

Should retail banks be afraid of Coronavirus?



The health crisis that we have been experiencing since the beginning of the year has had and will have serious consequences on the activity of French companies. Retail banks are no exception to the rule: forced closure of branches and customer relations centres, difficulties in reaching advisers, a steep fall in consumer credit, postponement of real estate projects, delays in transactions processing... What will be the consequences of this health crisis for banking institutions? Do the principles of "physical distancing" now also apply to the way the French people conceive of their relationship with their bank? ValueQuest conducted a survey among a large panel of individual clients to see how their needs and expectations towards their bank have evolved over the last few months.

Bank branch decline expected to accelerate

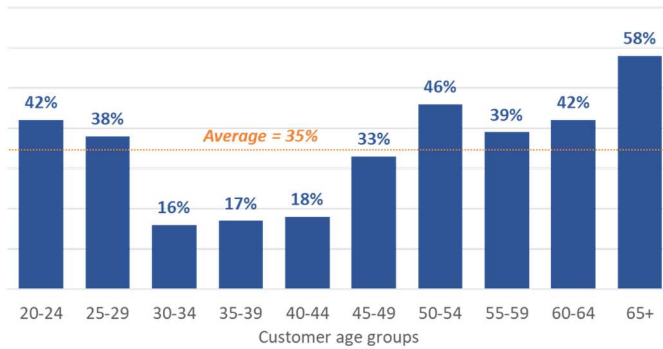
The decline in branch traffic has been a concern for many years for bank executives. How can we maintain a close relationship with customers while reducing the significant costs generated by a branch network, when competition from online banks and neo-banks is weighing more and more on the pricing of banking services and market shares?

Although the reduction in the number of bank branches has been slower in France than in our European neighbors, it has accelerated in recent years, particularly for large retail networks (BNP Paribas, Société Générale, LCL, etc.). For many observers, the restrictions on movement during lockdown forced customers to use other channels to have relationship with their bank, likely to kill our "honorable" bank branches.

The ValueQuest survey confirms that only about one third of customers attach importance to having a local bank branch. But this figure hides significant disparities between the Paris region and the rest of France.



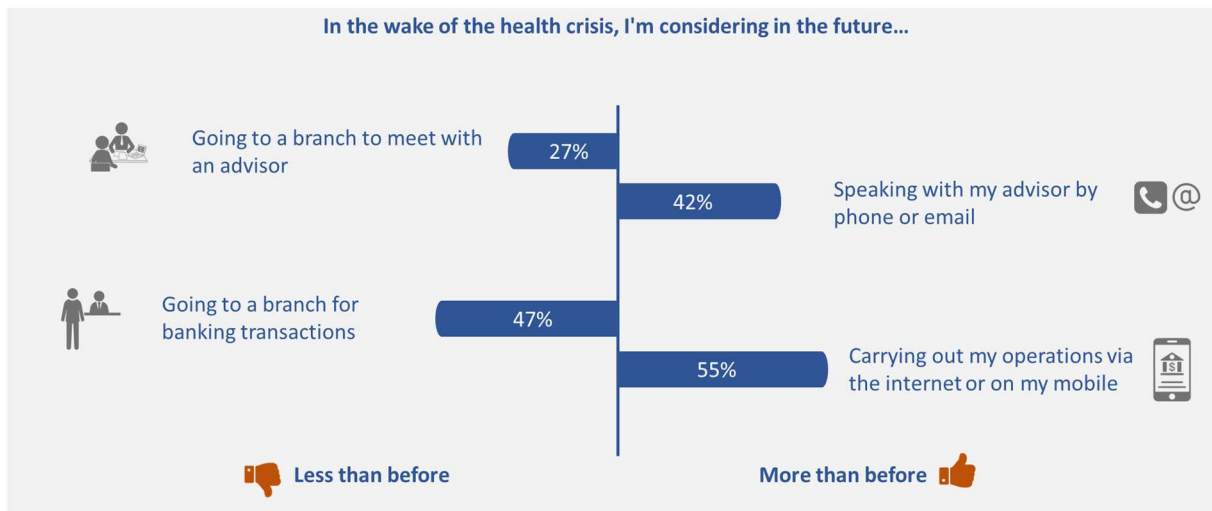
% of customers who attach strong or very strong importance to having a bank branch close to their home



Customer commitment to bank branches also varies greatly according to age, with those aged 30-45 years being by far the least interested in having a bank branch close to their home.

