

ENGAGE 2024 | VOLUME 1 OF 4

2024 Outlook for Customer Engagement in Banking

Data and Insights from Engageware's 2023 survey of
Banking Professionals and Customers



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Intro

As we step into 2024, financial institutions and customers share a sense of optimism — but it comes with caveats. Rapid advancements in technology, alongside evolving customer expectations, present a dual challenge for banks and credit unions.

On one hand, they are pushed to innovate continuously; on the other, there's a risk of alienating customers who are not yet comfortable with the pace of change. This year, building a unified strategy and maintaining the human touch in customer engagement will be as critical as the adoption of new technologies.

This report — Engageware's third annual examination of customer engagement in the banking industry — takes a closer look at these dynamics, highlighting a need for continual innovation in customer engagement to meet evolving customer expectations, expand share of wallet, and prevent staff burnout.

The balancing act is delicate: if financial institutions do not prioritize customer engagement and maintain the human touch where it matters most, financial institutions risk losing customers to competing financial service providers.

Holistic Engagement Strategies Take Center Stage

In one of the biggest takeaways from this year's surveys, leaders of financial institutions unanimously agreed that **holistic customer engagement and maintaining momentum with new technologies is essential for success in the banking sector.**

Such a strategy encompasses **unified systems, technologies, and centralized**

knowledge to manage the customer journey effectively. Despite this consensus, however, implementing these strategies without overburdening staff or pushing clients away remains a challenge. This includes AI, which we will touch on here, but will largely cover in a later, stand-alone report in this ENGAGE 2024 series.

Customers Warn Institutions Not to Neglect the Human Touch

In the other overarching theme from this year's data, customers also demonstrated optimism about quickly receiving answers from their banks — particularly from a human at their bank. **While customers are increasingly accustomed to advanced technologies like AI in banking services, there's a noticeable lag in comfort levels with such tools.** This underscores the importance of maintaining human elements in banking interactions and urges financial institutions to proceed carefully with how they deploy new technology.

Let's dive into the findings. 

01

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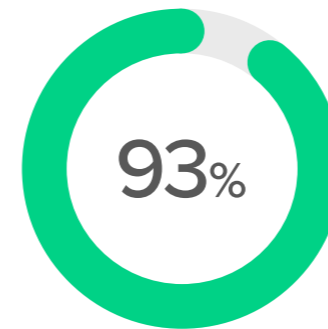
The Current State of Customer Engagement: Optimism and a Call for Improvement

Key Insights:

- Banking leaders show strong optimism but recognize areas needing improvement.
- There is a consensus on the value of customer engagement strategies, with 90% of banking leaders prioritizing this over cost reduction.
- Despite the general belief in their institutions' capabilities, many leaders acknowledge significant challenges in implementing cohesive customer engagement strategies.

Overall Industry Outlook

With the risk of recession fading, inflation stabilizing, and interest rates holding steady, it is no surprise that banking leaders believe that the banking industry is heading in the right direction rather than on the wrong track (93% vs. 7%, respectively). Still, 48% see room for improvement ⁽¹⁾, especially in larger institutions ⁽²⁾.



93% of Banking Leaders believe that the banking industry is heading in the right direction

(Figure 1)

1. Banking Leaders were able to select multiple words phrases to describe the current state of the banking industry.
 2. Larger Institutions defined by having 5,000+ Employees.

This overall optimism extends to the banking industry's ability to keep up with changing customers expectations (91% say this is excellent or good), implement new customer engagement technologies (91% say this is excellent or good), and deliver consistent experiences across channels (90% say this is excellent or good). However, it's worth noting that less than half rated these areas as excellent, pointing to something of a gap between optimism and perceived excellence.

Customer Engagement Impacts Business Outcomes

Banking leaders understand that customer engagement impacts business outcomes and the value of a holistic customer engagement strategy. Nine in ten agree maintaining a seamless customer experience is more important than reducing costs (90%) and having a customer engagement strategy is a business need, not just a competitive advantage (93%).



(Figure 2)

90% of Banking Leaders agree maintaining a seamless customer experience is more important than reducing costs



(Figure 3)

93% of Banking Leaders agree that customer engagement strategy is a business need, not just a competitive advantage

However, specific issues — excessive departmental silos (77%), and a lack of a holistic engagement plan (65%) — highlight significant areas for development. A vast majority of leaders (95%) agree there is room for improvement in how their financial institution addresses customer engagement consistently across channels.



