BrandsEye

South African Banking Sentiment Index

2020

Data analysis *Channon Perry*
Editorial team *Julian Kesler, Patrick Gordon, Melanie Malherbe, Nic Ray, Lara Sierra Rubia*
Design *Michael Mee*

The data presented in this report has been subject to quality assurance on 5 October 2020. Possible subsequent changes in figures are in line with data suppliers' terms and conditions.

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Key insights

2 535 469 consumer social media posts about banks collected

585 645 mentions analysed for sentiment by BrandsEye's Crowd

248 676 mentions evaluated for TCF, CX and conversation themes

Lowest Net Sentiment
-22.3%
Discovery Bank

Largest Net Sentiment decline
-32 points
Nedbank

Highest Net Sentiment
2.6%
African Bank

Top performing incumbent
-4.7%
Capitec Bank

System downtime presents the largest operational risk to the banks as digital reliance grows.

Covid-19 drives more consumers towards digital banking services

The digitisation of banking products and channels reduces complaints about turnaround time.

90.7% of customer complaints include TCF outcomes

56.6% of TCF-related complaints receive a response from banks

47.3% of priority conversation receives no response from banks

79.3% Highest response rate to priority conversation
Nedbank

12.0% Worst response rate to priority conversation
Discovery Bank

Most customers threatening to cancel*
Discovery Bank

Most new customers looking to sign up*
African Bank

** as a share of the bank's conversation*

Foreword

BrandsEye's decision to focus its 2020 Banking Sentiment Index on the market conduct related conversation on social media is particularly pertinent given the recent developments in South Africa's financial services regulatory landscape.

The shift to a Twin Peaks model aims to ensure fair outcomes for all financial customers, including banking customers. This principles-based approach builds on the Treating Customers Fairly (TCF) initiative. It replaces the old tickbox compliance approach in favour of one that results in fair outcomes for customers.

In July this year, the Financial Sector Conduct Authority (FSCA) published the final Banking Conduct Standard designed to ensure that banks operate with transparency and fairness. The Standard is based on the six TCF outcomes and empowers the regulator to take action against banks that do not comply with its conduct requirements.

TCF-related customer complaints range from those about unauthorised debit orders to complicated product explanations and misleading advertising. BrandsEye has shown that these types of complaints are increasingly occurring on social media.

The FSCA has adopted a data-driven strategy to understand the extent and nature of these complaints, helping us identify patterns of behaviour at an individual bank and sector-wide level. Part of this strategy includes the monitoring of TCF conversation on social media.

The rapid digitisation of the financial services industry has been driven by consumer demand for digital services, particularly in the banking industry which has seen the introduction of new digitally-focused entrants. The adoption of digital banking services has also been accelerated by social distancing and Covid-19. As a result, consumers are increasingly seeking help from, and lodging complaints with, their banks on digital channels such as social media.

Social media is indeed a rich source of conduct-related conversation that banks ought to pay close attention to. As the regulator, we are concerned with the volume of these complaints that BrandsEye has identified. BrandsEye's finding that 90.7% of customer complaints on social media included TCF compliance themes illustrates why it is so crucial that banks monitor social media for these conversations.

If banks take a global view of their customers' experiences, which include awareness of conversations on social media, they can identify the root causes of complaints and ensure that their customers do not have repeat issues in future. This will, in turn, improve overall conduct and help them deliver fair outcomes for their customers.

Caroline Da Silva
Divisional Executive of Regulatory Policy
The Financial Sector Conduct Authority

FSCA

The six TCF outcomes

OUTCOME 1	Customers can be confident they are dealing with firms where TCF is central to the corporate culture
OUTCOME 2	Products & services marketed and sold in the retail market are designed to meet the needs of identified customer groups and are targeted accordingly
OUTCOME 3	Customers are provided with clear information and kept appropriately informed before, during and after point of sale
OUTCOME 4	Where advice is given, it is suitable and takes account of customer circumstance
OUTCOME 5	Products perform as firms have led customers to expect, and service is of an acceptable standard and as they have been led to expect
OUTCOME 6	Customers do not face unreasonable post-sale barriers imposed by firms to change product, switch providers, submit a claim or make a complaint

Introduction

2020 has been a turbulent year for both South African consumers and retail banks. Covid-19 has placed immense pressure and uncertainty on consumers, many of whom have had to make significant adjustments to personal finances and change the way they interact with their banks. Banks too have faced new pressures to formulate and deliver Covid-relief measures and adjust to a rapid increase in customers adopting, and seeking assistance on, digital channels.

In our fifth annual South African Banking Sentiment Index, we continue to analyse consumer sentiment on social media towards the country's five major retail banks and new entrants. This year's Index pays particular attention to the market conduct performance of South African banks. This focus stems from new outcomes-focused regulations that banks must now adhere to and the influx of customer service requests and complaints on social media.

In July 2020, the Financial Sector Conduct Authority (FSCA) published a new Banking Conduct Standard based on the six Treating Customers Fairly (TCF) outcomes. The Standard's definition of a complaint is understood to include those made on social media. Consequently, BrandsEye has categorised social media conversation and complaints according to the six TCF outcomes to assess banks' conduct performance. Our findings show that 90.7% of complaints made in the last year included TCF themes.

Covid-19 has forced many consumers to use digital channels to contact their banks for assistance. BrandsEye's analysis of South African banks' social customer service during the early phases of lockdown found that conversation volumes grew by 61% while banks' response rates to customers fell by 39%. The Index includes an analysis of the pandemic's impact on the industry.

