

The Battle of the Banks in Customer Loyalty and Satisfaction Stakes Hits a High in Digital COVID Economy

When South Africa entered into a hard and extended national lockdown on 27 March 2020, banks responded rapidly and empathetically to their account holders' financial crisis. According to the Banking Association of South Africa (BASA), as at 24 October 2020, banks had provided over R50 billion in financial relief – R33,61 billion in payment breaks on credit agreements and R16,71 billion under the loan guarantee scheme – to South African businesses and individuals. ¹

SA's Banks earned a significant amount of goodwill and loyalty with their rapid and wide-scale debt-relief responses at the time. However, they will need to work hard to leverage this position as a protracted pandemic tests every facet of customer resilience and loyalty in a tough and uncertain economy. Even prior to COVID-19, the technology and innovation drive of banks had already served to increase customer expectations of online capability combined with more personalised offerings and services. The arrival of the pandemic and hard lockdown redirected banks and their customers to an increased reliance on digital tools, processes, and self-service channels as a replacement for in-branch and call centre interactions. The digital acceleration brought about by the adaptation to a new multi-channel, connected normal, combined with consumer financial distress, have further increased customer expectations off an already high base, while reducing their tolerance for a bad customer experience.

These are just some of the findings of the 2020 [South African Customer Satisfaction Index](#) (SA-csi) for Banking conducted by [Consulta](#), providing highly scientific insights into the overall level of satisfaction of customers of South Africa's top retail banks.

[Consulta](#) polled almost 12 500 customers from the lower, middle, and upper retail banking segments on their overall satisfaction with South Africa's big six retail banks during 2020 – Absa, African Bank, Capitec, FNB, Nedbank, and Standard Bank. The SA-csi for Banking is one of the most robust surveys given the sample size, making it the gold standard in scientific research into the banking sector. It utilises a causal model that links Customer Expectations, Perceived Quality and Perceived Value to Customer Satisfaction (the SA-csi score), which is linked to Customer Complaints (and recovery) and Customer Loyalty intentions as outcomes.

"It has been a tumultuous year in terms of customer satisfaction and loyalty. Every aspect of customer service and engagement has been radically changed by technology, digitisation, and remote working models. Banks and their customers adapted to new technology platforms and unprecedented circumstances. On one side, banks were heavily challenged in ensuring that their commercial interests, business operations and customer service channels continued unencumbered, despite not having made budget provisions for the massive increased costs of doing business in a black swan pandemic environment. On the other side, consumers faced devastating challenges that regressed consumers right back to simply trying to secure their most basic physiological and safety needs under significant financial and emotional duress. Every aspect of the customer journey has been fundamentally upended, with many self-service channels from Artificial Intelligence (AI), chatbots, apps, and contact centres opening up between banks and their customers. While these were necessary measures to deal with unprecedented times and high levels of service enquiries at the time, they also have significant consequences for customer experience, expectations, and satisfaction, now and into the future," explains Ineke Prinsloo, Head of Customer Insights at Consulta.

"Getting every aspect of the customer experience right, no matter which service platform is used is a perpetual task of refinement to deliver consistency in a world where customers no longer differentiate between their online and offline experiences. Customer satisfaction and experience in the banking sector are now decentralised and shaped across a wide and complex array of online and offline service platforms – from contact centres, to banking apps, to webchats, to in-branch visits right through to rewards programmes. Banks are under pressure to ensure that every banking functionality is value-adding, seamless, simple, and provides the first-time resolution for every customer enquiry," she adds.

The pandemic experience also proves that digital and online banking channels are no longer the key differentiators that they were a few years ago, but are expected as standard by customers, with banks rapidly

reaching a point of technological parity, more so as a result of the pandemic experience. In a tough economic environment where household income and expenses are under enormous pressure, customers place far more emphasis on perceived value for money, quality of service received, and emotional brand connections, and whether these correlate with each other.

"Beyond the transactional aspects of banking, this also has implications for rewards programmes. It will be essential for banks to show the real financial benefit of their programmes in hard, cash value and simple terms. More than ever, consumers are now seeking out monetised value, and they don't want to jump through hoops to get it. Standard Bank and Nedbank both enjoyed positive mention in the latest SA-csi for Banking of their rewards programmes based on their simplicity and cash value. It is clear that overly complex programmes that require more effort from consumers to 'earn' rewards will kill any intended value.