95%

Of Banking Leaders see need for improvement in addressing customer engagement consistently across channels

(Figure 4)

Staffing Looms Large

Banking leaders also highlighted employee-related challenges as significant obstacles to customer engagement — 80% view employee turnover as one of the biggest obstacles, and 64% see the constant need for technology training as a hindrance to effective customer engagement. Notably, institutions who are very successful at solving issues at the first interaction are more likely than those who are not as successful to report they are also very successful at having adequate staffing levels (49% vs. 32%). This is something we will explore further in Volume 3 of the ENGAGE 2024 series.



64%

Of Banking Leaders see the constant need for technology training as a hindrance to effective customer engagement *(Figure 5)*

Customer Comfort with Virtual Assistants in Finance

The study found that almost a half (43%) of customers are already comfortable using virtual assistants for their financial needs, demonstrating a significant level of trust and acceptance of this technology for enhancing customer engagement.



43%

Of Banking Customers are comfortable using virtual assistants for their financial needs *(Figure 6)*



02

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Customer Optimism Lags Slightly: Banking Leaders and Customer Alignment

Key Insights:

- Banking Customer perceptions are less positive than those of Banking Leaders — only 44% would give their bank the top grade of an A.
- There's alignment on the importance of certain engagement aspects, but banking leaders are more skeptical about their institutions' success in providing these experiences.
- Staff-related elements are crucial, with both groups agreeing on their essential nature but differing on the perceived success of their institutions in delivering these elements.

Differing Perceptions Among Banking Leaders and Customers

Given that only 64% of customers consider the industry's performance as excellent or good in meeting their expectations, the findings suggest a modest yet significant discrepancy between the perceptions of industry leaders and the views of customers.

There's also a notable discrepancy in perceptions regarding bank and credit unions' ability to deliver a consistent experience across channels, with customers being more critical than leaders — 62% of customers gave the banking industry an excellent or good rating for its ability to deliver a consistent experience across channels — with only 16% it is saying excellent.

It's worth noting that banking customers are more forgiving of their own primary institutions, with 9 in 10 (87%) giving their primary financial institution a grade of A or B though only 44% gave it an A.

When it comes to the most important aspects of a financial institution, (37%) said providing 24/7 customer service is absolutely essential to its customers. By contrast, customers were more likely to prioritize making it easy to immediately connect with a human – with 39% of banking customers reporting it is absolutely essential that their primary financial institution does this. (Figure 8.)

Both groups see on the essential nature of staff-related elements in customer engagement. However, banking leaders are less confident in their institutions' success in these areas compared to customer perceptions. This highlights the need for improved staff training and support in delivering effective customer service.