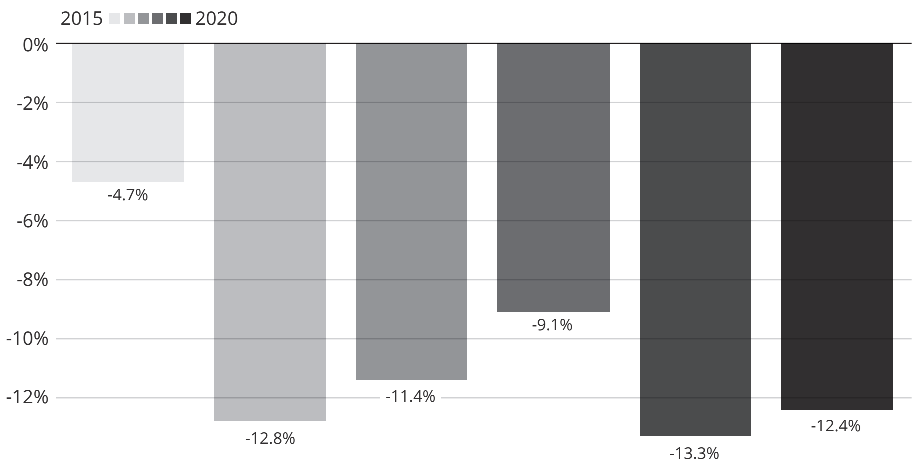
In addition, 47.3% of priority conversations, those which require the banks' attention and action, have gone unanswered by banks in the last year. Overall, this should be alarming for the industry who are missing out on considerable volumes of important customer interactions and are therefore unlikely to have been reporting on them for regulatory purposes. As such, they risk facing heavy fines from the regulator as well as the significant reputational risks that such sanctions would generate.

Analysis of Net Sentiment scores

Industry Net Sentiment improves despite a turbulent year

Despite the difficulties faced by banks and consumers in 2020, the industry's Net Sentiment improved by 0.9 percentage points to -12.4% from -13.3% in 2019. In 2020 the gap between the banks' individual Net Sentiment scores was reduced. The convergence of scores was linked to the conclusion of Nedbank's Global Citizen campaign, responsible largely for its strong 2019 score, and improvements in both FNB and Standard Bank's scores.

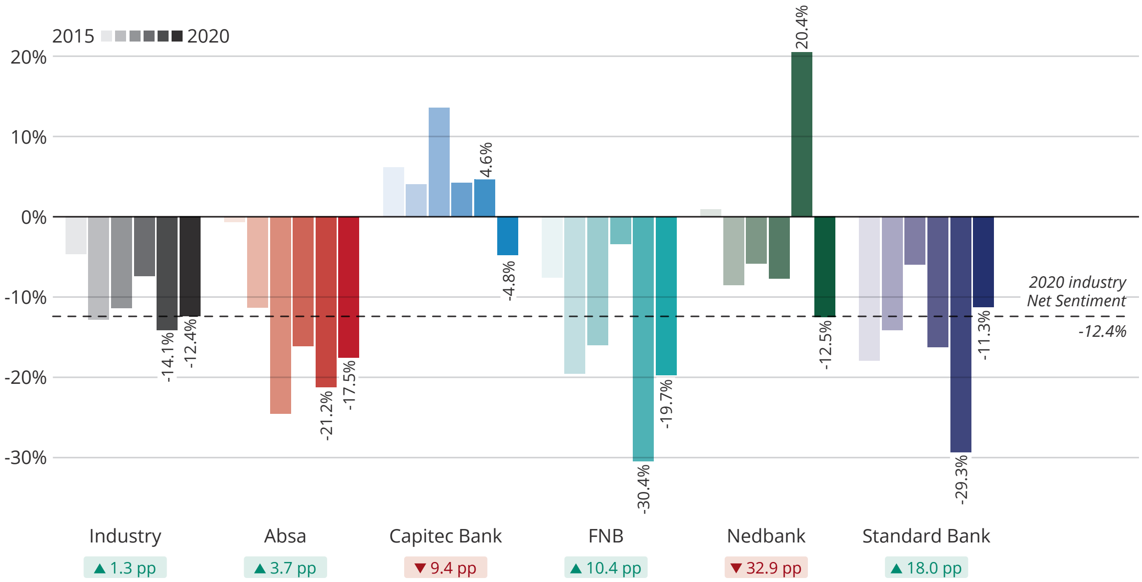
Net Sentiment scores for all banks



Sentiment towards all of the banks' turnaround time – typically a major customer complaint in banking – has improved. This improvement is likely associated with the increased digitisation of customer service. The widespread adoption of digital channels, accelerated by Covid-19, may have contributed to a streamlining of customer interactions.

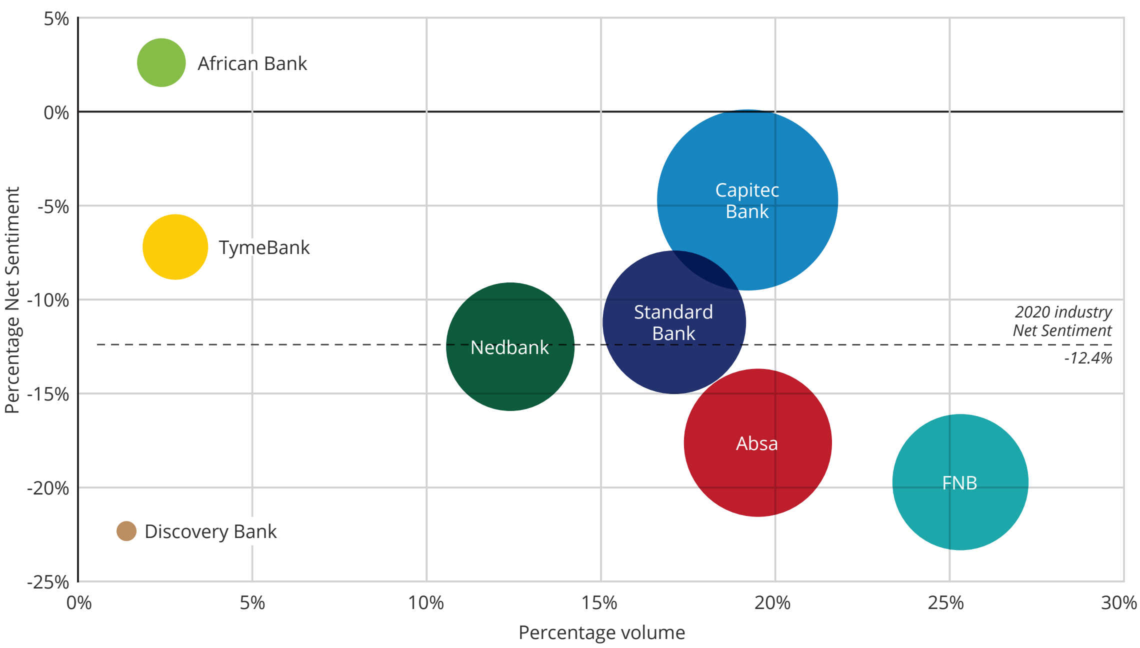
The increase of digital products available on the market has further optimised customer experience, in turn reducing the reliance banks have on physical facilities and in-person staff. As such, the increased consumer reliance on digital channels meant that any system downtime had a far greater negative impact on customer frustration than in previous years.

