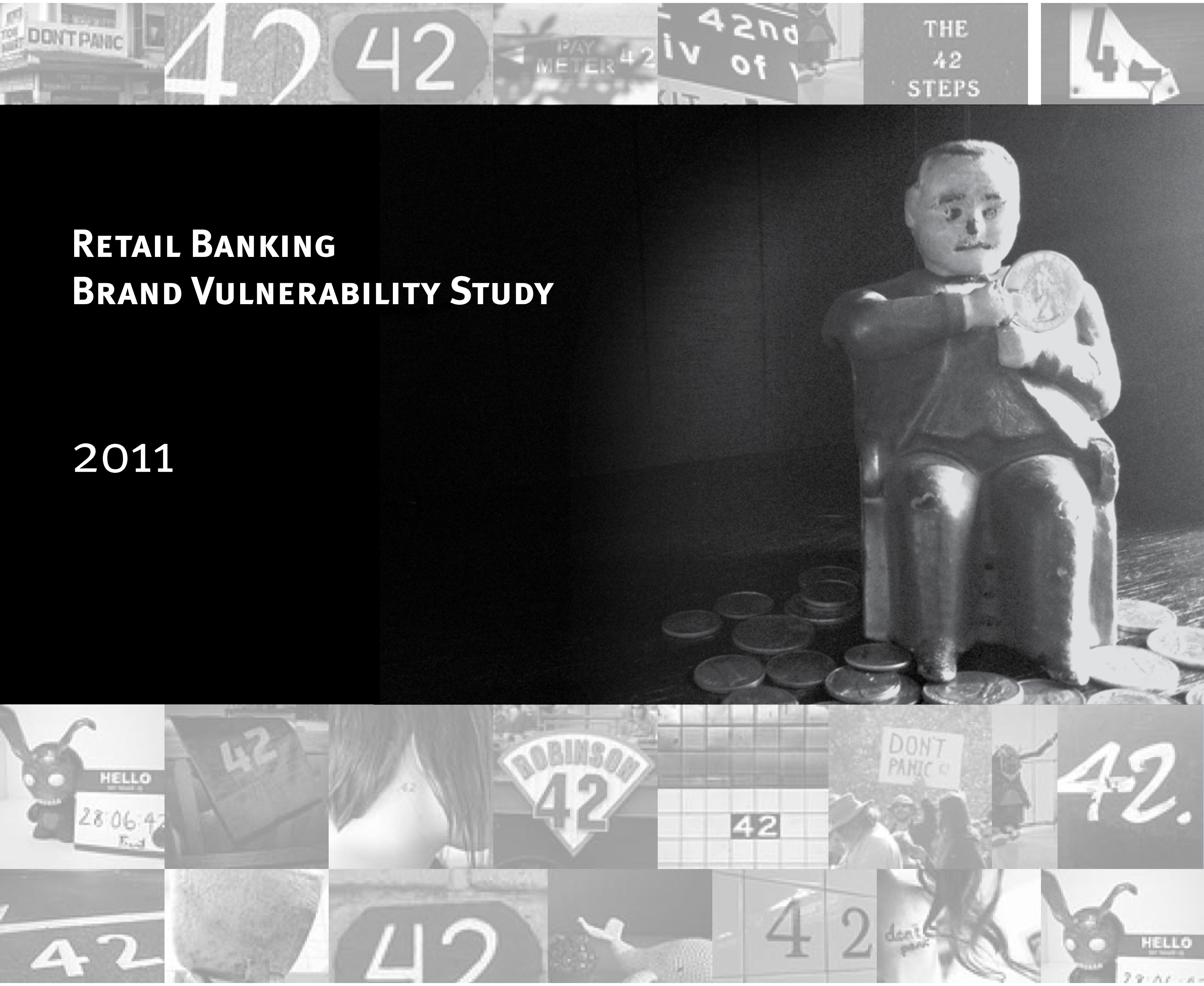


# Retail Banking
# Brand Vulnerability Study

2011

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## Welcome to the 2011 Retail Banking Brand Vulnerability Study

*"This planet had a problem, which was this: most of the people living on it were unhappy for pretty much all of the time. Many solutions were suggested for this problem, but most of these were largely concerned with the movement of small green pieces of paper, which was odd because on the whole it wasn' t the small green pieces of paper that were unhappy."*

-- Introduction from ***"The Hitchhiker's Guide to the Galaxy"*** by Douglas Adams

A little over a year ago, a boutique management consulting firm was established with a simple goal – to help businesses align the operations, finance, and marketing functions behind the core principle of creating customers. We felt that many of the traditional approaches to creating customers had not kept pace with the changing face of today's informed and demanding individual, and did not provide the business leader with the insight required to make the hard strategic choices that can position their organizations for long-term differentiation and growth.

One of the things we recognized was a curious gap in traditional brand measurement. The analytical frameworks most used to diagnose brand health are designed solely around the understanding of a brand's strengths. Weakness is treated as an analytical byproduct. A brand is deemed weak, for instance, if it lacks certain desirable attributes, or if key associations aren't as strong as they are for competitors. While this may help to identify general areas of perceptual weakness, it does not provide the specificity that a business needs to effectively act on the information and it certainly doesn't provide insight into where the brand is vulnerable to negative word-of-mouth and customer defection. We developed the patent-pending Brand Vulnerability Methodology to close this gap.

To illustrate the power of the insight gathered from the Brand Vulnerability Methodology, we have conducted the first in a series of studies designed to diagnose the vulnerability of the major players in various categories. Given the dynamic challenges facing the major players in retail banking and the high degree of historic inertia associated with customer switching behavior, we felt that examining Brand Vulnerability in this category would be particularly interesting. Importantly, we also hoped that this information could provide a platform for the major players in the category to create real and lasting improvement in their customers' experiences – sometimes a true diagnosis of a problem can lead to lasting change.

As the first publicly available Brand Vulnerability Study, we hope you are intrigued by this new approach. In subsequent studies, we will be examining the Brand Vulnerability in other categories, including: Telecommunications, Technology, and Travel & Leisure.

We hope you will see that Brand Vulnerability Analysis can be a very powerful tool for businesses looking to quantify the impact of the vulnerabilities in financial terms and identify immediate competitive vulnerabilities on which a brand / business can capitalize.

Always remember – DON'T PANIC!

Sincerely,

Stephen Beck
Managing Partner, cg42

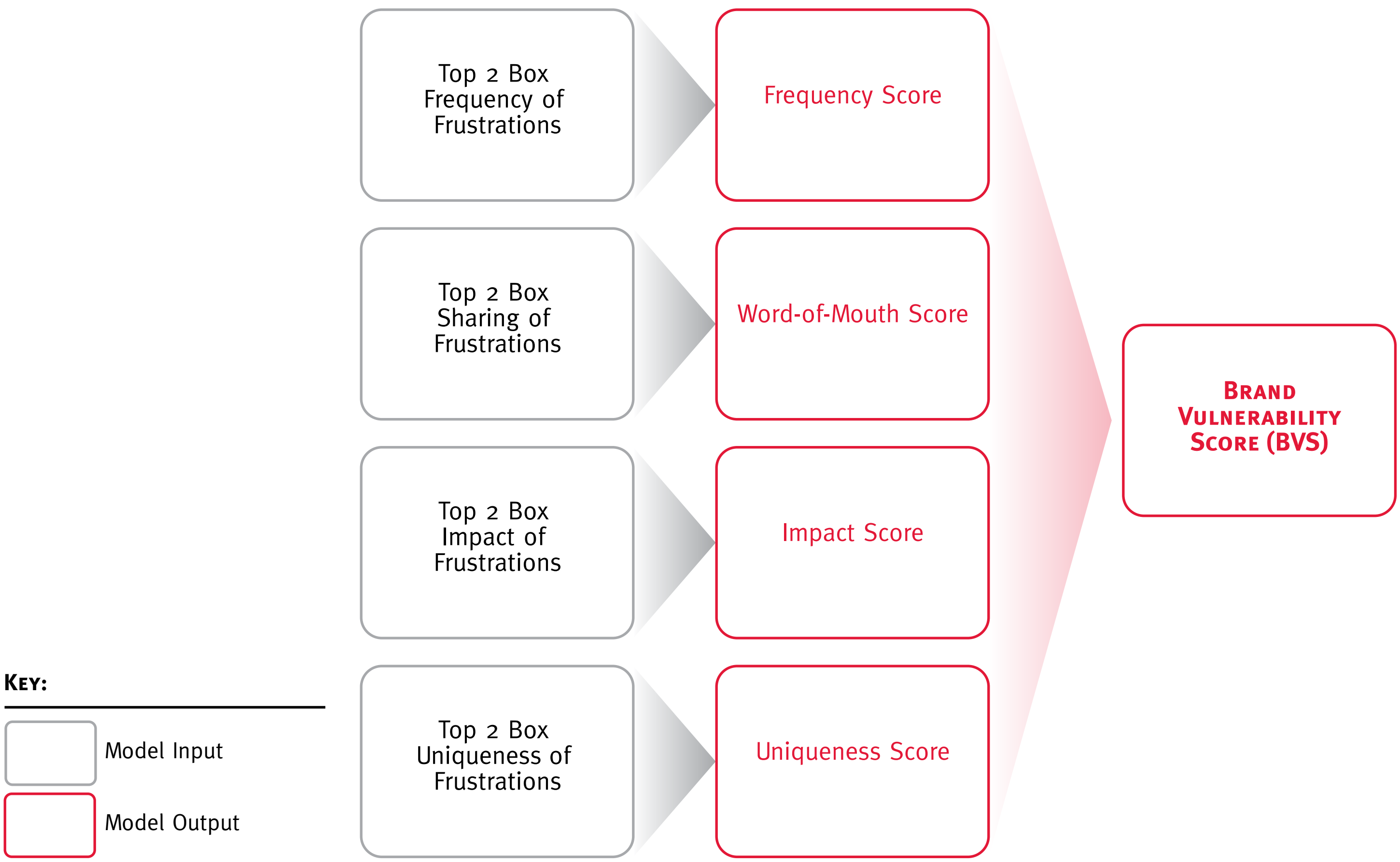
## Brand Vulnerability Defined

Brand Vulnerability is a measure of a brand's level of risk for increased customer attrition, decreased acquisition effectiveness, and the associated financial loss.