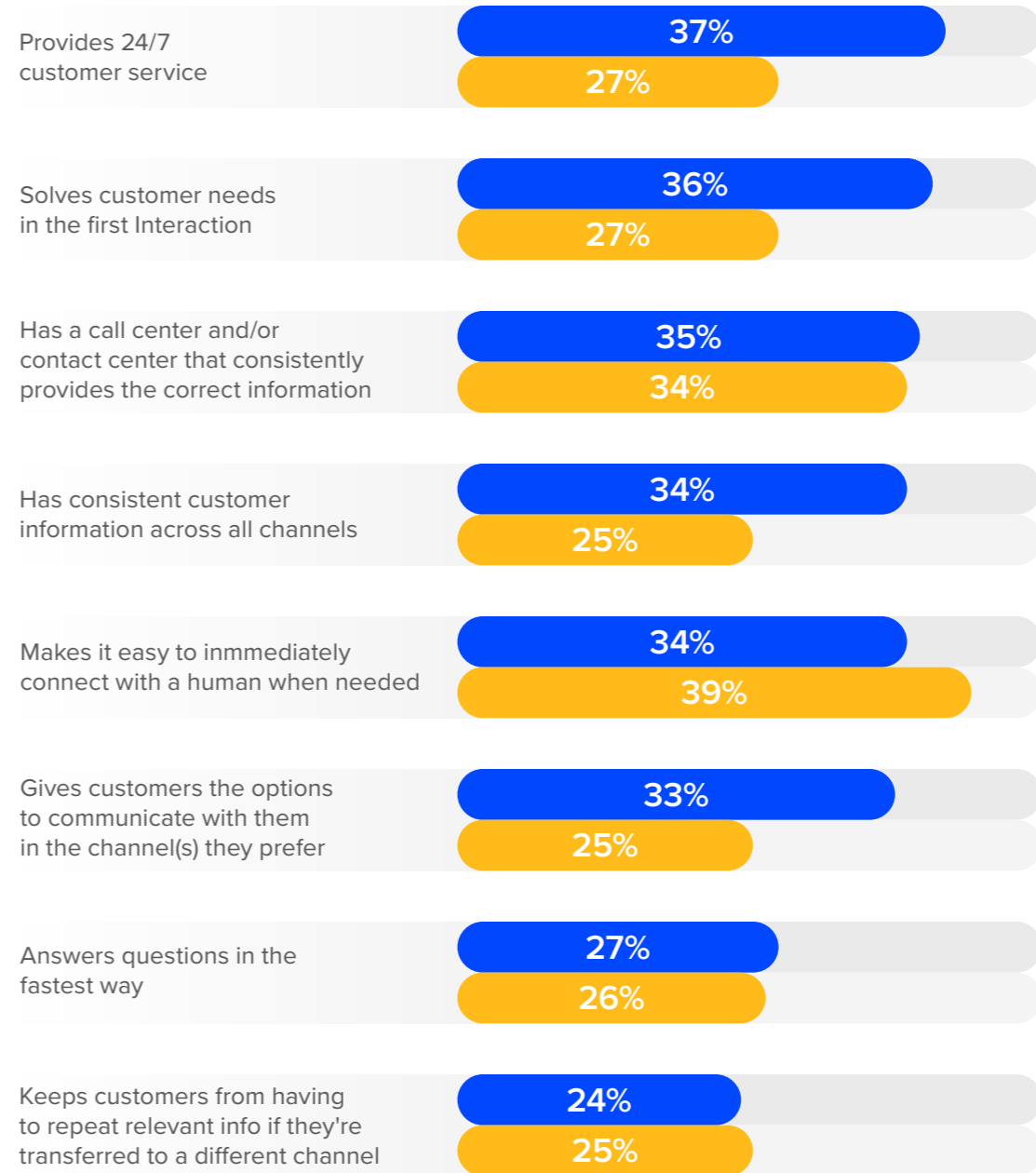
39%

of customer think it's essential that it is easy to connect with a human when needed

(Figure 7)

Perceived Importance to customers that their Institution/Primary FI delivers on each.

% Absolutely Essential



(Figure 8)

● Banking Leaders ● Banking Customers

03

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Declining Customer Loyalty: Customers Weigh Their Options

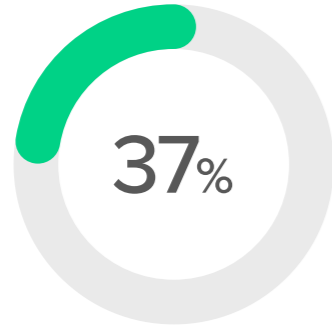
Key Insights:

- Customer loyalty to primary financial institutions is decreasing.
- Economic downturns influence customer banking behavior, with many more likely to shop around for better rates.
- Younger customers show less loyalty to their primary financial institutions and are more open to switching during economic declines.

Customer Loyalty Wanes

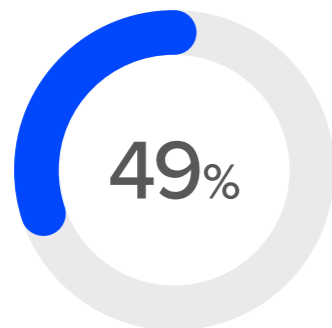
While 44% of banking customers did rate their primary institution an A, a significant portion of banking customers (37%) reported decreased loyalty to that primary financial institution as they were a year ago. *(Figure 9).*

During economic downturns, nearly half (49%) said they are more inclined to “shop around” for the financial institution that offers the best rates. This trend is particularly strong among younger banking customers, who are less tied to their primary financial institutions and more open to exploring alternatives. *(Figure 10).*



37% Of Banking Customers reported decreased loyalty to their primary financial institutions as they were a year ago

(Figure 9)