Net Sentiment for incumbent banks



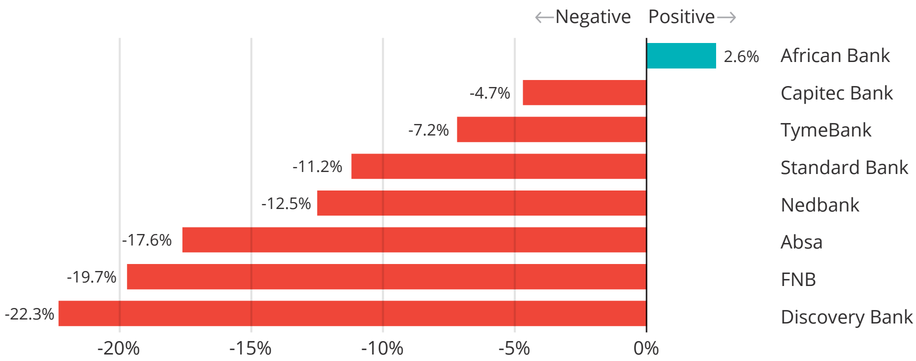
African Bank claims top spot due to successful customer acquisition campaigns

Banking industry landscape



The size of each bubble indicates the size of each banks' customer base according to the 2020 interim financial results reported.

Net sentiment ranking

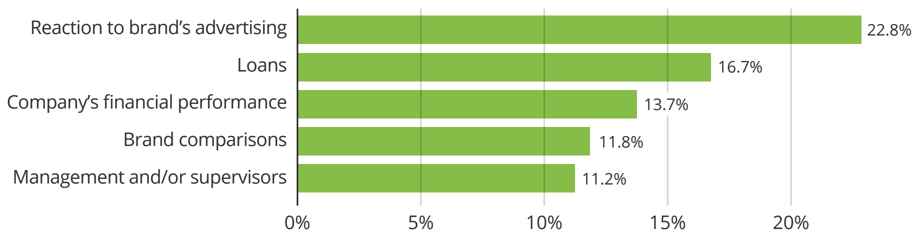


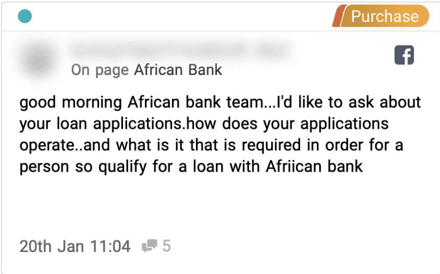
In its first year of being included in the Index, African Bank achieved the highest Net Sentiment. It also received almost four times as many purchase enquiries from prospective customers, relative to the industry average.

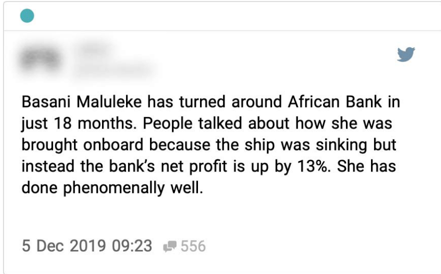
The demand for African Bank's products centred primarily on loans. More than half of these requests came as a result of the bank's successful advertising. In particular, loans offering small sums for "tiding [consumers] over during tough times". This campaign resonated with customers on Facebook, who responded to advertising with requests for more information.

Another source of positivity for the bank was consumers who spoke about the bank's turnaround in financial performance since its 2016 restructuring. Press sources and influential social media users agreed that the strengthening of the bank's deposit base, loan book quality and digital product offering all contributed to the bank's profitability. Several consumers posted about the positive role that CEO Basani Maluleke had played in the bank's turnaround.

Conversation themes driving positive sentiment consumer sentiment towards African Bank







Capitec remains the most consistent incumbent bank

Since 2015, Capitec has consistently held the first or second position. In 2020, it is the incumbent bank with the highest Net Sentiment. This consistent performance over five years remains driven by the bank's affordability and its debit account in particular.

Despite its strong position, for the first time in six years, Capitec experienced a net negative Net Sentiment. Unreliability of the bank's app was responsible for this decline. Customers cited issues around purchasing airtime, data and electricity through third-party companies as well as instances of system downtime. In a year where digital channels grew in significance, this shortcoming was amplified by customers who were even more reliant on the app.

Nedbank suffers a dramatic 33 point Net Sentiment decline

After finishing in first place in 2019, Nedbank's sentiment declined by 32.9 points to a six-year low. The bank's Net Sentiment fell from 20.4% in 2019 to -12.5% in 2020.

Nedbank's partnership with the Global Citizen movement in 2019 boosted the bank's Net Sentiment by 28.5 points. When that conversation was excluded Nedbank's overall 2019 Net Sentiment score was net negative at -8.1%. However, this remains more positive than the 2020 score of -12.5% by 4.4 points. This 4.4 point decline can be attributed to a decrease in sentiment towards the bank's reputation. Sentiment towards customer experience at Nedbank remained stable from 0.0% in 2019 to -0.1% in 2020.

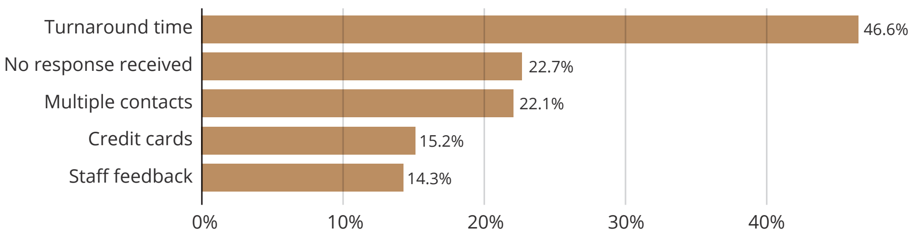
Reputational damage stemmed from allegations that the bank's pricing of home loans given to black customers was racist. This was primarily publicised through a court case in February 2020 awarding one of Nedbank's customers R2 million to cover loss of earnings. This case received attention from customers who shared the claims that Nedbank conducted allegedly racist business practices.