To arrive at the Brand Vulnerability Score for each of the banks in the 2011 Retail Banking Brand Vulnerability Study, 'occasional' and 'frequent' frustrations reported about a brand were taken as a starting point. The severity of each frustration was then determined by overlaying how likely any negative feelings about the frustration were to be communicated / shared with others, how much the frustration impacts the respondent's likelihood to switch providers, and how unique to the provider / brand the frustration is perceived to be. Combining these factors yielded an overall Brand Vulnerability Score (BVS) for each bank.

Figure 1.1

Calculating the Brand Vulnerability Score (BVS)



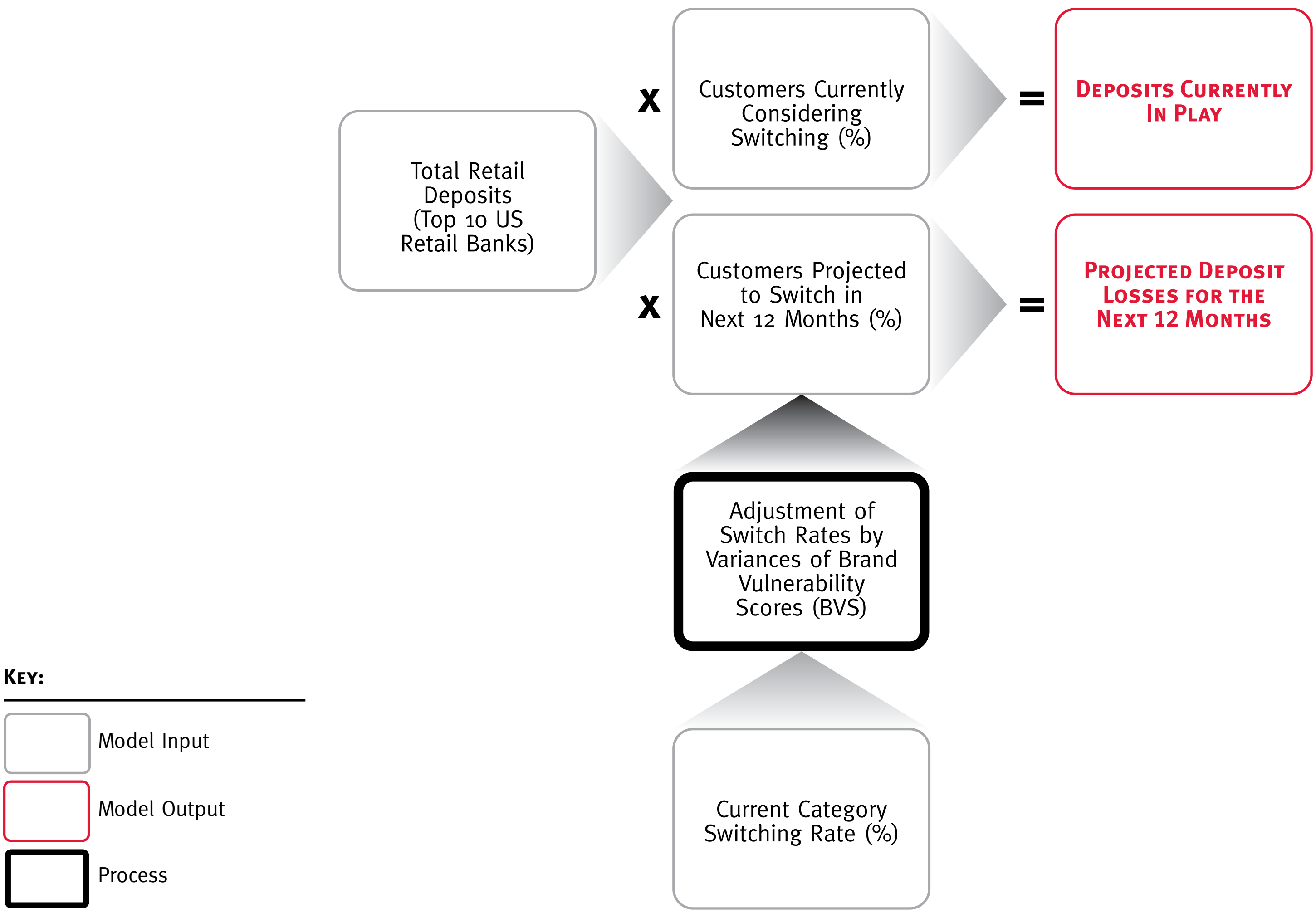
## Deriving the Brand Vulnerability Index (BVI)

The Brand Vulnerability Index (BVI) ranks the top 10 US retail banks (by deposits), from most to least vulnerable, according to their Brand Vulnerability Score (BVS) and associated number of customers in jeopardy over the next 12 months. To arrive at the projected financial impact, the percentage of customers likely to switch in the next 12 months – derived from the BVS itself – was applied to each bank's total retail deposits.

An additional financial metric, Deposits Currently in Play, was derived directly from the percentage of customers who are actively considering switching primary financial institutions.

Figure 1.2

Deriving the Brand Vulnerability Index



## Brand Vulnerability Differentiation and Value/Benefit

The Brand Vulnerability Index is a potentially very powerful tool for businesses looking for actionable brand / marketing insights. It is uniquely valuable in that it:

| | |
|---|---|
| **Focuses on brand weaknesses rather than strengths** | Measures *existence of weakness (vulnerability)* rather than *absence of strength* |
| **Captures frustrations of actual customers (vs. general public)** | Ratings represent experience of current customers who interact with the brand first-hand |
| **Quantifies impact of vulnerabilities in financial terms** | Articulates risk of vulnerabilities in a tangible manner |
| **Provides findings that are actionable** | Study design has a level of specificity that enables organizations to prioritize opportunities that mitigate their vulnerability based on their own criteria (e.g. 'low-hanging fruit,' strategic differentiator, table-stakes) and / or capitalize on competitor vulnerabilities |

In addition, as the study will be conducted on an annual basis going forward, it should help to uncover trends by tracking brands and consumer attitudes over time.

Ultimately, the concept of Brand Vulnerability is intended to enable brands to mitigate competitive risk and / or capitalize on competitive vulnerabilities while providing some much-needed transparency from a consumer standpoint.

## Methodology Overview

The 2011 Retail Banking Brand Vulnerability Study measures the frustrations of existing customers of the Top 10 Retail Banks in the US. The study quantifies the projected impact of the brand vulnerabilities on anticipated customer switching behavior over the next 12 months. It should be noted that the study is mostly focused on the deposits business and does not include credit cards, mortgages, and other loans.

The Top 10 US Banks included in the study are:

## METHODOLOGY OVERVIEW
*(continued)*

The 18 frustrations tested in the study are:

- Limited hours for their branches
- Experiencing long hold times on the phone
- Not being able to reach a live person on the phone
- Being hit with overdraft charges
- Mistakes on my statement
- Being nickeled and dimed with incidental charges
- Dealing with people at the bank that don't know me
- Trying to be sold on products I don't need or want
- Experiencing long wait times in a branch
- Having problems with their online banking tools
- Having to deal with unknowledgeable staff
- Having to deal with rigid bank processes
- Having to use lagging/dated technology
- Takes a long time to get a new request processed
- Inconsistent service experience across branches
- Having to deal with staff who are not empowered to resolve issues
- Not offering competitive rates and/or pricing
- Making promises they don't keep

## SAMPLE & FIELDING

The sample consists of a nationally representative set of 5,672 primary retail banking customers at one of the 10 institutions examined, sourced primarily from a research panel and supplemented by real-time online sampling. Online fielding was conducted between June 23rd and July 25th, 2011.

Detailed sample breakdown:

- Wells Fargo N=643
- Bank of America N=745
- Chase N=682
- Citibank N=544
- TD Bank N=390
- PNC Bank N=588
- US Bank N=597
- BB&T N=423
- Capital One N=537
- SunTrust N=523

## Survey Structure

The fundamental question the Brand Vulnerability Study seeks to answer is:

***"How vulnerable to customer and deposit loss are each of the top 10 US retail banks currently, and what are their specific areas of vulnerability?"***

To this end, the survey asks, broadly:

- What is the respondent's primary bank?
- What is the respondent's biggest frustration with his / her primary bank?
- How frequently does the respondent experience specific frustrations when interacting with his / her primary bank? (Frequency)
- How vocal is the respondent about his / her frustrations? (Sharing / Word-of-Mouth)
- How much of an impact do these frustrations have on his / her likelihood to switch banks? (Switching / Impact)
- How unique (to his / her primary bank) are these frustrations? (Uniqueness)

For those who switched primary banks within the past year:

- To what extent did specific frustrations contribute to his/her decision to switch?

In addition, all respondents were polled via an attitudinal statement battery to gauge consumer attitudes towards banks and the financial services industry in general, as well as towards personal financial matters, for further context.

## Overview

The top 10 US retail banks are projected to lose a combined $185B in retail deposits over the next 12 months if existing customer frustrations are not addressed. Of the 10 banks, the Big Four (Bank of America, Chase, Citibank, Wells Fargo) have the most at risk and account for $135B, or roughly 73% of the total projected deposit losses over the next 12 months.

The top 3 most vulnerable banks by Brand Vulnerability Score and projected customer loss are 3 of the Big Four – Bank of America, Citibank, and Wells Fargo – putting them at the highest risk for customer defection and financial loss in the short term.

Proportionally, Chase, Citibank, Bank of America and TD Bank have the most customers currently considering to switch. Whereas the category average stands at 20%, each of these financial institutions have more than 22% of customers considering a switch, or 'in play.' From the sheer size of deposits, Wells Fargo, Bank of America, and Chase have the most to lose – with Wells having $94B, Bank of America $88B, and Chase $83B of its deposits currently 'in play.'

At the opposite end of the spectrum, PNC and SunTrust are the least vulnerable of the top 10 banks and stand to lose the fewest customers (as a percentage of their current customer base). Their projected customer loss stands at 7.4% and 7.5%, and their projected deposit loss at $9B and $6B, respectively.