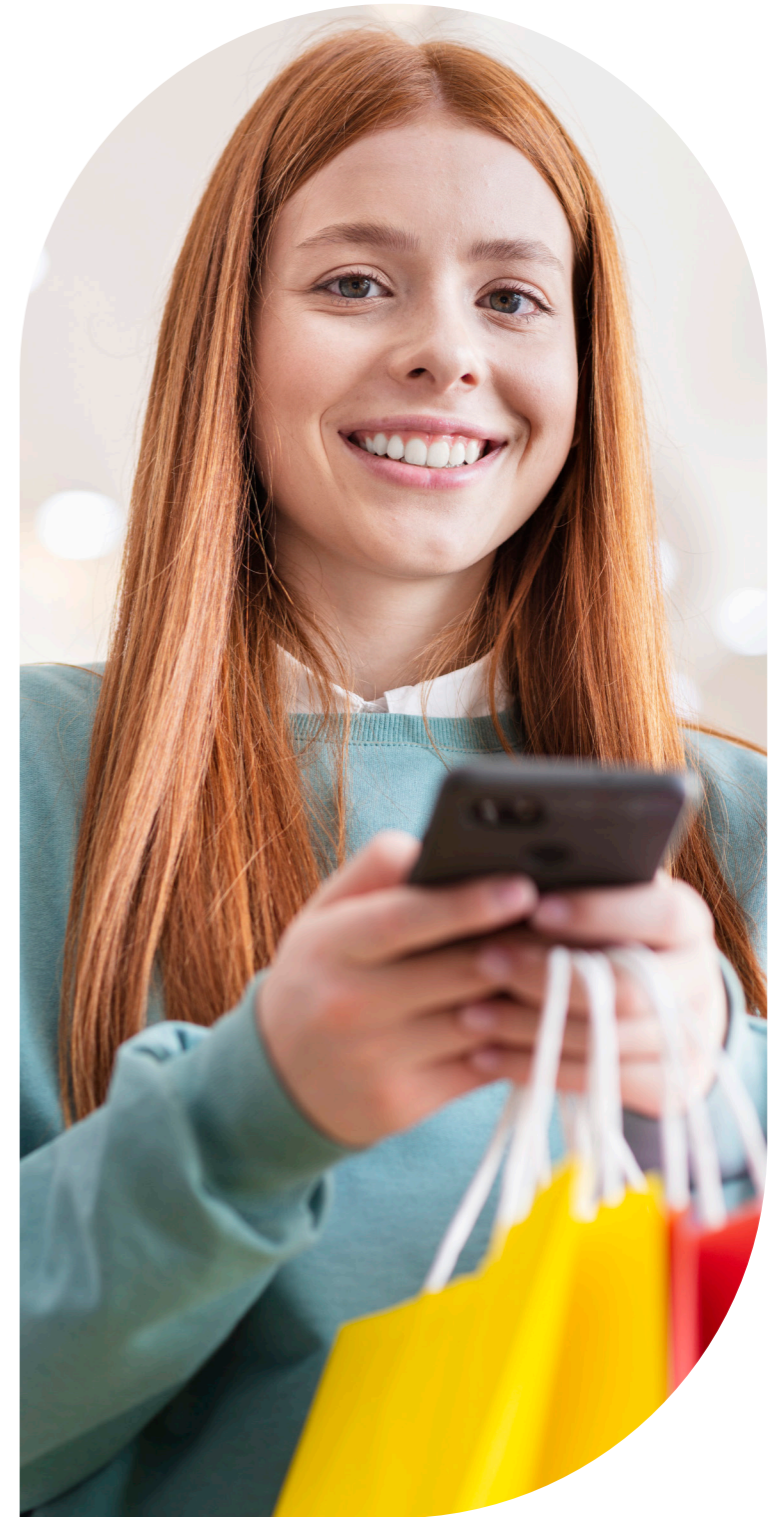


49% Of Banking Customers are more inclined to “Shop Around” in times of economic downturns

(Figure 10)

“Overall, I like my FI, but there are some things they could be doing better technology-wise as well as with customer service. Their app was very outdated until recently and with the new updates, there have been lots of bugs needing to be worked out. Their call center has very limited hours and the online chat feature is limited to the same ones.”