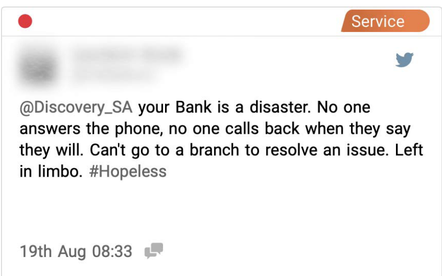
Discovery Bank struggle to keep up with customer service demands

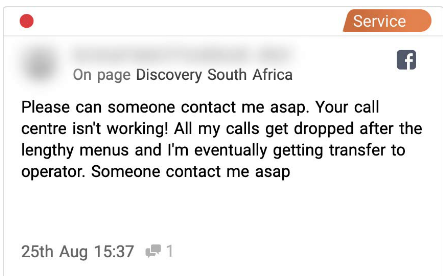
Discovery Bank was the worst performer in the industry. It faced major operational issues more than a year after the bank's launch. Complaints were driven by a combination of low consumer confidence and poor customer service. An event in which Discovery Bank's client accounts suddenly all reflected a balance of zero, as well as reports that the CVV number on Discovery's credit card was not needed to make online purchases, undermined consumer confidence in the bank.

Customer service was a key issue for the bank. Customers reported having to reach out to multiple contacts at the bank to receive a response and waiting long periods for help. This led to the bank having the worst response rate to social media queries, suggesting it lacks the requisite capacity to serve its customers.

Conversation themes driving negative consumer sentiment towards Discovery Bank

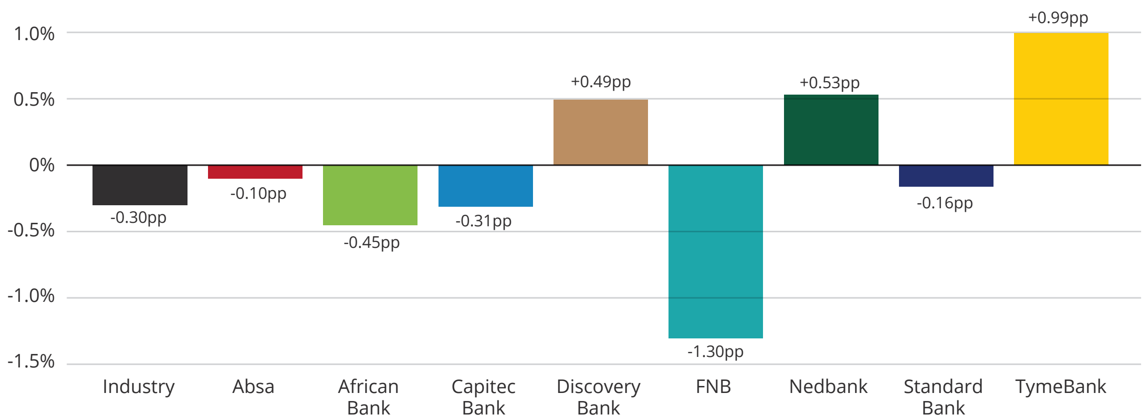






The impact of Covid-19

The impact of Covid-19 on Net Sentiment



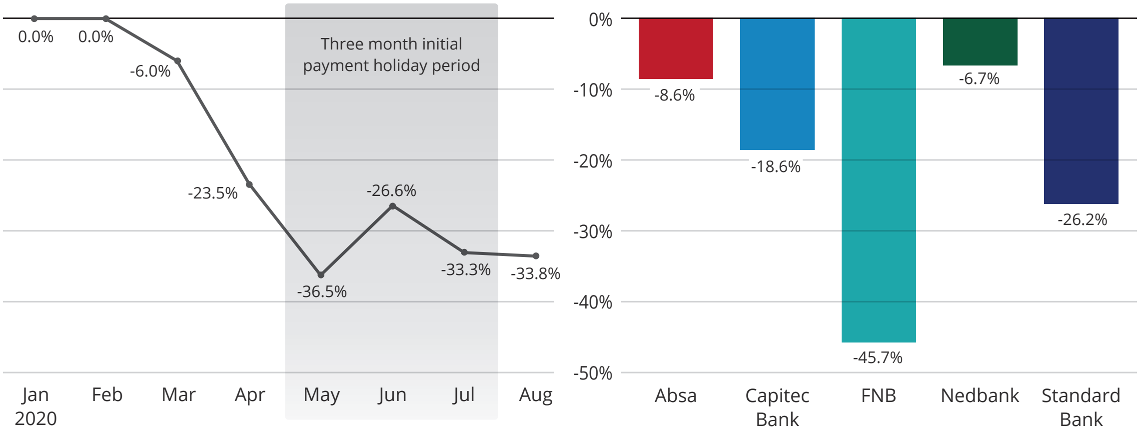
The conversation about Covid-19 had the most significant impact on FNB, dropping its Net Sentiment by 1.3 points. TymeBank benefited from Covid-19 conversation as the digital bank faced fewer challenges amongst a smaller client base.

Two prominent themes emerged in the analysis of banks' Covid-19 conversation. In the first, consumers weighed up which bank contributed the most in terms of relief options, such as payment holidays, loans, and social responsibility efforts. The second theme centred on the banks' abilities to timeously and effectively assist customers during the lockdown. Consumers referred specifically to the banks' digital services and contact centres' ability to deal with the increase in service requests.

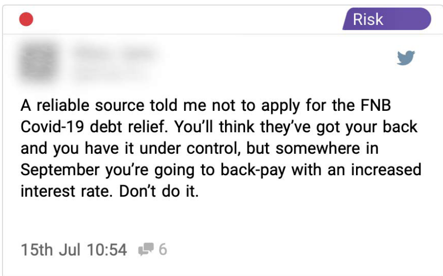
Relief programmes frustrate customers

Despite receiving early praise from customers for their initial commitment to help South Africans, banks' Net Sentiment quickly declined as the logistics of rolling out the relief programmes drew significant complaints.