Figure 2.1

### Deposits Currently In Play and Projected Deposit Losses (Next 12 Months)

| Category | Ranking by Total Deposits (Out of 10) | Total Retail Deposits (2010, US$ Billions) | Customers Currently Considering Switching (%) | Deposits Currently in Play (US$ Billions) | Customers Projected to Switch in Next 12 Months (%) | Projected Deposits Lost in the Next 12 Months (US$ Billions) |
|---|---|---|---|---|---|---|
| **Category** | | **$2,036** | **20%**** | **$399** | **8.7%*** | **$185** |
| Wells Fargo | 1 | $530 | 18% | $94 | 9.1% | $48 |
| Bank of America | 2 | $407 | 22% | $88 | 10.3% | $42 |
| Chase | 3 | $344 | 24% | $83 | 8.9% | $31 |
| Citibank | 4 | $145 | 23% | $33 | 9.8% | $14 |
| TD Bank | 5 | $131 | 22% | $29 | 8.6% | $11 |
| PNC | 6 | $126 | 14% | $18 | 7.4% | $9 |
| US Bank | 7 | $101 | 17% | $17 | 7.9% | $8 |
| BB&T | 8 | $95 | 15% | $14 | 8.4% | $8 |
| Capital One | 9 | $83 | 15% | $12 | 9.0% | $7 |
| SunTrust | 10 | $75 | 14% | $10 | 7.5% | $6 |

Sources: 2010 Annual Reports for each banking institution; FDIC; cg42 analysis
Notes: * Category average, weighted average = 9.1%; ** Average

## Overview
*(continued)*

Figure 2.2

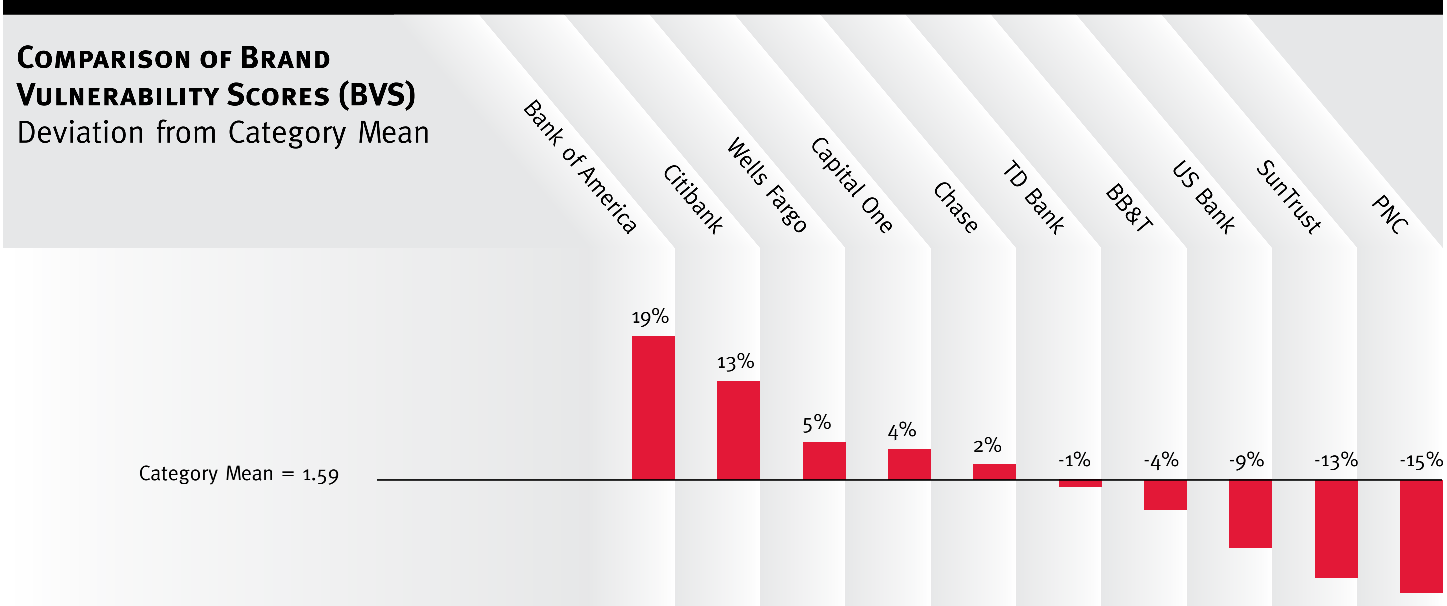
### Brand Vulnerability Index: Ranking of Top 10 US Retail Banks

| Category | Ranking by BVS (Out of 10) | Brand Vulnerability Score (BVS) | Customers Projected to Switch in Next 12 Months (%) | Total Retail Deposits (2010, US$ Billions) | Projected Deposits Lost in the Next 12 Months (US$ Billions) |
|---|---|---|---|---|---|
| **Category** | | **1.59** | **8.7%*** | **$2,036** | **$185** |
| Bank of America | 1 | 1.88 | 10.3% | $407 | $42 |
| Citibank | 2 | 1.79 | 9.8% | $145 | $14 |
| Wells Fargo | 3 | 1.66 | 9.1% | $530 | $48 |
| Capital One | 4 | 1.64 | 9.0% | $83 | $7 |
| Chase | 5 | 1.62 | 8.9% | $344 | $31 |
| TD Bank | 6 | 1.56 | 8.6% | $131 | $11 |
| BB&T | 7 | 1.53 | 8.4% | $95 | $8 |
| US Bank | 8 | 1.45 | 7.9% | $101 | $8 |
| SunTrust | 9 | 1.38 | 7.5% | $75 | $6 |
| PNC | 10 | 1.35 | 7.4% | $126 | $9 |

Sources: 2010 Annual Reports for each banking institution; FDIC; cg42 analysis
Notes: * Category average, weighted average = 9.1%

Figure 2.3

### Comparison of Brand Vulnerability Scores (BVS)
Deviation from Category Mean



## Brand Vulnerability Score Component View

Bank of America performs the worst in 3 out of 4 components of Brand Vulnerability: Frequency (of frustrations), Sharing (disclosure / word-of-mouth of frustrations), and Impact (of frustrations). Citibank performs the worst in the final component of Brand Vulnerability: Uniqueness (of frustrations).

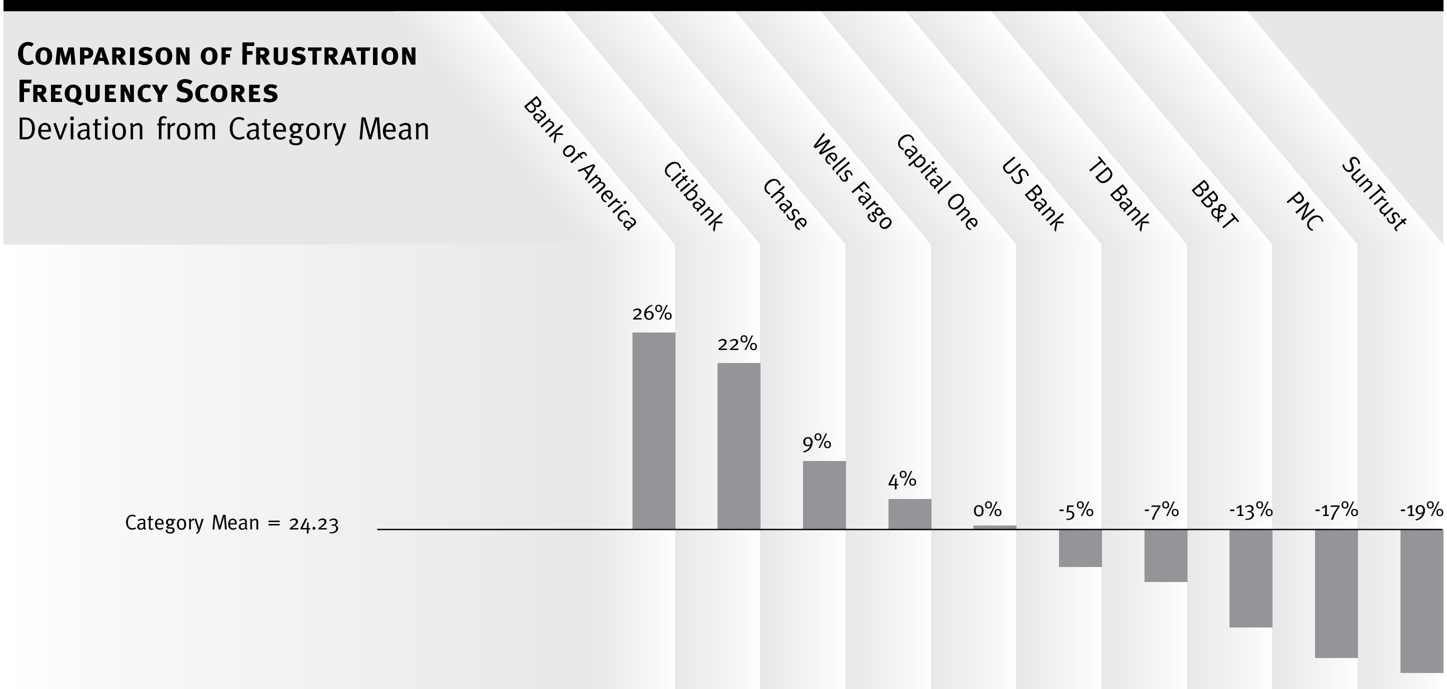
## Brand Vulnerability Score Component View: Frequency

Bank of America and Citibank have significantly higher Frequency Scores than the rest of their peer group, meaning their frustrations are experienced significantly more frequently than at other banks.

Chase and US Bank each have worse-than-expected Frequency Scores, given their overall BVS – Chase has the fifth-worst BVS but the third-worst Frequency Score, while US Bank's rank moves from #8 in BVS to #6 in Frequency Score. This suggests that both Chase and US Bank are vulnerable especially because of the frequency with which their customers experience frustrations.