Response from a 22 Year Old Female Banking Customer



04

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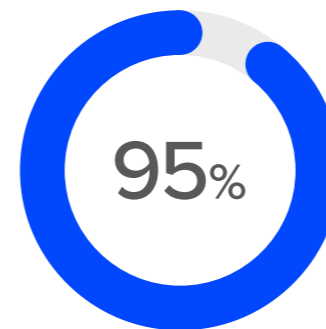
Technology and Human Interaction: Customers Demand Balance in Banking Services

Key Insights:

- Customers desire a balance between technology and human interaction in banking services.
- While virtual assistants and AI are expanding and recognized for their benefits in the financial sector, there's a strong preference among customers for the availability of human agents when needed.
- Banking leaders must recognize the importance of human elements in customer engagement and loyalty.

Customers are Looking for the Human Touch

As tech and AI expand their footprint, customers are expressing their desire to retain a more personal, human touch. Despite technological advancements, customers still prioritize the ability to connect with human agents. Nearly all banking customers (95%) agree that it's important to them to have the ability to reach a human agent when they need to.



95% Of Banking Customers agree it's important to have the ability to reach a human agent when needed

(Figure 11)

“Hard to get a human. Not available 24/7.”

*Response from a 71 Year Old Male
Customer who gave his Institution a
grade of B.*



As one 60-year-old customer who graded her institution a B noted, “Calling customer service is a hassle. Too many buttons to press to get a human being on the line. Sometimes the options given don't cover what you are calling about and get sent to the wrong department.” This preference underscores the importance of balancing AI and human-driven services to maintain high levels of customer satisfaction and trust. In terms of staff-related business perceptions, banking leaders do understand that employees contribute to the success of customer engagement. Customers prioritize being able to immediately connect with a human when needed rises to the top – with 39% of banking customers reporting it is absolutely essential that their primary financial institution makes it easy to do this.

Mixed Comfort and Caution around AI

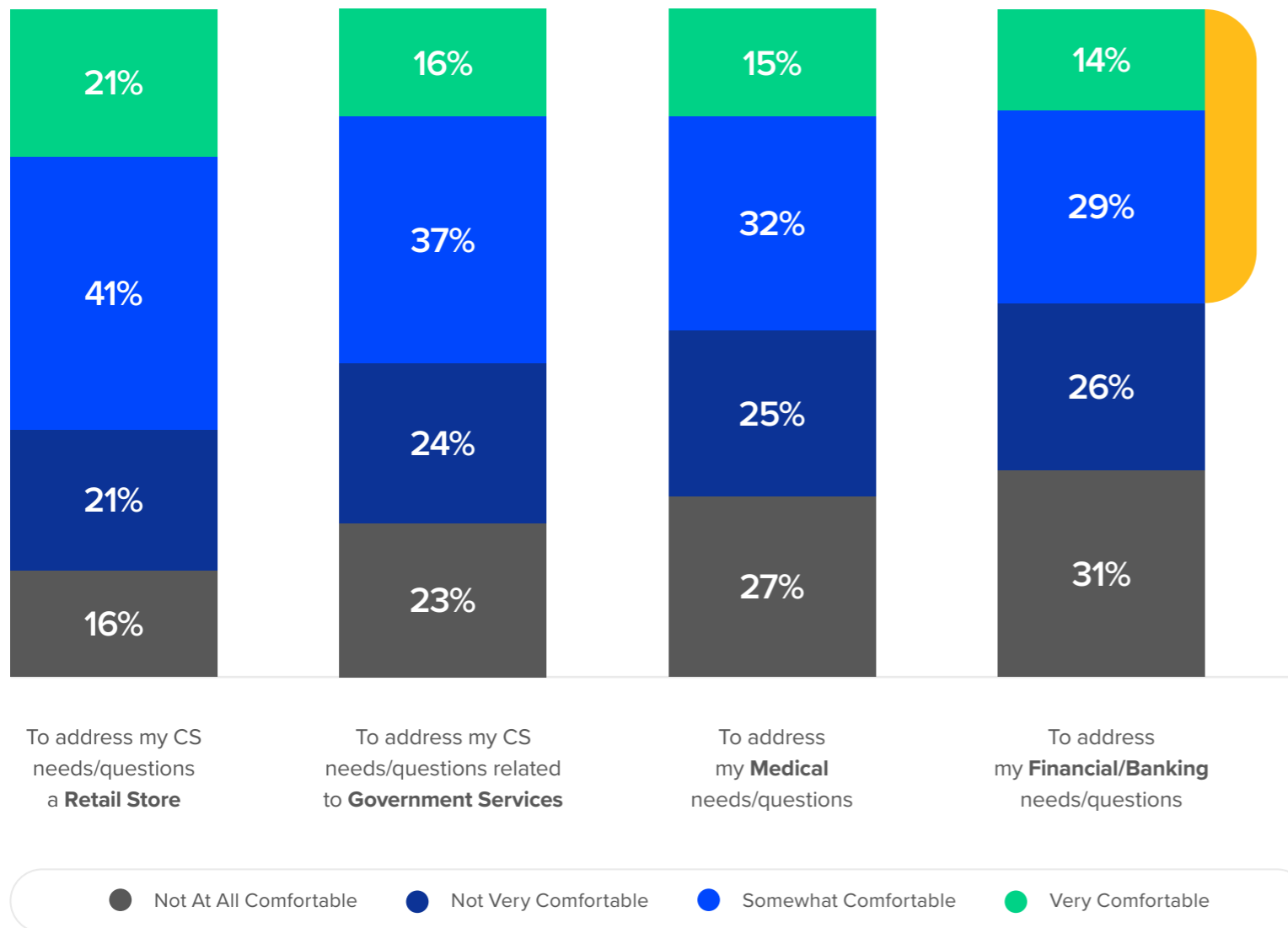
Customer comfort with AI in banking varies depending on the scenario, with lower comfort levels in using virtual assistants for financial needs, and higher comfort levels when it comes to retail customer service