Net Sentiment towards Covid-19 relief programmes



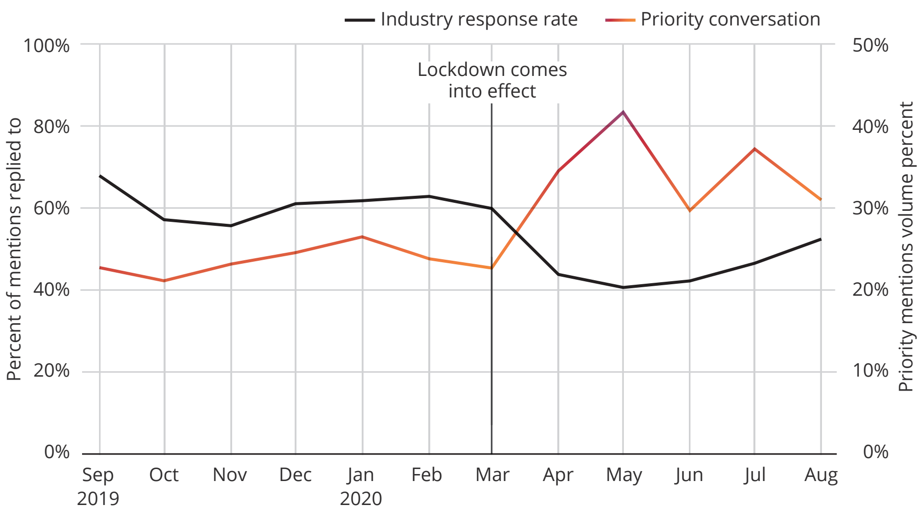
Sentiment towards relief programmes rallied in June as the initial issues in the process apparent in May seemed to have been resolved. This brief boost in positivity was short-lived and was not sustained through to July and August.



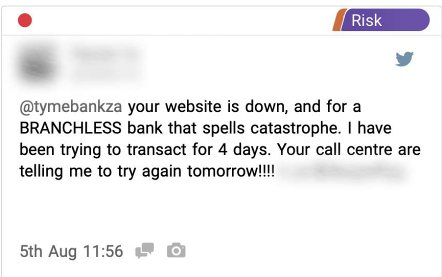
Increased demand for customer service

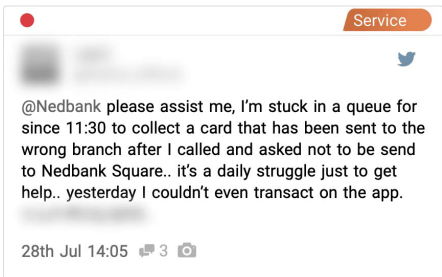
As a result of the lockdown regulations and social distancing, banks saw an increased demand for online customer service. The marked increase in service-related mentions during the pandemic highlights the growing significance of social media as a channel of contact between banks and customers.

Monthly response rate and priority conversation in the banking industry



BrandsEye's assessment of priority conversation (that which requires a response from the banks) increased steadily once lockdown came into effect. Conversely, the banks' response rates across the industry dipped as lockdown began.

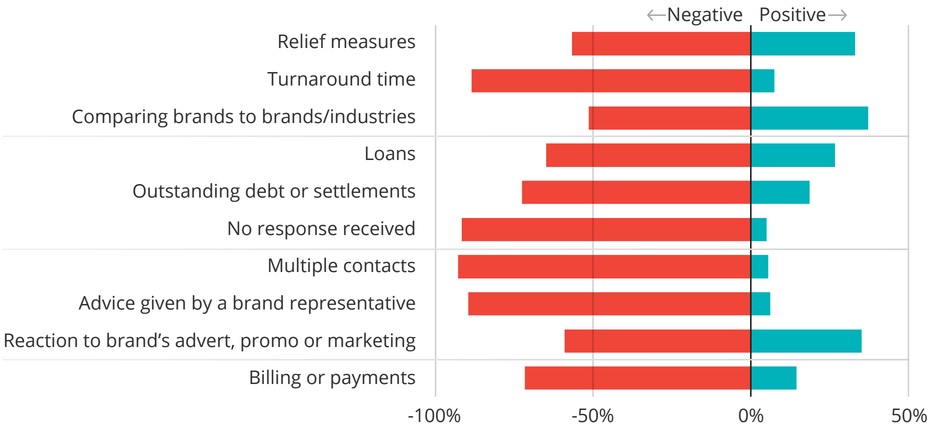




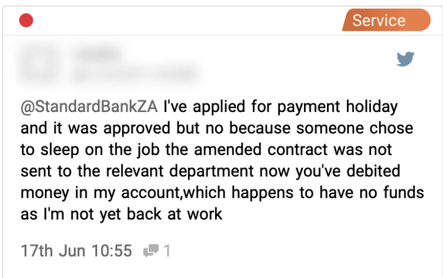
Relief programme rollouts lead to poor customer service

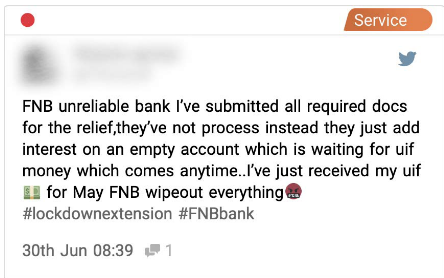
The quick turnaround time necessary in banks' implementation of relief programmes was likely a root cause of confusion among staff and customers. Service was heavily criticised in customer conversation about banks' relief programmes. This is apparent in the prevalence of the following conversation topics, *no response received*, *multiple contacts*, and *advice given by a brand representative*.

Most common themes mentioned by consumers in Covid-19 conversation



Long wait times were a key complaint area. Under the poor economic circumstances, it was most likely that cashflow protection measures offered by banks were time-sensitive to customers under financial stress. As a result, there was significant pressure on banks to deliver quick turnaround times.





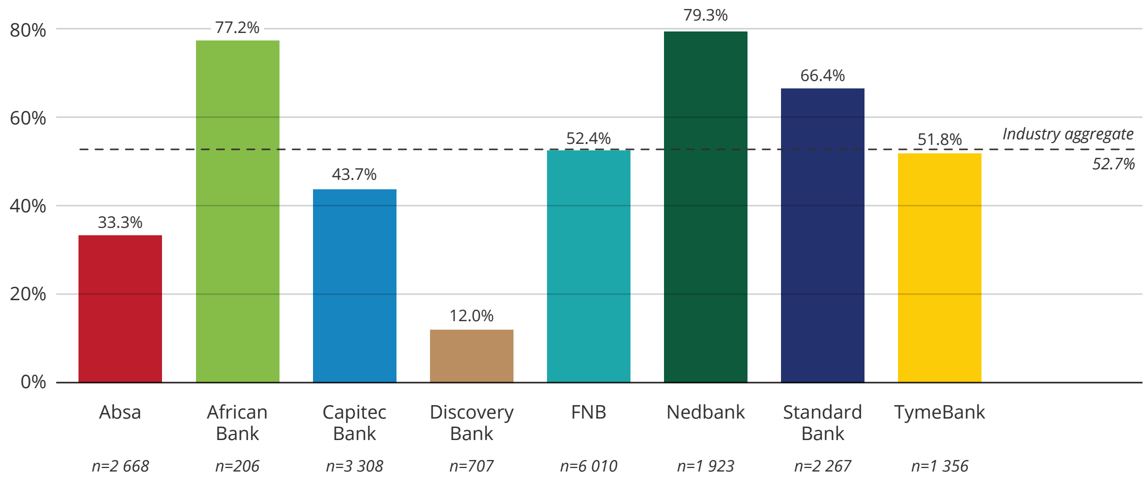
Treating Customers Fairly on social media