Figure 2.4

**Comparison of Frustration Frequency Scores**
Deviation from Category Mean



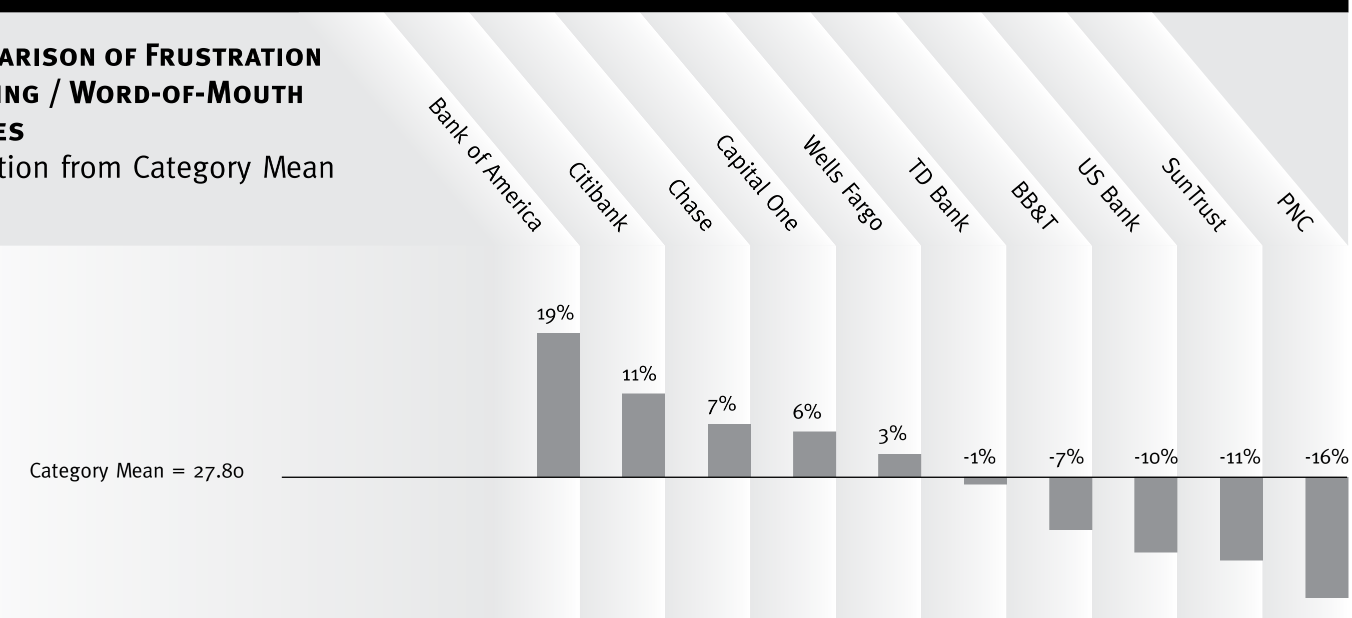
### Brand Vulnerability Score Component View: Sharing / Word-of-Mouth

A look at the Sharing / Word-of-Mouth Scores suggests the frustrations experienced by Chase customers generate more 'noise' than one would expect from its overall BVS – although it ranks fifth-most vulnerable overall, its Word-of-Mouth Score places it in the worst three. This, coupled with the findings from the Frequency Scores, means that Chase's BVS is driven by the frequency of frustration occurrences and their propensity to be shared.

Interestingly, Wells' Word-of-Mouth Score is lower than one would expect from its overall BVS, suggesting that frustrations experienced at the bank have less visibility than those experienced at other institutions.

Figure 2.5

**Comparison of Frustration Sharing / Word-of-Mouth Scores**
Deviation from Category Mean



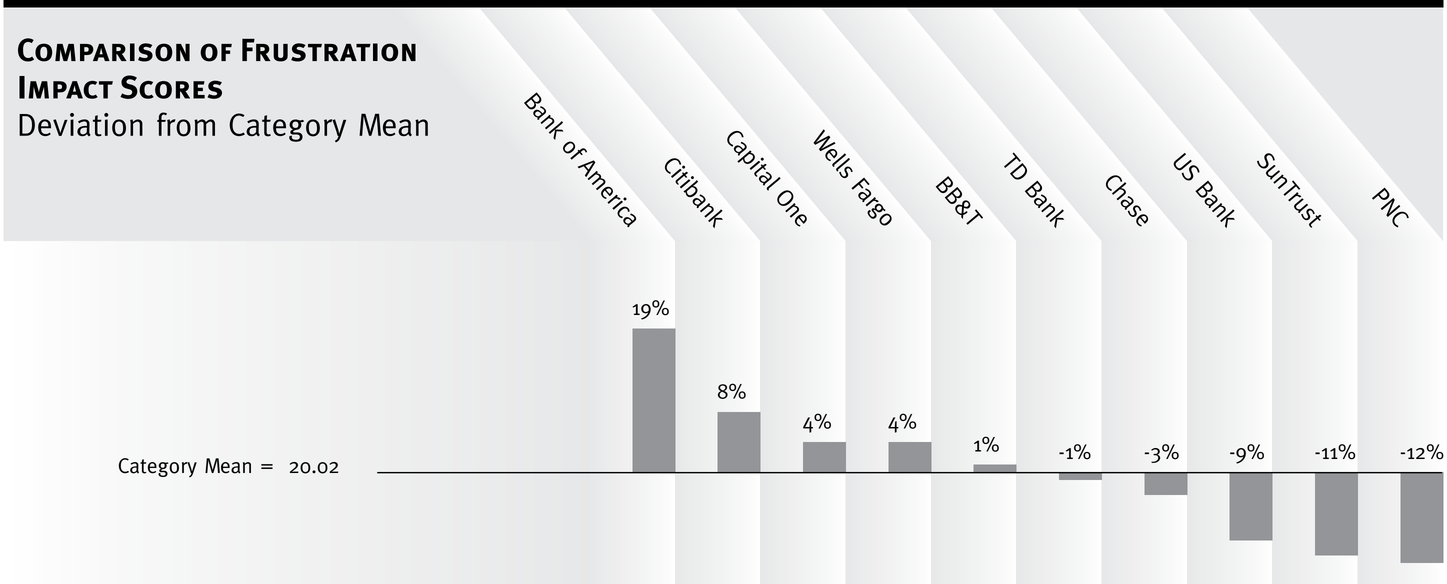
### Brand Vulnerability Score Component View: Switching / Impact

Both Capital One and BB&T have higher-than-expected Impact Scores when compared to their overall BVS, suggesting that the frustrations their customers experience drive more switching behavior than do frustrations experienced by customers of other top 10 banks.

The reverse is true in the case of Chase, which has a lower-than-expected Impact Score. Despite having frustrations that both occur frequently and are discussed often, they seem to benefit from a lower switching behavior.

Figure 2.6

**Comparison of Frustration Impact Scores**
Deviation from Category Mean



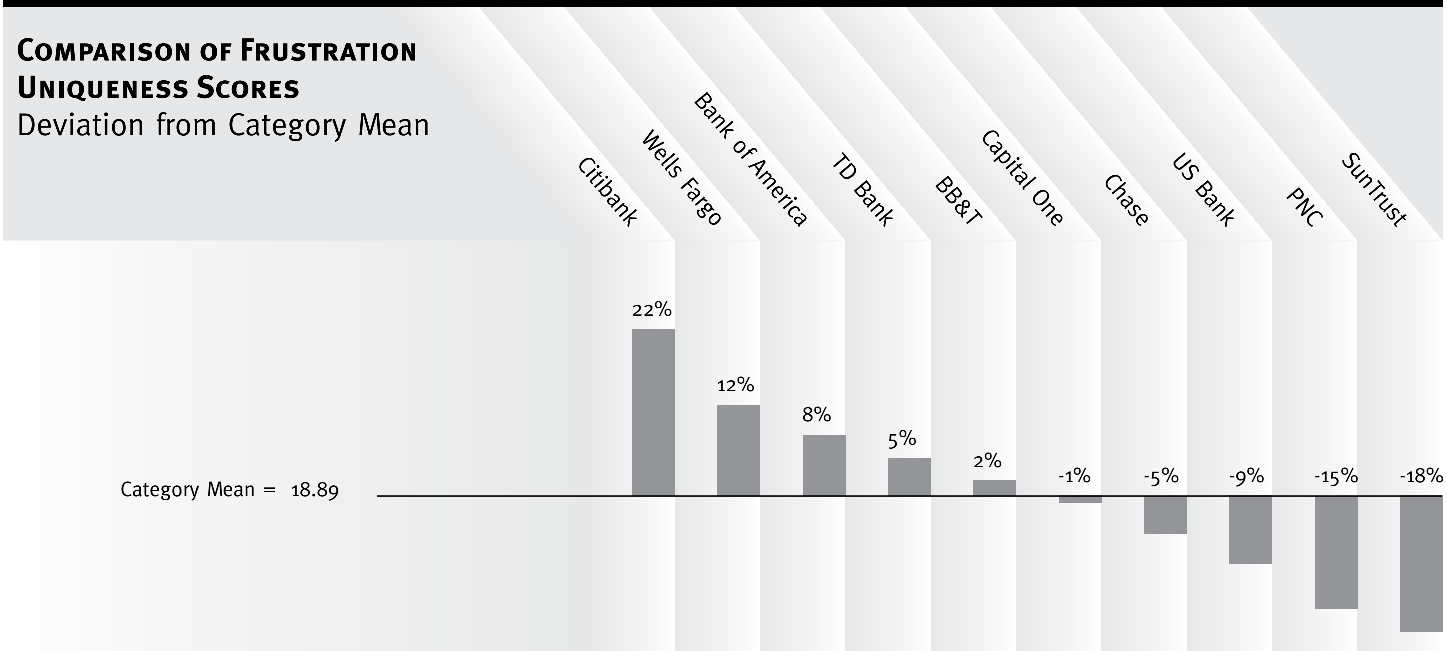
## Brand Vulnerability Score Component View: Uniqueness

With their higher-than-expected Uniqueness Scores vis-à-vis their BVSs, TD Bank and BB&T – and to a lesser extent Citibank and Wells Fargo – seem to suffer from frustrations that are viewed as unique to those institutions rather than common to the category.