The lack of customer interest for bank branches is reflected in the attendance statistics. 60% of customers meet their advisor less than once a year on average and 22% even say they never go to their bank branch. In addition, during lockdown, the French learned to limit their movements and to carry out their purchases and administrative procedures online. When asked about how they

plan to interact with their bank in the future, customers therefore say they want to further restrict their visits to branches and favor the use of online banking and remote relationship channels. Fear of the virus and reluctance to visit public places therefore only strengthen the breakdown in the relationship between the French people and their bank branch.



Faced with this situation and the steady deterioration in their income, banks have more incentive than ever to accelerate the restructuring of their networks. They have no option but to reduce activities and transform the points of sale into advice areas or self-service banking with the provision of digital resources (tablets, interactive terminals, etc.) and a minimum of on-site support for customers who wish to do so. This applies mainly to the Ile-de-France region and big cities, but also in less densely populated areas. This is a strong signal, especially for mutual banks, which have not taken the step of closing their branches, considering local integration and geographical proximity to customers as one of their main competitive advantages.

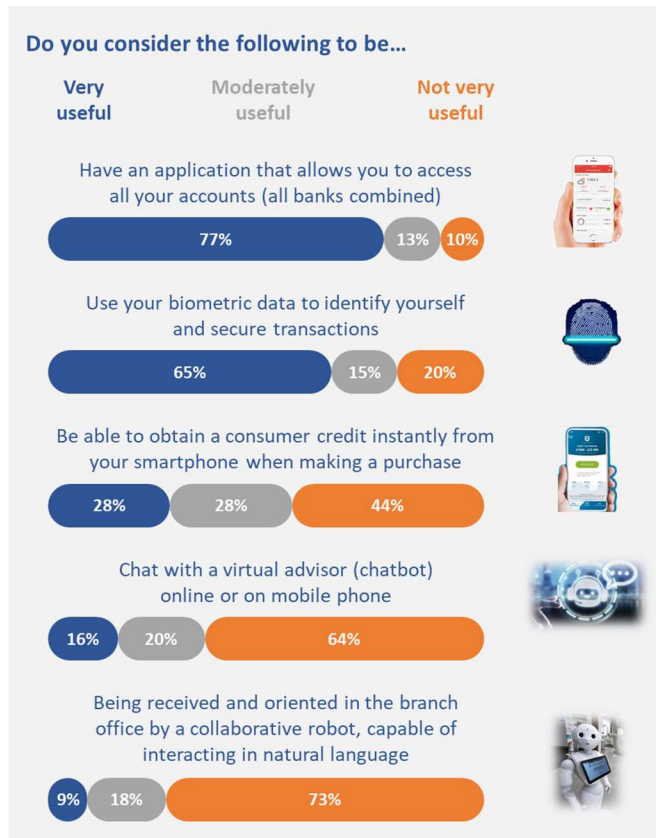
Go digital ... and that's it?

Customers therefore seem to abandon bank branches. But are they ready to go digital?

Some customers still resist and try to maintain some old-fashioned practices such as using paper checks or going to the bank counter to make a transfer, but these "stubborn Gauls" are threatened of extinction.

Indeed, the great majority of customers are increasingly autonomous and technophile: 71% of French people have downloaded their bank's mobile application and three quarters of them say they use it at least once a week². Overall, they are fond of innovations, provided they are likely to make their daily life easier.

However, only the simplest operations are carried out online or on smartphone: balance consultation, transfer, budget analysis, information search, mobile payment. An advisor is needed as soon as the transaction is considered complex or linked to an important event in the life of the client (family, professional, property change, etc.).

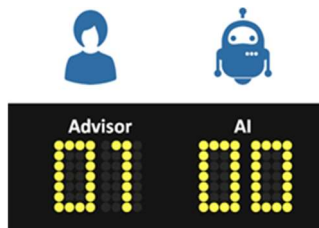


Customers therefore still like being able to reach a real live person and conversational robots meet very moderate enthusiasm. Total lack of empathy, algorithms that are still too imperfect: artificial intelligence has difficulty seducing and is not yet able to replace the human in customer relations.