The FSCA defines TCF as "an outcomes-based regulatory and supervisory approach designed to ensure that regulated financial institutions deliver specific, clearly set out fairness outcomes for financial customers." Banks must demonstrate to the regulator that they deliver and report on these six TCF outcomes. This includes the banks' behaviour and interactions with their customers on social media.

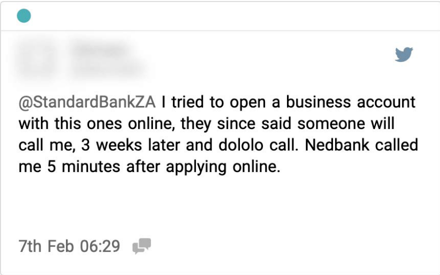
The growing preference of younger consumers for digital channels and the digitisation accelerated by Covid-19 means banks must ensure they can deliver fair customer outcomes and adhere to regulatory reporting requirements on social media.

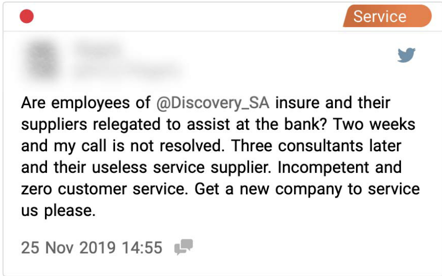
Banks fail to respond to 47.3% of customers in need of support

Response rate to priority conversation



Nedbank and African Bank were the two most responsive banks, outperforming competitors by responding to more than three-quarters of all priority interactions. In contrast, Discovery Bank's customers were the least likely to receive a reply from their bank on Twitter. Discovery replied to approximately one out of every ten priority interactions.

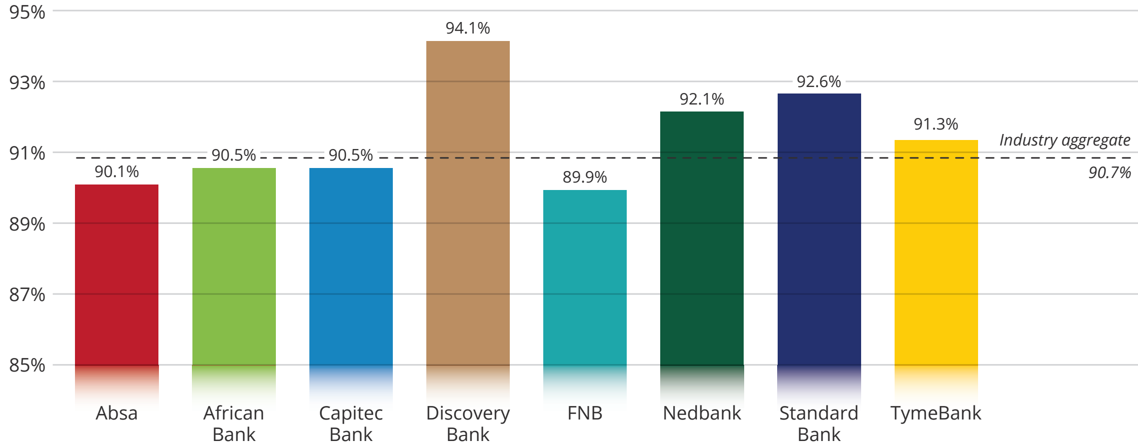




90.7% of customer complaints on social media included TCF outcomes

TCF outcomes featured in 90.7% of customer service complaints on Twitter. Discovery Bank had the highest proportion (94.1%) of its complaints relate to TCF outcomes. FNB had the fewest TCF themes present in the bank's complaints and fell below the industry average at 89.9%.

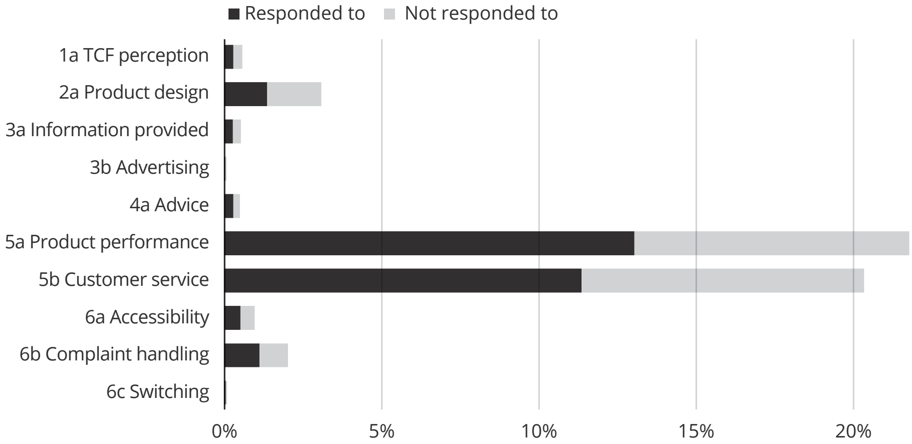
Percentage of complaints linked to TCF outcomes per bank