The opposite is true of Bank of America, Capital One, and Chase, all of which have lower-than-expected Uniqueness Scores.

Figure 2.7

### Comparison of Frustration Uniqueness Scores
Deviation from Category Mean



## Brand-Level View

**Top 3 frustrations:**

- **Being nickeled and dimed**
- **Not offering competitive rates**
- **Being hit with overdraft charges**

Three frustrations consistently appear at the top of every bank's list of frustrations:

– Being nickeled and dimed

– Not offering competitive rates

– Being hit with overdraft charges

And to a lesser extent, "Making promises they don't keep."

Interestingly, these align with the frustrations that are most likely to be shared / complained about (whether in person or via social media), as well as those with the most negative impact. Sharing and Impact, in fact, are closely correlated – those frustrations that are shared with others are also the ones that have the most influence on a customer's likelihood to switch.

Another interesting finding is that customers of almost every bank believe "Having to use lagging / dated technology" is a problem unique to their bank, although it likely isn't, given the number of banks associated with this frustration.

Regarding specific banks – Bank of America and Citibank have the broadest range of vulnerabilities, though the top frustrations have to do with charges (perceived to be unfair) and rates, as with all banks. As a side note, 50% of Bank of America customers "prefer to minimize (their) interaction with (their) bank and would rather deal with transactions using technology rather than in person."

Wells also struggles with these challenges, although "Trying to be sold on products I don't need or want" is uniquely salient for this organization. Some of Wells' other vulnerabilities seem to be associated with its effort to integrate Wachovia into its operations (e.g., inconsistent service experience, long request processing times).

Capital One has vulnerabilities in many 'basic customer service' areas, in addition to rates / fees (e.g., dealing with staff that's not empowered to resolve issues, mistakes on statements, unknowledgeable staff, no live help, long hold times).

Of the major banks, Chase has the fewest "unique" vulnerabilities, in that customers were less likely to attribute specific frustrations to the bank and more likely to consider them a category issue.

Although PNC has the lowest vulnerability of the peer group, the frustrations its customers experience are similar to those other banks are associated with (charges / fees). The key difference here is that this high performer has the lowest frustrations in the 'basic customer service' category (e.g., long wait / hold times, problems with online banking, no live help).

### Mass vs. Affluent

There are some further interesting findings when Mass customers are compared to Affluent customers (i.e., those with $100k+ in investable assets):

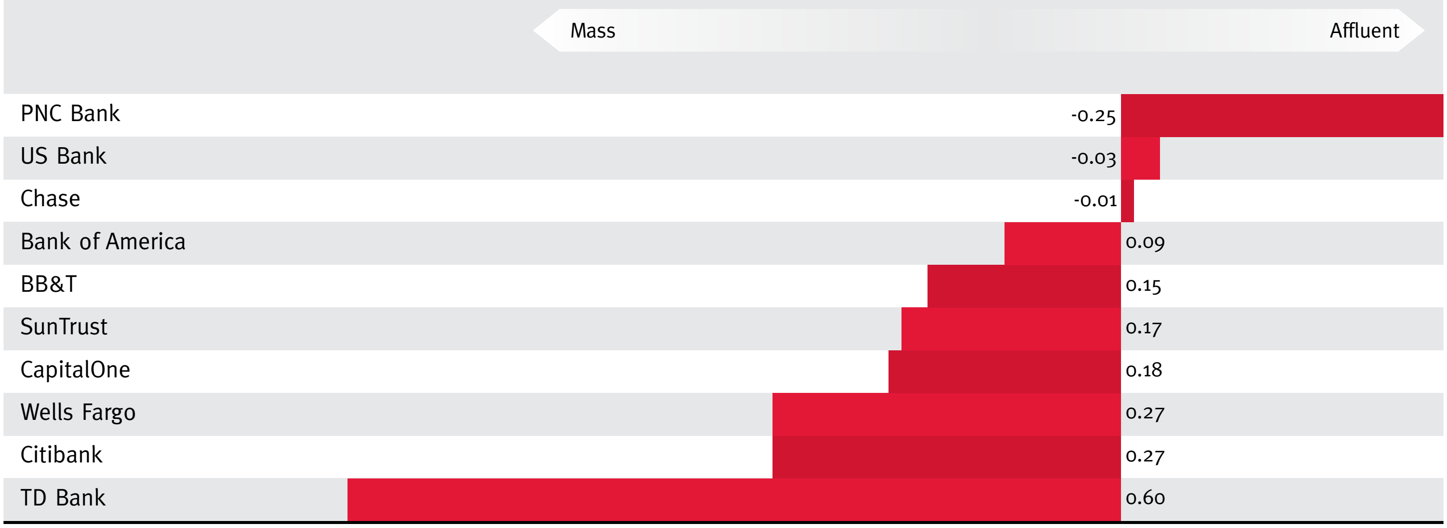
– The best performer and least vulnerable bank overall, PNC, performs better with its Affluent customer base than with its Mass customer base

– TD Bank, on the other hand, performs dramatically better among its Mass customers vs. its Affluent customers

– Most other banks (except Chase and US Bank, which perform almost as well with Mass customers as with Affluent customers) clearly perform better with Mass customers vs. Affluent customers

Figure 2.8

**Comparison of BVS:**
Affluent vs. Mass Customers




Note: Numbers represent difference in Mass vs. Affluent mean BVS scores by brand

### Customer Attitudes

The attitudes of the existing bank customers help to provide further context to our findings:

– 71% of all respondents agree (Top 2 Box) that "Banks claim they have my interests at heart but all they really care about are their own interests"

– 59% (Top 2 Box) also say "It makes me uncomfortable to think about how large some banks have become," and "It's too much of a hassle to switch banks" – suggesting customers are generally wary of the industry

– 70% of all respondents (Top 2 Box) "like the convenience of a bank that can serve as a one-stop shop for all my financial services needs"

– However, 57% of the same set of respondents agree (Top 2 Box) that "When it comes to financial services, I prefer NOT to have all my eggs in one basket" – indicating that customers are ambivalent about the tradeoff between convenience and diversification

– Affluent customers seem to value diversification over convenience: 73% (Top 2 Box) say they "prefer NOT to have all my eggs in one basket," while 63% (Top 2 Box) "like the convenience of a bank that can serve as a one-stop shop for all my financial services needs"

– Affluent customers are also more financially involved and comfortable: 54% (Top 2 Box) of Affluent respondents say they "enjoy reading and discussing financial news and information," while only 28% (Top 2 Box) of Mass respondents agree with this statement

– PNC, SunTrust, and US Bank customers tend to favor "small, community / local banks over large, global banks" (50-54% Top 2 Box)

## Customer Attitudes
*(continued)*

Figure 2.9

**Overall Consumer Attitudes:**
Financial Services

| | Top 2 Box (%) |
|---|---|
| Banks claim they have my interests at heart but all they really care about are their own interests | 71% |
| It makes me uncomfortable to think about how large some banks have become | 59% |
| It's too much of a hassle to switch banks | 59% |
| I feel all banks are the same | 46% |
| Banks care more about new customers than loyal, long-time customers | 45% |
| I distrust most financial institutions | 41% |

Red = Above 50% Top 2 Box

Figure 2.10

**Overall Consumer Attitudes:**
Personal Finances

| | Top 2 Box (%) |
|---|---|
| I like the convenience of a bank that can serve as a one-stop shop for all my financial services needs | 70% |
| When it comes to financial services, I prefer NOT to have all my eggs in one basket | 57% |
| I'm open to receiving advice from financial planners, investment advisors and brokers | 50% |
| I prefer small, community / local banks over large, global banks | 47% |
| I prefer to minimize my interaction with my bank and would rather deal with transactions using technology rather than in person | 46% |
| I'm vocal about my opinions regarding financial matters – whether in person or in social media | 38% |
| Different banks are good at different things, and I prefer to use each for its specialized product or service | 36% |
| I often seek out advice from friends and family on financial matters | 35% |
| I enjoy reading and discussing financial news and information | 34% |
| People turn to me for advice on financial matters | 27% |
| I leverage social media to learn the "real story" about how companies/products/services I am considering really perform | 23% |
| I'm the first of my friends to explore new financial opportunities | 21% |
| I have complex investment needs | 14% |

Red = Above 50% Top 2 Box

## Customer Attitudes
*(continued)*

Figure 2.11

### Mass Customer Attitudes: Financial Services

| | Top 2 Box (%) |
|---|---|
| Banks claim they have my interests at heart but all they really care about are their own interests | 71% |
| It's too much of a hassle to switch banks | 59% |
| It makes me uncomfortable to think about how large some banks have become | 59% |
| I feel all banks are the same | 46% |
| Banks care more about new customers than loyal, long-time customers | 45% |
| I distrust most financial institutions | 42% |

Red = Above 50% Top 2 Box

Figure 2.12

### Mass Customer Attitudes: Personal Finances

| | Top 2 Box (%) |
|---|---|
| I like the convenience of a bank that can serve as a one-stop shop for all my financial services needs | 72% |
| When it comes to financial services, I prefer NOT to have all my eggs in one basket | 52% |
| I prefer small, community / local banks over large, global banks | 48% |
| I prefer to minimize my interaction with my bank and would rather deal with transactions using technology rather than in person | 46% |
| I'm open to receiving advice from financial planners, investment advisors and brokers | 46% |
| I often seek out advice from friends and family on financial matters | 37% |
| I'm vocal about my opinions regarding financial matters – whether in person or in social media | 36% |
| Different banks are good at different things, and I prefer to use each for its specialized product or service | 33% |
| I enjoy reading and discussing financial news and information | 28% |
| I leverage social media to learn the "real story" about how companies/products/services I am considering really perform | 23% |
| People turn to me for advice on financial matters | 22% |
| I'm the first of my friends to explore new financial opportunities | 18% |
| I have complex investment needs | 9% |

Red = Above 50% Top 2 Box

## CUSTOMER ATTITUDES
*(continued)*

Figure 2.13

### AFFLUENT CUSTOMER ATTITUDES: Financial Services

| | Top 2 Box (%) |
|---|---|
| Banks claim they have my interests at heart but all they really care about are their own interests | 71% |
| It makes me uncomfortable to think about how large some banks have become | 60% |
| It's too much of a hassle to switch banks | 58% |
| Banks care more about new customers than loyal, long-time customers | 48% |
| I feel all banks are the same | 43% |
| I distrust most financial institutions | 37% |