needs (62%), addressing their needs/questions related to government services (53%), or even to address their medical needs or questions (48%). *(Figure 12).*

This calls for a cautious approach to integrating AI into customer engagement strategies, ensuring that technology complements rather than replaces human interaction. We will share more on AI-enabled customer engagement in Volume 2 of the **ENGAGE 2024** series.

Level of Comfort in using Virtual Assistants to assist with Customer Service for each of the following

Among customers



43% of Customers are Very/Somewhat comfortable with virtual assistance in Financial Banking.

(Figure 12)

05

CHAPTER

Streamlining Banking Technology: The Push for Unified, Efficient Systems

Key Insights:

- There's a strong desire among banking leaders for streamlining, consolidating, and creating a unified strategy.
- The complexity and sheer number of systems currently in use pose challenges to effective customer engagement.
- A unified platform that can serve as a single source of truth for both employees and customers is seen as essential.

A Complicated Technology Stack

The current landscape of customer engagement in banking is marked the use of several technology solutions, **with an average of 6.6⁽³⁾ systems deployed by financial institutions.** This complexity often overwhelms banking leaders, highlighting the need for more streamlined and integrated solutions.

3. Mean value trimmed by 1 standard deviation.

Having this many systems in place may be doing the institution a disservice. Three out of four banking leaders (75%) say that, at times, they are overwhelmed with the number of solutions (e.g., vendors, services, systems) that their financial institution has in place. *(Figure 13).*



75% Of Banking Leaders say that, at times, they are overwhelmed with the number of solutions that their financial institution has in place

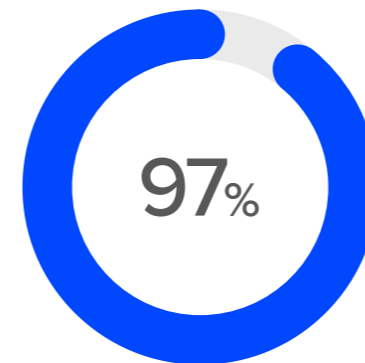
(Figure 13)

Leaders Look to Unified Systems

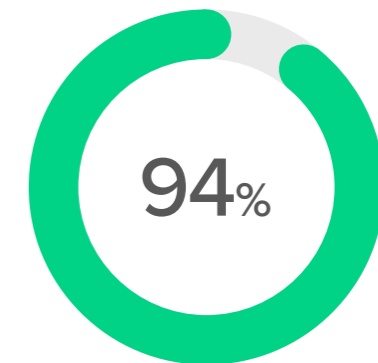
Almost all banking leaders (97%) agree on the need for a centralized knowledge base servicing both employees and customers. There’s a strong push for a single, comprehensive platform. In fact, 94% of leaders agree it is important for financial institutions to have one system in place to manage the overall customer journey. This preference reflects the growing recognition of the benefits of unified systems in enhancing customer engagement and operational efficiency. *(Figure 14)*

In contrast to their desire for a more comprehensive and holistic system for employees and customer engagement, 71% of banking leaders still report that customer engagement success is not an important part of the executive team’s key performance indicators (KPIs), highlighting a disconnect between current priorities and what is needed for success. Most banking leaders believe that their current system enables their institution to do some key items very/somewhat well, but much fewer report their systems allow them to perform various tasks very well.