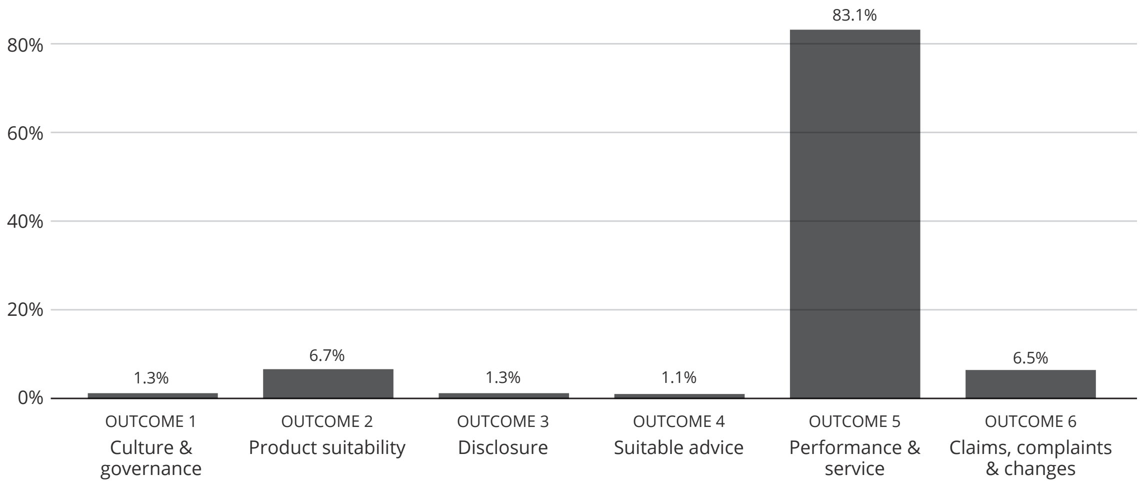
Close to half of the complaints containing TCF themes were not responded to

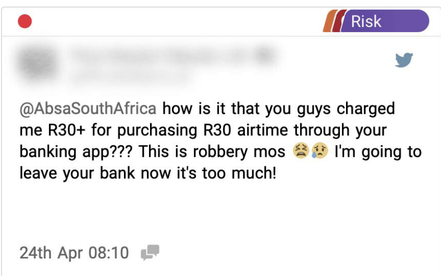
56.6% of TCF conversation received a response from the relevant banks. The TCF categories with the highest response rates were *product performance*, *advice from staff*, and *customer service*. Accusations of misleading *advertising*, complaints about *product design*, as well as complaints about the ease of *switching products or banks* received the least responses from banks.

Banks' response rate to TCF-related complaints



Volume of TCF-related complaints





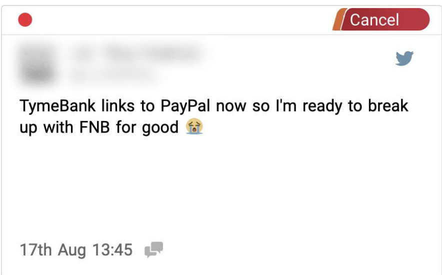
The battle for market share

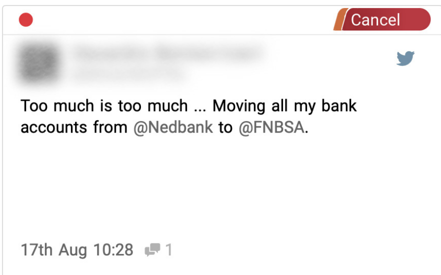
Assessment of each bank's customers' cancellation threats

LEAVING ↓ / JOINING →	Absa	Capitec Bank	FNB	Nedbank	Standard Bank	African Bank	Bank Zero	Discovery Bank	TymeBank
Absa	—	5.4%	5.7%	1.5%	1.5%	0.1%	0.1%	0.4%	0.4%
Capitec Bank	0.7%	—	2.6%	1.2%	0.9%	0.1%	0.1%	0.0%	0.6%
FNB	10.7%	17.0%	—	12.3%	7.5%	1.0%	0.6%	2.9%	1.4%
Nedbank	1.0%	2.7%	4.4%	—	1.0%	0.1%	0.0%	0.5%	0.2%
Standard Bank	1.8%	2.4%	2.6%	0.9%	—	0.0%	0.1%	0.1%	0.1%
African Bank	0.1%	0.4%	0.1%	0.1%	0.1%	—	0.0%	0.0%	0.3%
Bank Zero	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	—	0.0%	0.0%
Discovery Bank	0.2%	0.2%	3.5%	0.1%	0.2%	0.0%	0.0%	—	0.1%
TymeBank	0.0%	0.7%	0.4%	0.4%	0.1%	0.1%	0.0%	0.0%	—

Capitec and FNB serve as a funnel from incumbents to newer digital banks

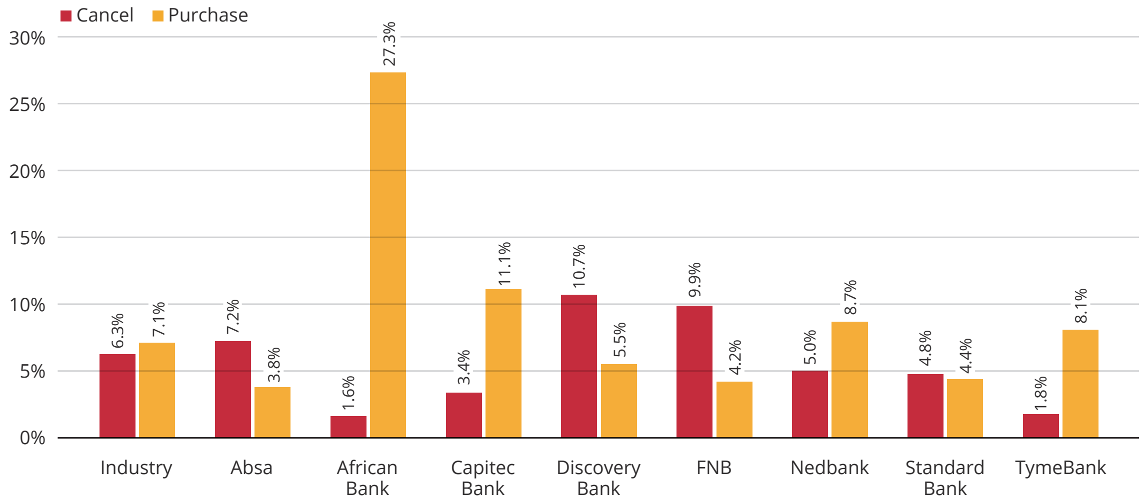
Most of the threats to cancel, or churn, came from the customers of the incumbent banks. Following this, the next largest churn threat came from Discovery Bank customers who threatened to join FNB. In an analysis of the flow of customers from traditional banks to smaller banks, FNB and Capitec appear to funnel the most customers towards digital banks. Customers leaving either Absa, Nedbank or Standard Bank were more likely to say they were going to FNB or Capitec.