Red = Above 50% Top 2 Box

Figure 2.14

### AFFLUENT CUSTOMER ATTITUDES: Personal Finances

| | Top 2 Box (%) |
|---|---|
| When it comes to financial services, I prefer NOT to have all my eggs in one basket | 73% |
| I'm open to receiving advice from financial planners, investment advisors and brokers | 66% |
| I like the convenience of a bank that can serve as a one-stop shop for all my financial services needs | 63% |
| I enjoy reading and discussing financial news and information | 54% |
| Different banks are good at different things, and I prefer to use each for its specialized product or service | 47% |
| I'm vocal about my opinions regarding financial matters – whether in person or in social media | 45% |
| I prefer to minimize my interaction with my bank and would rather deal with transactions using technology rather than in person | 44% |
| I prefer small, community / local banks over large, global banks | 44% |
| People turn to me for advice on financial matters | 43% |
| I often seek out advice from friends and family on financial matters | 34% |
| I'm the first of my friends to explore new financial opportunities | 32% |
| I have complex investment needs | 28% |
| I leverage social media to learn the "real story" about how companies/products/services I am considering really perform | 24% |

Red = Above 50% Top 2 Box

# Bank of America

The oft-maligned Goliath of the industry, Bank of America has the most frustrated customer base and is the most vulnerable of the top 10 US retail banks examined. It is projected to lose 10.3% of its customers in the next 12 months and $42B in deposits, or 10.3% of its total retail business, a full $28B more than the next most vulnerable bank (Citibank).

It should also be noted that 22% of its customer base consider themselves to be 'in play', or actively considering to switch banks. This translates to $88B of deposits in play out of its current retail deposit base of $407B.

Figure 3.1

**Bank of America:** Deposits Currently In Play and Projected Deposit Losses (Next 12 Months)

| Category | Ranking by Total Deposits (Out of 10) | Total Retail Deposits (2010, US$ Billions) | Customers Currently Considering Switching (%) | Deposits Currently in Play (US$ Billions) | Customers Projected to Switch in Next 12 Months (%) | Projected Deposits Lost in the Next 12 Months (US$ Billions) |
|---|---|---|---|---|---|---|
| **Category** | | **$2,036** | **20%** | **$399** | **8.7%*** | **$185** |
| Bank of America | 2 | $407 | 22% | $88 | 10.3% | $42 |

Sources: 2010 Annual Report; Includes Small Businesses (Deposits LOB); cg42 analysis
Notes: * Category average, weighted average = 9.1%

Figure 3.2

**Bank of America:** Brand Vulnerability

| Category | Ranking by BVS (Out of 10) | Brand Vulnerability Score (BVS) | Customers Likely to Switch in Next 12 Months (%) | Total Retail Deposits (2010, US$ Billions) | Projected Deposits Lost in the Next 12 Months (US$ Billions) |
|---|---|---|---|---|---|
| **Category** | | **1.59** | **8.7%*** | **$2,036** | **$185** |
| Bank of America | 1 | 1.88 | 10.3% | $407 | $42 |

Sources: 2010 Annual Report; Includes Small Businesses (Deposits LOB); cg42 analysis
Notes: * Category average, weighted average = 9.1%

## Customer Profile

The Bank of America customers surveyed in this study tend to have been with the bank for a long time, with over 40% having tenures of more than 10 years (some of the longest tenures among the peer group). Half of its customer base has account balances of less than $5,000. 95% have a checking account; 72% have a savings account; 85% have debit cards; 43% have a mortgage; and 30% have an investment brokerage account with the bank. Approximately 30% of Bank of America's customers also have a loan with the bank. Like other bank's customers, Bank of America customers tend to have one other banking relationship beyond their primary relationship.

From an attitudinal standpoint, Bank of America customers are generally wary and distrustful of financial institutions:

- Over 70% agree (39% strongly) "Banks claim they have my interests at heart but all they really care about are their own interests"
- Despite being customers at one of the largest financial institutions in the US, more than 60% also say "It makes me uncomfortable to think about how large some banks have become"
- This may be explained by the fact that nearly as many believe "It's too much of a hassle to switch banks"

BofA customers are also conflicted:

- Close to 70% "like the convenience of a bank that can serve as a one-stop shop for all my financial services needs" (despite their discomfort re. the scale of some banks)
- But 62% also say they "prefer NOT to have all my eggs in one basket", perhaps echoing the distrust they feel regarding financial institutions in general and suggesting the notion that there is no single firm that can meet all their needs

Perhaps the most interesting characteristic of BofA customers may be that half "prefer to minimize my interaction with my bank and would rather deal with transactions using technology rather than in person" – pointing to a tech-savvy, convenience-minded, efficiency-oriented customer set.

## Vulnerability

*"Every time the wind changes, (Bank of America) finds a new fee they can...assess on your accounts"*

The key frustrations contributing to Bank of America's vulnerability are complaints that rise to the top across almost all of the banks tested – fees and charges:

– Being nickeled and dimed with incidental charges
– Not offering competitive rates and/or pricing
– Being hit with overdraft charges

These were not only reported to occur frequently and to have the most impact on BofA customers' likelihood to switch, they were also the most likely to be talked about – whether with friends and family, or via social media – creating the most 'noise' for the bank. Given this, structuring its offerings and business practices to improve customer experience in these specific areas could potentially have a dramatic effect in reducing Bank of America's vulnerability.

The only frustrations that did not rise above the industry median for BofA relate to technology, suggesting that customers find all other frustrations to be more problematic at the bank:

– Having problems with their online banking tools
– Having to use lagging/dated technology

However, it is worth noting that these are also considered to be frustrations unique to the organization, in that BofA customers believe other bank customers don't have to deal with these issues (or they expect them to be less pronounced at other institutions). These customers may in turn consider moving their business to other banks if these frustrations reach a boiling point. Given that more than 50% of Bank of America customers agree with the statement, "I prefer to minimize my interaction with my bank and would rather deal with transactions using technology rather than in person" (Top 2 Box), it may be wise not to underestimate the importance of these 2 issues.

## Vulnerability
*(continued)*

Figure 3.3

### Bank of America: Key Frustrations

| | Frequency | Sharing/ Word-of-Mouth | Impact | Uniqueness | BVS |
|---|---|---|---|---|---|
| Being nickeled and dimed with incidental charges | 43.49 | 43.87 | 40.71 | 23.71 | **2.77** |
| Not offering competitive rates and/or pricing | 44.97 | 38.45 | 35.98 | 23.95 | **2.54** |
| Being hit with overdraft charges | 25.23 | 42.08 | 38.18 | 20.64 | **2.45** |
| Not being able to reach a live person on the phone | 32.35 | 36.55 | 24.37 | 16.71 | **1.95** |
| Making promises they don't keep | 19.73 | 31.45 | 29.84 | 21.81 | **1.94** |
| Having to deal with rigid bank processes | 36.38 | 34.39 | 21.47 | 19.15 | **1.89** |
| Trying to be sold on products I don't need or want | 39.33 | 36.24 | 20.35 | 15.59 | **1.88** |
| Experiencing long hold times on the phone | 36.11 | 36.13 | 19.76 | 19.75 | **1.87** |
| Having to deal with staff who are not empowered to resolve issues | 30.74 | 31.84 | 23.06 | 19.52 | **1.83** |
| Experiencing long wait times in a branch | 38.26 | 33.64 | 19.27 | 19.27 | **1.83** |
| Having to deal with unknowledgeable staff | 26.31 | 29.58 | 23.75 | 20.31 | **1.77** |
| Mistakes on my statement | 10.74 | 25.62 | 30.25 | 18.91 | **1.72** |
| Inconsistent service experience across branches | 26.31 | 31.41 | 19.40 | 19.60 | **1.67** |
| Limited hours for their branches | 33.29 | 31.24 | 16.84 | 19.35 | **1.66** |
| Dealing with people at the bank that don't know me | 46.04 | 29.91 | 12.66 | 20.25 | **1.64** |
| Takes a long time to get a new request processed | 24.97 | 29.70 | 18.10 | 20.50 | **1.59** |
| Having problems with their online banking tools | 20.81 | 25.47 | 17.69 | 22.35 | **1.47** |
| Having to use lagging/dated technology | 14.36 | 27.15 | 16.89 | 25.93 | **1.45** |

Red = BVS above category median

## Vulnerability
*(continued)*

When Bank of America's Brand Vulnerability is viewed from the perspective of the peer group mean, some interesting patterns emerge. It is immediately clear that the bank suffers from pronounced frustrations across the board, in some cases scoring a full 30-50% above top 10 bank averages.