"Banks also need to guard against diversifying too far from the core services of a transactional bank in their reward offerings, either with overly complex, bells and whistles measures to earn points, or in the offers provided which have a tenuous link to banking, or by penalising and thus disincentivising consumers who don't abide by certain behavioural expectations of such programmes. These will quickly be dumped by consumers who have less patience than ever before and are not prepared to pay the time and effort premium for a questionable reward value at the end of the day," adds Ineke.

Managing every experience touchpoint across such a diverse customer journey must be the absolute focus for banks as they seek to consolidate their positions by reconnecting with their customers across multiple service platforms. This is all happening against a backdrop where banking brands are, in fact, becoming increasingly invisible and digitisation decentralises customer experience.

"In two of the studies conducted last year – the SA-csi for Banking and a proprietary Consulta Market Share study launched after the collapse of the AMPS study a few years ago – Nedbank had the most notable improvements – namely the most consistent improvement in the SA-csi over the last five years, as well as the maintenance of its market share in one of the toughest economic environments in our history. Alongside Capitec's consistent performance in the customer satisfaction stakes (and also the only bank to grow its market share in the last year), these are proving to be the banks to watch as the sector gears up for a massive fight for the consumer's share of mind and wallet," she adds.

It is pertinent to point out that while South Africa's banking sector is world-class in customer satisfaction, expectations remain incredibly high. It is evident that some banks have been leaps ahead of their peers in managing the customer journey's rapid transformation in a pandemic environment, with many of these trends and customer behaviour now more entrenched than ever before.

Key take-outs from the SA-csi for Banking 2020

Overall Customer Satisfaction Score

- Capitec (84.7) is once again the leader, followed by African Bank (83.4), Nedbank (81.1), and FNB (80.2) – all in leader positions and above the industry average (79.6).
- Absa (78.6) and Standard Bank (77.7), although showing improvement on previous 2019 scores, come in below industry par.
- While Capitec maintains its leader position, it is showing signs of fatigue, with African Bank and Nedbank closing the gap. One of the challenges for all banks is to outpace rising customer expectations which show a year-on-year increase, markedly so after the arrival of the COVID-19 pandemic.
- Nedbank continues to make consistent year-on-year improvements and has for the second consecutive year outperformed FNB, achieving a score marginally better than FNB in 2019 and 2020. Nedbank's robust and consistent improvement, which has focused on getting its positioning, pricing, messaging, customer-facing, and online channels right, is paying dividends. This is further demonstrated in a recent Banking Market Share study conducted by Consulta in 2020, which shows that despite the turbulent year, Nedbank has maintained its market share, while all other banks declined in market share, except for Capitec, which grew by 4%.

- Although showing some improvement in the last two indexes, Absa and Standard Bank are still struggling with their value proposition to clients – both banks have performed below the industry par over the previous five years.
- African Bank performs well at 83,4, although this is a 2,3-point decline in 2019's score of 85,7. Whilst it has a significantly smaller customer base, it is notable that it performs well within its niche. It would do well to balance any product diversification against the customer service and satisfaction trade-offs that come with a broader focus and a more significant customer base.

Customer Expectations and Perceived Quality

- Customer Expectations within the banking industry continue to rise to new highs of 83,1 (compared with 82,4 in 2019).
- In terms of Perceived Quality, Capitec, FNB, Nedbank, and African Bank lead the sector and have consistently performed above the industry par over a five-year period, while Absa and Standard Bank have performed below par on Perceived Quality in each SA-csi measure for the past five years.
- In terms of the gap between Customer Expectations and Perceived Quality, all banks exceed customer expectations, except for Standard Bank, which has a marginal negative gap with Perceived Quality falling short of Customer Expectations.

Perceived Value

- Capitec leads on Perceived Value (87.7) by more than 13 index points over the lowest scores in this category, which are Absa (73,6) and Standard Bank (74,5), both of which are below industry par (76,0).
- On Perceived Value, Capitec (87.7), African Bank (84,2), and Nedbank (78,1) are also in leader positions, FNB (76,0) is on par, and Absa (73,6) and Standard Bank (74,5) are below par.
- Perceived Value is the most contested area in Customer Experience (CX) in Banking as consumers increasingly scrutinise the value they get for their bank charges in a very tough economy.
- Over a four-year period, Nedbank has shown consistent improvement and strong growth in Perceived Value scores and has always performed above industry par. Capitec has, however, revealed a four-year erosion of Perceived Value scores, although off a high base. While still having a high overall lead on this score, it warrants attention since so much of its proposition to customers is centred around perceived Value for money. While Absa, FNB, and Standard Bank have improved on this score compared with 2019, they consistently remain below par on Perceived Value and have done for the last five indexes.