African Bank received a higher proportion of purchase queries

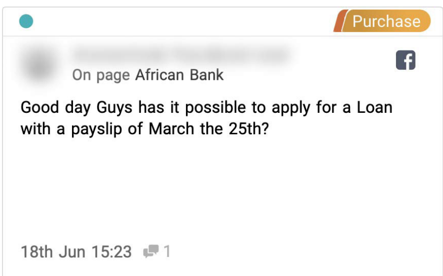
Volume of purchase and cancel conversation relative to overall priority conversation

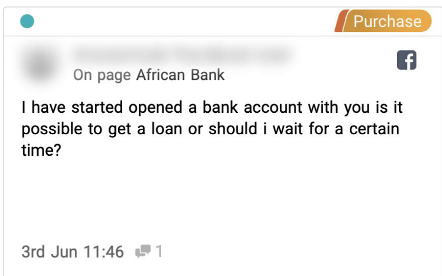


Across banks, purchase mentions (customers looking to sign up with a bank) were slightly more prevalent than cancel mentions.

African Bank had the greatest deviation between the percentage of customer acquisitions and cancel threats in conversation, with purchase topping cancel by 25.7 points. Capitec and TymeBank followed African Bank, at 7.7 points and 6.3 points, respectively. Of the new entrants, TymeBank and African Bank had higher acquisition opportunities than cancellation threats, while Discovery had the inverse.

FNB saw the largest negative discrepancy between purchase and cancel mentions, at -5.7 points. Discovery Bank performed similarly, at -5.2 points.

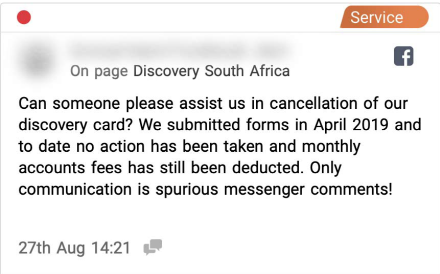




Discovery Bank received the highest proportion of cancellation threats

As a proportion of its priority conversation, Discovery Bank had the highest share of cancellation threats. The bank struggled to provide satisfactory levels of customer service to its growing customer base. 76.7% of customers threatening to leave the bank cited its slow turnaround time.

Among the incumbent banks, FNB had the highest proportion of cancellation threats. Although turnaround time complaints were prevalent in cancellation threats directed at FNB, the bank's handling of Covid-19 relief received backlash from wantaway customers.



Methodology

BrandsEye tracked 2 535 469 consumer social media posts about African Bank, Absa, Capitec, Discovery Bank, FNB, Nedbank, Standard Bank, and TymeBank from September 2019 – August 2020.

1 996 258 of these came from sources other than enterprise-owned pages.

Data sources include all main social networks, including Twitter, Facebook, Instagram as well as multiple other online sources. Marketing posts authored by the banks were excluded from the analysis.

Sentiment methodology

To achieve a 99% confidence level, a statistically significant random sample (585 645) of the non-enterprise posts were distributed to BrandsEye's proprietary Crowd of vetted and trained local language speakers. Each post was coded and verified by multiple Crowd members who assessed the sentiment in the post (positive, negative or neutral).

Granular analysis of conversation themes

248 676 mentions were distributed to the Crowd for tagging of customer experience themes and market conduct categories.

A sample of 125 127 sentiment-bearing (i.e. positive and negative only) mentions was sent to the Crowd for topic assignment. Topic analysis enables a granular understanding of the specific themes driving consumer sentiment.

Six broader topic themes encompass 55 granular topics. The Crowd identified which of these pre-defined banking topics were contained in each mention. The broader themes are *customer service*, *reputation*, *banking facilities*, *banking products*, *staff or HR* and *pricing*.

Mentions can be assigned more than one topic, allowing for a more detailed analysis of issues influencing consumer sentiment. This means that totals on topic volume graphs can be larger than 100%.

BrandsEye's retail banking topic wheel contains 55 conversation topics

Conclusion

2020 has been a challenging year for South African banks. Broadly, the banks faced two key challenges concerning social media: i) an increase in consumers engaging with banks on digital channels and ii) new outcomes-based market conduct regulations. Both of these challenges required banks to continuously monitor, respond to, and report on social media feedback from consumers.

Social media is growing as a popular channel for consumers to engage with their banks, particularly among younger consumers, who find the asynchronous, text-based nature of the engagement convenient. As more consumers seek help this way, banks must ensure that their social customer service teams are equipped to deal with the increase in requests and that they are resourced to identify and respond timeously. As our 2020 Index findings illustrate, the banks that are not equipped to do this face significant customer dissatisfaction and high levels of cancellation threats. Conversely, banks that can differentiate themselves with responsive digital service will build customer loyalty.

Improving customer outcomes and treating them fairly on social media – with helpful and responsive service – is also a matter of regulatory compliance. Going forward, banks will have to adhere to market conduct regulations stipulated by the FSCA's new Banking Conduct Standard.

In addition to improving fairness outcomes for customers, the Banking Conduct Standard prescribes the establishment of a Complaints Management Framework that includes, among other requirements, the categorisation of complaints made by customers. As is evidenced by the findings of this Index, thousands of these complaints are made on social media, 90.7% of which contain TCF themes. In addition, 47.3% of priority conversations, those which require the banks' attention and action, have gone unanswered by banks in the last year. Overall, this should be alarming for the industry who are missing out on considerable volumes of important customer interactions and are therefore unlikely to have been reporting on them for regulatory purposes. As such, they risk facing heavy fines from the regulator as well as the significant reputational risks that such sanctions would generate.

To grow and protect market share and to adhere to outcome-based regulations, banks must prioritise social media as a channel for customer service. This requires banks to pay close attention to their online conversation and ensure they are equipped to identify, from within all of the noise, the priority conversation that requires attention and action. Doing this will improve outcomes for consumers, and in turn, mitigate the risk of churn, reputational damage, and sanctions from the regulator.

BrandsEye

BrandsEye helps you find and prioritise the most valuable customer interactions. Using a unique blend of AI and human intelligence, we filter the noise of unstructured feedback for the conversation that's high risk, high value or urgent.

Our proprietary prioritisation method enables real-time mitigation of risk, improved retention and acquisition rates, and superior customer experience.

contact@brandseye.com
www.brandseye.com