Amélie, a young private nurse, sums up the prevailing state of mind quite well: "I want to build trust and confidence with my

counsellor. I need to rely on his guidance and expertise on issues that cause me some concern (financial decisions, savings, investment...). Human contact is very important to me and I don't like to communicate with a robot... "».

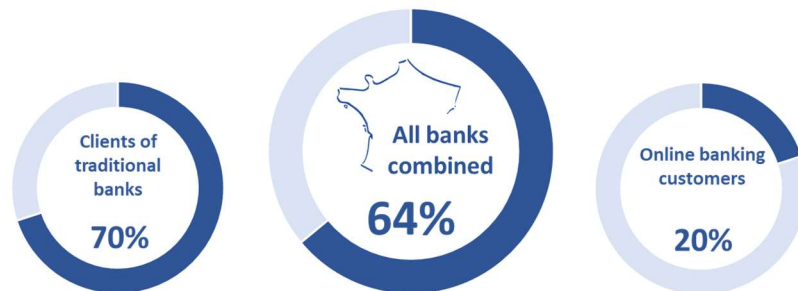
Like Amélie, 70% of the respondents in our survey want to be able to reach an advisor when the point is to get project funding or to manage their savings.



Taking advantage of the expertise of a dedicated bank advisor who knows them and is aware of their situation remains a strong expectation for nearly two-thirds (64%) of respondents, including the

youngest (58% in the 20-24 age group). This expectation is of course much less marked (but still expressed) among online bank customers.

Do you attach great or very great importance to having a dedicated bank advisor?



But if clients seem to be attached to their advisor, they do not feel it is necessary to go to their bank branch to speak with him or her. Phone calls and e-mails seem to be good enough for most everyday uses. During lockdown, many clients have also become adept at video conferencing and would be quite willing to use this medium to communicate with their advisor and thus avoid going to the branch.

48% 

of clients are willing to use videoconferencing to interact with their bank advisor


Back to basics: building on relational proximity


The health crisis has not caused any major revolution or any disruption but it has helped to accelerate strong trends observed for a long time: consumer preferences moving away from bank branches, increasing usage of mobile apps and self-care for day-to-day operations.

In this context, it is more necessary than ever for traditional banks to satisfy the most basic requirements of their customers. Banking is a service industry and what customers expect above all from their bank is reliability, accessibility, responsiveness, and support in complex matters.

What you want most from your bank...

 Get a quick response to your requests **94%**

 Have a bank willing to listen during important moments of life or in case of difficulty **86%**

 Get advice from an expert to manage your savings or finance a project **70%**

Digital can provide efficient solutions for everything that concerns the bank on a day-to-day basis, but it cannot offer that "little extra soul" to bank service that would otherwise be provided merely as a convenience for customers.

There is an urgent need to react for network banks because competition from online banks and neo-banks is a reality. Low-cost banking offer and welcome bonuses are exploding, allowing customers to test the services of competitors at low cost.

While only 2.5% of customers changed banks in 2019, 10% of the respondents in our survey say they plan to move to online banking in the coming year. Not all of them will do so, but the figure should worry traditional banks, especially as the services to help banking mobility introduced by the Macron law of 2015 are now well known to the general public.

The COVID-19 crisis has plunged the world into uncertainty. Faced with a lack of visibility on the economic context, their jobs and their finances, clients are expressing the need to be reassured about their bank's ability to support them in their projects and in the event of a hard blow. Nearly a quarter of respondents even say that the COVID crisis has reinforced this need for security.

The battle is therefore not yet lost for network banks, because in this field they are able to regain the advantage.

This repositions the bank advisor at the center of the game, but also presupposes that he or she has

“ **As a result of lockdown, 1 in 10 customers would consider joining an online bank in the next 12 months** ”

the real ability to meet customer expectations: accessibility, responsiveness, listening, expertise...

This is a significant challenge because the battle must be fought on several fronts: it is critical not to fall behind in the digital arena, to speed up the reconfiguration of branch networks and to ensure advisors' skill improvement to help them effectively retain and win customers.

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About ValueQuest...

ValueQuest is a strategy and management consulting firm specialized in the financial services sector. Created at the end of 2015 by McKinsey and BCG alumni, ValueQuest's uniqueness is based on the strong involvement of the Partners in the implementation of projects, the contribution of seniority and expertise, and a concern for excellence and value creation on behalf of its clients.

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