**Comparison: BVS**
Overall, gaining access to customer service seems to be especially problematic at Bank of America:

- Experiencing long wait times in a branch
- Not being able to reach a live person on the phone
- Experiencing long hold times on the phone

**Comparison: Frequency**
These issues and not feeling like their needs are being met appear to happen much more often with BofA customers than the average:

- Experiencing long wait times in a branch
- Not being able to reach a live person on the phone
- Experiencing long hold times on the phone
- Trying to be sold on products I don't need or want
- Making promises they don't keep

**Comparison: Sharing**
Frustrations related to access to customer service as well as technology tend to be vocalized much more by BofA customers than the average:

- Experiencing long wait times in a branch
- Not being able to reach a live person on the phone
- Experiencing long hold times on the phone
- Having to use lagging / dated technology

**Comparison: Impact**
The impact that frustrations have on customer switching behavior is markedly higher for Bank of America than the average, particularly those related to person-to-person interaction:

- Experiencing long wait times in a branch
- Not being able to reach a live person on the phone
- Experiencing long hold times on the phone
- Dealing with people at the bank that don't know me

**Comparison: Uniqueness**
Finally, wait times and fees seem to be viewed as problems unique to Bank of America, to a greater degree than the average:

- Experiencing long wait times in a branch
- Experiencing long hold times on the phone
- Being nickeled and dimed with incidental charges
- Being hit with overdraft charges

## Vulnerability
*(continued)*

Figure 3.4

**Bank of America:**
Salient Frustrations vs. the Peer Group Mean

| | BVS | Frequency | Sharing | Impact | Uniqueness |
|---|---|---|---|---|---|
| Experiencing long wait times in a branch | 38% | 36% | 33% | 53% | 24% |
| Not being able to reach a live person on the phone | 35% | 43% | 36% | 38% | 11% |
| Experiencing long hold times on the phone | 35% | 41% | 33% | 35% | 33% |
| Trying to be sold on products I don't need or want | 28% | 37% | 31% | 24% | 10% |
| Limited hours for their branches | 22% | 26% | 28% | 31% | -10% |
| Dealing with people at the bank that don't know me | 21% | 12% | 20% | 41% | 13% |
| Not offering competitive rates and/or pricing | 20% | 30% | 24% | 18% | 6% |
| Inconsistent service experience across branches | 20% | 23% | 19% | 28% | -1% |
| Having to use lagging/dated technology | 19% | 22% | 36% | 16% | -4% |
| Having to deal with rigid bank processes | 17% | 24% | 18% | 13% | 13% |
| Having problems with their online banking tools | 16% | 23% | 13% | 19% | 10% |
| Takes a long time to get a new request processed | 16% | 27% | 18% | 19% | -7% |
| Being nickeled and dimed with incidental charges | 14% | 24% | 12% | 10% | 30% |
| Having to deal with staff who are not empowered to resolve issues | 12% | 19% | 7% | 15% | 7% |
| Having to deal with unknowledgeable staff | 11% | 23% | 8% | 11% | 5% |
| Mistakes on my statement | 10% | 18% | -2% | 21% | -4% |
| Making promises they don't keep | 9% | 42% | 16% | 1% | 6% |
| Being hit with overdraft charges | 8% | 2% | 5% | 9% | 28% |

Another frequently maligned industry giant, Citibank has the second-most frustrated customer base overall, the highest proportion of customers who believe the bank's problems are unique (as opposed to common in the category), and the second-most vulnerable position of the top 10 banks examined. Citibank is currently projected to lose 9.8% of its customers and $14B in deposits, or 9.7% of its total retail deposit base, in the next 12 months.

Taking a broader view, it can be said that 23% of the organization's customers consider themselves to be 'in play', or actively considering a switch. Given Citibank's $145B deposit base, this would mean $33B is currently in play.

Figure 4.1

**Citibank:** Deposits Currently In Play and Projected Deposit Losses (Next 12 Months)

| | Ranking by Total Deposits (Out of 10) | Total Retail Deposits (2010, US$ Billions) | Customers Currently Considering Switching (%) | Deposits Currently in Play (US$ Billions) | Customers Projected to Switch in Next 12 Months (%) | Projected Deposits Lost in the Next 12 Months (US$ Billions) |
|---|---|---|---|---|---|---|
| **Category** | | **$2,036** | **20%** | **$399** | **8.7%*** | **$185** |
| Citibank | 4 | $145 | 23% | $33 | 9.8% | $14 |

Sources: 2010 Annual Report; North America Consumer Banking (includes small business); cg42 analysis
Notes: * Category average, weighted average = 9.1%

Figure 4.2

**Citibank:** Brand Vulnerability

| | Ranking by BVS (Out of 10) | Brand Vulnerability Score (BVS) | Customers Likely to Switch in Next 12 Months (%) | Total Retail Deposits (2010, US$ Billions) | Projected Deposits Lost in the Next 12 Months (US$ Billions) |
|---|---|---|---|---|---|
| **Category** | | **1.59** | **8.7%*** | **$2,036** | **$185** |
| Citibank | 2 | 1.79 | 9.8% | $145 | $14 |

Sources: 2010 Annual Report; North America Consumer Banking (includes small business); cg42 analysis
Notes: * Category average, weighted average = 9.1%

## Customer Profile

Forty percent of the Citibank customers surveyed in this study have tenures of more than 10 years. More than 20% of Citibank customers have account balances greater than $25,000. On average, 92% of customers have checking accounts; 72% have savings accounts; 77% have debit cards from the bank while 78% have credit cards from the bank; 41% have a mortgage; and 38% have an investment / brokerage account with Citibank; another 29% have loans. Like other bank's customers, Citibank customers tend to have one other banking relationship beyond their primary relationship.

As with Bank of America customers, Citibank customers are very wary when it comes to financial institutions:

– Nearly 3/4 of the customers agree "Banks claim they have my interests at heart but all they really care about are their own interests"

– 60% also say "It makes me uncomfortable to think about how large some banks have become," echoing some of the first sentiment

– About as many also think "It's too much of a hassle to switch banks"

These attitudes suggest Citibank customers are already somewhat reluctant players in their relationship with one of the largest global banks, resigned to the relationship – though viewed another way, this also presents an opportunity to actually delight this captive audience with low expectations.

Regarding preference between a one-stop shop and diversification, Citibank customers are split:

– 64% "like the convenience of a bank that can serve as a one-stop shop for all my financial services needs"

– And the exact same number – 64% – say "When it comes to financial services, I prefer NOT to have all my eggs in one basket"

In addition, 60% of Citibank customers are "open to receiving advice from financial planners, investment advisors and brokers." Paying attention to these range of preferences may help Citibank create and deliver a uniquely appealing value proposition to its customers.

## Vulnerability

*"(Citibank has) rigid rules...no delegated power with customer service."*

The frustrations that rise to the top for Citibank customers are consistent with those that appear across nearly all of the banks tested, and have to do with fees and charges:

– Being nickeled and dimed with incidental charges

– Not offering competitive rates and/or pricing

– Being hit with overdraft charges

Citibank customers also seem to find general customer service issues to be problematic:

– Not being able to reach a live person on the phone

– Having to deal with staff who are not empowered to resolve issues

– Experiencing long hold times on the phone

– Having to deal with unknowledgeable staff

These were reported to occur the most frequently, have the most impact on customers' likelihood to switch, and be the frustrations that are most likely to be complained about, influencing perceptions of Citibank beyond customers having first-hand experiences with the brand. Focusing on improvements in these specific areas, therefore, could potentially have a significant impact in reducing Citibank's overall vulnerability.

It should be noted that Citibank performs the worst out of the 10 banks included in the study from the standpoint of customer attribution of frustrations – that is, more Citibank customers than customers of other banks believe the issues they experience with their primary bank are unique to Citibank (vs. commonly experienced by customers of every bank).

In particular, the following are seen as especially problematic:

– Takes a long time to get a new request processed

– Having to use lagging/dated technology

– Limited hours for their branches

– Mistakes on my statement

– Not offering competitive rates

Given that the last frustration is the only one with high Frequency, Sharing, and Impact scores in addition to a high Uniqueness score, it would make sense for Citibank to prioritize improvements in this area to achieve the most efficient returns.

## Vulnerability
*(continued)*

Figure 4.3

### Citibank: Key Frustrations

| | Frequency | Sharing/ Word-of-Mouth | Impact | Uniqueness | **BVS** |
|---|---|---|---|---|---|
| Being nickeled and dimed with incidental charges | 41.54 | 42.03 | 37.91 | 21.04 | **2.60** |
| Not offering competitive rates and/or pricing | 45.77 | 38.35 | 36.09 | 25.21 | **2.56** |
| Being hit with overdraft charges | 23.35 | 35.79 | 33.58 | 18.26 | **2.14** |
| Not being able to reach a live person on the phone | 30.15 | 33.53 | 26.11 | 20.30 | **1.96** |
| Having to deal with staff who are not empowered to resolve issues | 33.09 | 33.33 | 21.57 | 21.53 | **1.86** |
| Making promises they don't keep | 18.01 | 28.00 | 28.73 | 23.87 | **1.84** |
| Experiencing long hold times on the phone | 35.48 | 33.60 | 19.78 | 17.41 | **1.79** |
| Having to deal with unknowledgeable staff | 28.49 | 31.56 | 21.53 | 22.99 | **1.79** |
| Trying to be sold on products I don't need or want | 37.68 | 30.25 | 19.35 | 21.12 | **1.77** |
| Mistakes on my statement | 11.95 | 29.63 | 25.93 | 26.06 | **1.75** |
| Having to deal with rigid bank processes | 36.40 | 32.04 | 18.23 | 19.70 | **1.75** |
| Takes a long time to get a new request processed | 28.13 | 29.50 | 18.01 | 30.49 | **1.72** |
| Limited hours for their branches | 30.70 | 28.36 | 13.13 | 28.57 | **1.55** |
| Dealing with people at the bank that don't know me | 43.38 | 28.21 | 10.00 | 24.09 | **1.54** |
| Inconsistent service experience across branches | 24.45 | 28.77 | 15.41 | 22.58 | **1.51** |
| Experiencing long wait times in a branch | 28.86 | 26.90 | 13.86 | 18.43 | **1.43** |
| Having to use lagging/dated technology | 14.34 | 20.92 | 17.99 | 29.59 | **1.40** |
| Having problems with their online banking tools | 19.12 | 25.32 | 13.46 | 23.42 | **1.34** |

Red = BVS above category median

## Vulnerability
*(continued)*

**Comparison: BVS**
When Citibank's Brand Vulnerability is viewed from the perspective of the peer group mean, several frustrations rise to the top:

- Not being able to reach a live person on the phone
- Experiencing long hold times on the phone
- Takes a long time to get a new request processed

**Comparison: Frequency**
The same issues, particularly "Takes a long time to get a new request processed", seem to occur more frequently at Citibank than the average, each with scores that are more than 35% above top 10 bank averages:

- Not being able to reach a live person on the phone
- Experiencing long hold times on the phone
- Takes a long time to get a new request processed
- Having to deal with unknowledgeable staff

**Comparison: Sharing**
These same phone-based customer service issues and high prices are frustrations that are vocalized much more by Citi customers than the average:

- Not being able to reach a live person on the phone
- Experiencing long hold times on the phone
- Not offering competitive rates and / or pricing

**Comparison: Impact**
Phone-based customer service rises to the top again, driving more switching behavior at Citibank than the average:

- Not being able to reach a live person on the phone
- Experiencing long hold times on the phone