Complaints Incidence and Resolution

- Capitec has the lowest Complaint Incidence (11,9%) and a high Complaint Resolution rate of 55,4%, in line with global benchmarks.
- African Bank has the second-lowest Complaint Incidence rate (14%) and the highest Complaint Resolution rate of 59,7 - also well within global benchmarks.
- FNB has the highest complaint incidence (23,0%) and the lowest complaint resolution rate (49,8), followed by Standard Bank, with complaint incidence at 22,5% and a resolution rate of 51,9. Both banks are below industry par, and on average, only half of the customer complaints are satisfactorily resolved.
- It is interesting to note that while all banks, with the exception of African Bank and FNB, showed a decrease in complaint incidence, they also showed a decline in Complaint Handling and Resolution, with African Bank showing the most marked decline of almost 10 index points. This could also be attributed to the pandemic's remote working models, which were not always conducive to effective complaints resolution.
- Customer complaints mostly revolved around account queries, debit orders and payments, card issues, fees, and costs. Banks continue to be poor at preventing repeat causes of complaints and customer dissatisfaction once resolved, which directly correlates with customer loyalty.

Customer Loyalty

- Capitec (76,7%), African Bank (76,2%), Nedbank (73,5%), and FNB (72,8%) have the most loyal customers and are above industry par (71,6%), although both African Bank and FNB have declined on their 2019 scores.
- FNB has shown a 5-year decline in customer loyalty scores from a high of 75,3% in 2016 to 72,8% in 2020, suggesting a level of complacency and lack of innovation or differentiation that warrants attention. It is noteworthy that while FNB has always firmly been positioned as the 'digitally differentiated' bank, this value proposition has lost its lustre as all banks reach technological parity.
- Nedbank has shown consistent and the most substantial growth in loyalty scores over a five-year period, from 69,4% in 2016 to 73,5% in 2020.
- Absa (70,4%) and Standard Bank (69,3%) have the least loyal customers and are below par, although both banks show marked improvements over the last five years.

Net Promoter Score

- NPS measures the likelihood of a person to recommend a brand to friends, family, or colleagues.
- Capitec (56,6%) and African Bank (50,8%) have the highest Net Promoter Score (NPS), which is well above the industry average of 33,5%. However, African Bank has tumbled by 12% from its high of 62,8% in 2019 on NPS. Capitec's NPS score also shows a consistent year-on-year decline in NPS, albeit off a high base.
- Both Capitec (68%) and African Bank (66%) still enjoy a high percentage of customers who actively promote the brands to friends and family, while having the lowest number of detractors at 12% and 15%, respectively.
- Nedbank (40,8%) is followed by FNB (39,8%) on NPS, also well above industry par. Nedbank has shown consistent and marked growth in the NPS measure over a five-year period. FNB has, however, shown a five-year decline in customer loyalty from a high of 47% in 2016 to 39,8% in 2020, which increasingly talks to the lack of perceived differentiation. Both FNB and Nedbank have 58% of customers actively promoting their brand.
- Absa (26,9%) and Standard Bank (24,41%), although both having made significant improvements on their 2019 NPS scores, remain far behind and well under par (33,5%). Both banks have the lowest number of promoters at 50% and 49%, respectively, and the highest number of detractors at 23% and 24%, respectively.

Treating Customers Fairly

- The degree to which customers feel they are being treated fairly by their banks is highest with African Bank (86,3), Capitec (86,3) and Nedbank (82,9), and above industry par (81,1).
- FNB is on par while Absa and Standard Bank perform lowest on TCF and have consistently performed below industry par over a five-year period.
- Nedbank once again has shown the most substantial and most consistent growth on the TCF measure over a five-year period.

The SA-csi is a strategic tool for gauging individual firms' competitiveness and predicting future profitability by measuring customer satisfaction performance. Supported by both the scientific and practitioner community, the SA-csi is the first independent, comprehensive national customer satisfaction index with international comparability in South Africa and has collected data from more than 400 000 consumers since its inception in 2012. The SA-csi forms part of a global network of research groups, quality associations, and universities that have adopted the American Customer Satisfaction Index (ACSI) methodology via its Global CSISM program.

For more information and to download the infographic, visit: <https://blog.consulta.co.za/the-battle-of-the-banks-in-customer-loyalty-and-satisfaction-stakes-hits-a-high-in-digital-covid-economy/>

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