Around half of banking leaders feel lukewarm about how well their current systems enable them to perform key tasks — which may be creating an appetite for new, consolidated system(s) that can help their institution deliver better results.



97% Of Banking Leaders agree on the need for a centralized knowledge base servicing both employees and customers



94% Of Banking Leaders agree it’s important for FIs to have one system in place to manage the overall customer journey

(Figure 14)

06

CHAPTER

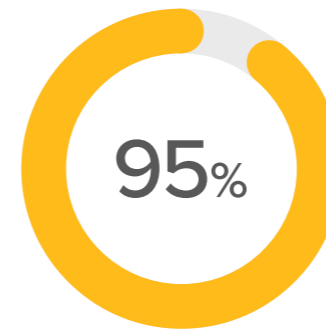
Industry Priorities and Strategies for 2024: Investment in AI and Employee-Focused Technologies

Key Insights:

- Customer communications, AI, and employee-related technologies are top investment priorities for banking leaders in 2024.
- Investing in technology is seen as key to driving employee retention and satisfaction.
- The focus is on automation and AI, with significant planned investments in self-service and virtual assistant technologies.

Investment Priorities for 2024

Seeing customer engagement as a pivotal area, banking leaders are focusing their investments in 2024 on technologies that enhance communications, automate processes, and improve employee experiences. These investments are aimed at not only enhancing customer engagement but also supporting staff in



95% Banking Executives emphasize the need for a unified customer engagement strategy for 2024

(Figure 15)

adapting to and embracing new technologies. In fact, a staggering 95% of banking leaders emphasized that having a holistic customer engagement strategy for 2024 will play a critical role in their institution's success. *(Figure 15)*

Technology as a Retention Tool

A large majority of banking leaders (94%) view investment in technology as also crucial for employee retention and satisfaction — and agree the benefits of adopting new technologies outweigh the drawbacks of employees constantly learning how to use those technologies (87%). This perspective underscores the importance of technology in creating a positive work environment and supporting staff in delivering effective customer service.

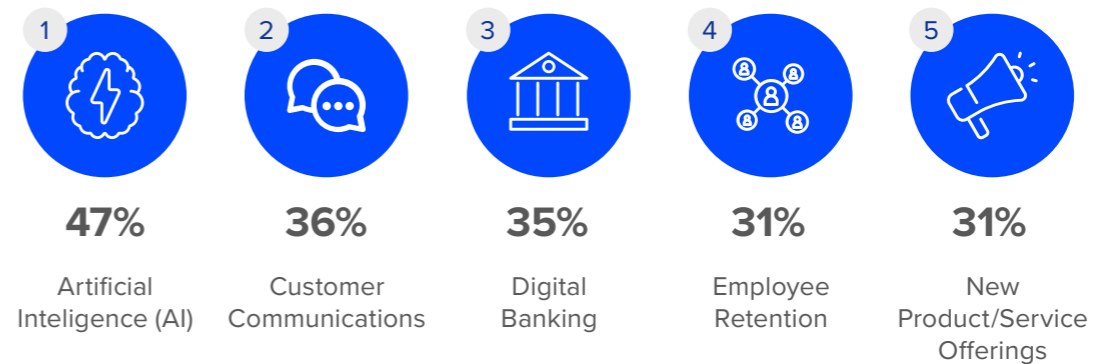
AI and Automation Focus

In 2024, a significant focus for banking leaders is on automation and AI, particularly in areas like self-service, back-office automation, marketing automation, and customer service virtual assistants. *(Figure 16)*

