrics across infrastructure, application, frontend, mobile, business, and customer behaviour.

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