"While the total number of banks and credit unions has been declining, the number of accounts, credit union memberships, and overall deposits continues to steadily rise. The majority of consumers are satisfied with their banking institutions, and while the future of banking will be a primarily digital experience, most individuals continue to interact with their banks in-person as well."

- Chris Shadle, Financial Services Analyst

This report looks at the following areas:

- Consumers are evenly split on necessity of in-branch banking
- Increasing fees and poor customer service are primary reasons to switch banks
- Young people more likely to use online customer service, less likely to visit branch

While the amount of total deposits held at US banks and credit unions continues to grow, the number of companies controlling the industry has steadily shrunk. Nonetheless, consumer satisfaction and demand for a physical presence remains high. While consumers—especially younger generations—are eager to utilize the latest technological advancements, trust and inertia continue to be the primary drivers of loyalty.
The Banking Experience - US - February 2019

Table of Contents

Overview

What you need to know
Definition

Executive Summary

Overview
The issues
Consumers are evenly split on necessity of in-branch banking
Figure 1: Necessity of in-branch banking, by generation, November 2018
Increasing fees and poor customer service are primary reasons to switch banks
Figure 2: Motivation to switch banks, November 2018
Young people more likely to use online customer service, less likely to visit branch
Figure 3: Banking activities in past three months, November 2018

The opportunities
Consumers don’t think many features are easy to use
Figure 4: Perception of finance mobile apps, November 2018
Hispanic and Black consumers less likely to visit branch
Figure 5: Banking activities in past three months, November 2018
Banks still have a lot of work to do in developing mobile apps
Figure 6: Perception of finance mobile apps, November 2018

What it means

The Market – What You Need to Know

Number of bank institutions and branches further declines
Federal interest rate continues to rise
Unemployment descends to record lows
Personal saving rate well below suggested levels

Market Size

Number of banks and branch locations continues to dwindle...
Figure 7: Number of FDIC-Insured commercial institutions and branches, 2006-2018
...While banks continue to amass assets
Figure 8: deposits in domestically chartered commercial banks (seasonally adjusted), Jan. 2008- Jan. 2018
Credit union memberships still on the rise
Figure 9: Number of US credit unions, credit union members, and savings deposits, June 2007-November 2018

Market Factors

Federal interest rate
Figure 10: Effective federal funds rate, 2000-2018
Figure 11: Marcus by Goldman Sachs, Acquisition Email, January 2019
Unemployment at a record low
Figure 12: Unemployment and underemployment, January 2007- November 2018

Personal saving rate leaves room for improvement
Figure 13: Personal saving rate, January 2007- January 2019

Consumer debt reaches new heights
Figure 14: Outstanding consumer credit, revolving and nonrevolving, 1985-2018

Key Players – What You Need to Know
Banks come to rescue during 2019 government shutdown
AT&T helps Citizens Bank with digital branch transformation
Financial topics are inherently complex
AI to provide more real, actionable insights via PFM tools

What’s Happening?
Banks step into new roles in 2019 government shutdown
Figure 15: Ally Bank Facebook post regarding federal shutdown, January 4, 2019
AT&T helps Citizens Bank with digital branch transformation
Plaid investment underscores importance of banking APIs

What’s Struggling?
Financial topics are inherently complex
Figure 16: Perception of finance mobile apps, November 2018
Unbanked and underbanked population poses a challenge and opportunity
Robinhood executes false start on checking program

What’s New and What’s Next?
AI to provide more real, actionable insights via PFM tools
Figure 17: Bank of America, informational email, January 2019
Google lands new status in Ireland
PenFed merger grants open charter to credit union

The Consumer – What You Need to Know
Nearly 90% of consumers hold a checking account, and most use a national bank
Banks still have a lot of work to do in developing mobile apps
Consumers don’t think many features are easy to use
Most consumers are satisfied with their bank, and feel they have their best interests in mind
Increasing fees and poor customer service are primary reasons to switch banks
Consumers are evenly split on necessity of in-branch banking

Account Ownership
Nearly 90% of consumers hold a checking account
Figure 18: Financial account ownership, by generation, November 2018
Most use a national bank, as minority consumers shy away from regional institutions
Online-only banking is most popular among young and wealthy consumers

Most consumers use bank debit and credit; mobile app usage rivals ATMs

One third of consumers have used a digital payment service in the last three months

Young people more likely to use online customer service, less likely to visit branch

Hispanic and Black consumers less likely to visit branch

Consumers prefer to deal with their bank via computer or in-branch

Minority customers favor more tech-based experience

Phone and mail channels have low utilization across all age groups

Banks still have a lot of work to do in developing mobile apps

Consumers don’t think many features are easy to use

Consumers find online banking more convenient than using mobile app

Increasing fees and poor customer service are primary reasons to switch banks

Fees are more motivating than rewards

Over 60% of consumers say it’s a hassle to switch banks

Brand reputation is also important

Most consumers are satisfied with their bank, and feel they have their best interests in mind
Figure 36: Consumer satisfaction with banks, November 2018
Consumers are evenly split on necessity of in-branch banking
Figure 37: Necessity of in-branch banking, by generation, November 2018
All consumers value a common language
Figure 38: Importance of having same-language bank employee, by race and ethnicity, November 2018

Appendix – Data Sources and Abbreviations

Data sources
Consumer survey data
Direct marketing creative
Abbreviations and terms
Abbreviations