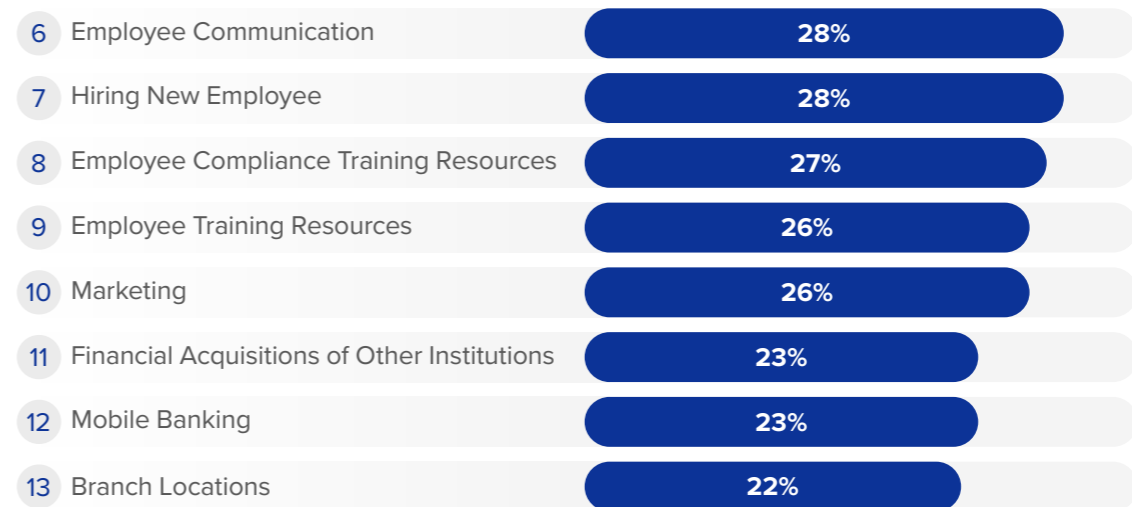
These investments reflect the banking sector's commitment to leveraging advanced technologies to streamline operations and enhance customer experiences.

Top 5 Investment Priorities for 2024 Among Banking Leaders

Top 5:



Remaining Responses:



(Figure 16)

Conclusion

A Pivotal Year Ahead

While optimism abounds among both banking customers and leaders, challenges in customer engagement, technological integration, and maintaining the human touch in digital interactions continue to loom large in 2024. In order to navigate these complexities, financial institutions must carefully balance advancements in technology with the essential human elements of banking services.

To stay competitive and retain customer loyalty, banks will also need to prioritize a unified approach to customer engagement, ensuring seamless experiences across all touchpoints. The focus should be on not just implementing technology but doing so in a way that enhances the customer

journey and supports employees in their roles.

Engageware emerges as a crucial partner in this goal. As the only end-to-end customer engagement platform powered by conversational and generative AI technology, Engageware is uniquely positioned to help financial institutions increase sales and conversion, provide consistent omnichannel customer experiences, reduce call center workload, and automate customer service. Bringing together humans and technology in a seamless, empowered way creates a unified experience that serves customers and staff — and increases both efficiency and satisfaction.

To learn more about the Engageware platform, please visit engageware.com



Methodology

Banking Leaders

The research was conducted online within the United States by The Harris Poll on behalf of Engageware from October 12 - 31, 2023 among 303 U.S. residents aged 21 and older who are employed full-time at a bank, credit union, online-only bank, or wealth or asset management firm that has at least 50 employees work in one of the following functions: branch or retail, operations, call center and/or contact center, customer/member experience, digital/ecommerce, human resources/training, lending, payments, strategy, marketing, or technology/IT/security; have a title of manager or higher; and, have at least full or significant decision-making responsibilities at their financial institution in strategy and business

development, marketing and sales, operations, or selecting/purchasing solutions. Sample data is accurate to within + 6.3 percentage points using a 95% confidence level. This credible interval will be wider among subsets of the surveyed population of interest.

Customers

This survey was conducted online within the United States by The Harris Poll on behalf of Engageware from October 26 – 30, 2023 among 2,035 U.S. adults aged 18 and older, of which 1,712 have a primary checking or savings account with a financial institution. Data were weighted where necessary by age, gender, race/ethnicity, region, education, marital status, household size, household income, and propensity to be online, to

bring them in line with their actual proportions in the population. Sample data is accurate to within + 2.7 percentage points using a 95% confidence level.

The logo for Engageware, featuring the word "Engageware" in a bold, white, sans-serif font. The text is positioned to the right of a white rectangular box that has a slight perspective, appearing to recede into the distance. The background consists of large, overlapping geometric shapes in various shades of blue and green.

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