**Comparison: Uniqueness**
A slightly different story emerges when Uniqueness Scores are examined, with frustrations ranging from lack of convenience to difficulty doing business viewed as problems that are unique to the bank, to a greater degree than the average:

- Not being able to reach a live person on the phone
- Takes a long time to get a new request processed
- Trying to be sold on products I don't need or want
- Limited hours for their branches
- Dealing with people at the bank who don't know me
- Mistakes on my statement

## Vulnerability
*(continued)*

Figure 4.4

### Citibank:
Salient Frustrations vs. the Peer Group Mean

| | BVS | Frequency | Sharing | Impact | Uniqueness |
|---|---|---|---|---|---|
| Not being able to reach a live person on the phone | 36% | 34% | 24% | 48% | 35% |
| Experiencing long hold times on the phone | 29% | 38% | 23% | 36% | 17% |
| Takes a long time to get a new request processed | 25% | 43% | 17% | 19% | 39% |
| Not offering competitive rates and/or pricing | 22% | 32% | 23% | 19% | 12% |
| Trying to be sold on products I don't need or want | 20% | 31% | 10% | 18% | 49% |
| Limited hours for their branches | 15% | 16% | 16% | 2% | 33% |
| Having to use lagging/dated technology | 14% | 21% | 5% | 23% | 10% |
| Having to deal with staff who are not empowered to resolve issues | 13% | 28% | 12% | 8% | 18% |
| Dealing with people at the bank that don't know me | 13% | 5% | 13% | 11% | 34% |
| Having to deal with unknowledgeable staff | 12% | 34% | 15% | 1% | 19% |
| Mistakes on my statement | 12% | 32% | 13% | 4% | 32% |
| Having to deal with rigid bank processes | 8% | 24% | 10% | -4% | 16% |
| Inconsistent service experience across branches | 8% | 14% | 9% | 2% | 14% |
| Experiencing long wait times in a branch | 8% | 3% | 6% | 10% | 19% |
| Being nickeled and dimed with incidental charges | 7% | 19% | 8% | 2% | 16% |
| Having problems with their online banking tools | 5% | 13% | 13% | -10% | 15% |
| Making promises they don't keep | 4% | 30% | 3% | -3% | 16% |
| Being hit with overdraft charges | -5% | -5% | -11% | -4% | 14% |

WELLS FARGO

Wells Fargo ranks in the worst 3 of the 10 brands included in the study, making it one of the most vulnerable retail banks in the US. It especially suffers from having frustrations considered to be unique to Wells' customer experience, performing only slightly better than Citibank (which ranks worst) in this regard. On a positive note, relative to the rest of the Big Four, Wells customers seem less prone to voice their frustrations with their primary bank, creating less 'noise' for the brand.

How does this translate to financial terms? While $94B of Wells' $530B retail deposits are currently considered to be 'in play" (i.e., associated with customers who claim to be actively considering a switch), its actual deposit loss over the next 12 months is projected at $48B, which is equivalent to 9.1% of its total retail business.

Figure 5.1

**Wells Fargo:** Deposits Currently In Play and Projected Deposit Losses (Next 12 Months)

| Category | Ranking by Total Deposits (Out of 10) | Total Retail Deposits (2010, US$ Billions) | Customers Currently Considering Switching (%) | Deposits Currently in Play (US$ Billions) | Customers Projected to Switch in Next 12 Months (%) | Projected Deposits Lost in the Next 12 Months (US$ Billions) |
|---|---|---|---|---|---|---|
| **Category** | | **$2,036** | **20%** | **$399** | **8.7%*** | **$185** |
| Wells Fargo | 1 | $530 | 18% | $94 | 9.1% | $48 |

Sources: 2010 Annual Report; Community Banking LOB (includes small business); excludes Wholesale Banking and Wealth, Brokerage & Retirement LOBs; cg42 analysis
Notes: * Category average, weighted average = 9.1%

Figure 5.2

**Wells Fargo:** Brand Vulnerability

| Category | Ranking by BVS (Out of 10) | Brand Vulnerability Score (BVS) | Customers Likely to Switch in Next 12 Months (%) | Total Retail Deposits (2010, US$ Billions) | Projected Deposits Lost in the Next 12 Months (US$ Billions) |
|---|---|---|---|---|---|
| **Category** | | **1.59** | **8.7%*** | **$2,036** | **$185** |
| Wells Fargo | 3 | 1.66 | 9.1% | $530 | $48 |

Sources: 2010 Annual Report; Community Banking LOB (includes small business); excludes Wholesale Banking and Wealth, Brokerage & Retirement LOBs; cg42 analysis
Notes: * Category average, weighted average = 9.1%

## Customer Profile

Forty-three percent of the Wells Fargo customers included in the study have been with their bank for over 10 years. 77% of customers have an account balance of less than $10,000. In terms of product offerings, 96% of Wells Fargo customers have checking accounts; 72% have savings accounts; 84% have a debit card with the bank, while 67% have a credit card; 29% have an investment/ brokerage account with the bank; while 8% have a mortgage with Wells; and 25% also have a loan with the bank. Like other bank's customers, Wells Fargo customers tend to have one other banking relationship

From an attitudinal standpoint, Wells Fargo's customers are similar to those at Bank of America, Chase, and Citibank – and as a matter of fact, consumers in general – in that they are wary and distrustful of financial institutions, and display a degree of inertia when it comes to switching consideration:

- 70% believe "Banks claim they have my interests at heart but all they really care about are their own interests"
- 58% also believe "It's too much of a hassle to switch banks"

Not surprisingly, given its scale and range of offerings, Wells customers also have a strong preference for the convenience of a one-stop shop financial institution, despite reservations regarding the size of some banks and recognizing the need for diversification:

- A full 73% "like the convenience of a bank that can serve as a one-stop shop for all my financial services needs"
- Even though 56% claim they are "uncomfortable to think about how large some banks have become"
- 60% also say they "prefer NOT to have all my eggs in one basket"

## Vulnerability

***"Sales people jump down your throat when you walk in the door (at Wells). They don't go away and they try not to let you leave until you get another account."***

Wells Fargo has many of the same vulnerabilities its competitors have, with fees and charges topping the list:

- Being nickeled and dimed with incidental charges
- Not offering competitive rates and/or pricing
- Being hit with overdraft charges

These frustrations have disproportionately high (i.e., poor) scores across the board – from Frequency and Sharing to Impact and Uniqueness, and therefore must be addressed urgently.

Perhaps most interesting is that Wells Fargo is the one bank in the study with a particularly salient, 'signature' vulnerability: "Trying to be sold on products I don't need or want". This emerges as a key frustration in terms of both Frequency and Sharing, and to a lesser extent, Impact and Uniqueness. This means that this frustration creates a lot of 'noise' for Wells (i.e., Wells is known for it), but that it does not have as much of a detrimental impact on retention. Still, the Frequency and Sharing factors alone make this a key vulnerability for Wells (only fees and charges have a higher, less desirable score), warranting the organization's attention.

## Vulnerability
*(continued)*

Figure 5.3

### Wells Fargo: Key Frustrations

| | Frequency | Sharing/ Word-of-Mouth | Impact | Uniqueness | BVS |
|---|---|---|---|---|---|
| Being nickeled and dimed with incidental charges | 35.77 | 38.22 | 36.39 | 18.45 | **2.40** |
| Not offering competitive rates and/or pricing | 37.33 | 34.24 | 28.29 | 25.44 | **2.16** |
| Being hit with overdraft charges | 22.71 | 40.32 | 31.61 | 17.51 | **2.16** |
| Trying to be sold on products I don't need or want | 38.10 | 34.26 | 18.52 | 20.31 | **1.82** |
| Making promises they don't keep | 13.06 | 27.82 | 30.45 | 21.52 | **1.82** |
| Having to deal with staff who are not empowered to resolve issues | 27.99 | 32.54 | 22.22 | 20.13 | **1.80** |
| Having to deal with rigid bank processes | 32.81 | 30.05 | 20.94 | 22.19 | **1.78** |
| Having to deal with unknowledgeable staff | 21.77 | 28.17 | 25.92 | 22.00 | **1.78** |
| Mistakes on my statement | 11.04 | 25.64 | 26.01 | 20.72 | **1.61** |
| Inconsistent service experience across branches | 22.86 | 27.73 | 17.76 | 25.30 | **1.57** |
| Dealing with people at the bank that don't know me | 42.15 | 29.09 | 10.68 | 20.07 | **1.52** |
| Not being able to reach a live person on the phone | 22.55 | 28.24 | 17.65 | 17.84 | **1.50** |
| Takes a long time to get a new request processed | 19.91 | 25.99 | 16.82 | 24.60 | **1.47** |
| Experiencing long hold times on the phone | 25.66 | 26.01 | 15.82 | 17.25 | **1.42** |
| Experiencing long wait times in a branch | 31.57 | 25.06 | 13.42 | 18.86 | **1.41** |
| Limited hours for their branches | 23.64 | 23.43 | 13.08 | 23.64 | **1.33** |
| Having problems with their online banking tools | 18.20 | 23.58 | 14.47 | 20.66 | **1.29** |
| Having to use lagging/dated technology | 8.09 | 17.37 | 15.25 | 23.26 | **1.12** |

Red = BVS above category median

**Vulnerability**
*(continued)*

When Wells Fargo's Brand Vulnerability is viewed from the perspective of the peer group mean, the story becomes even more clear – "Trying to be sold on products I don't need or want" pops in almost every respect, with Wells performing notably poorly vs. the top 10 average on this frustration:

– 24% higher BVS than the mean

– 33% higher Frequency Score than the mean

– 24% higher Sharing / Word-of-Mouth Score than the mean

– 43% higher Uniqueness Score than the mean

"Mistakes on my statement" also seems to occur more frequently at Wells than on average, though "Having to use lagging / dated technology" seems to occur much less frequently than the average. "Dealing with people at the bank who don't know me" and "Having to deal with unknowledgeable staff" seem to have more of an impact on switching behavior at Wells than average. Finally, "Inconsistent service experience across branches" and "Having to deal with rigid bank processes" emerge as frustrations uniquely tied to the Wells experience.

## Vulnerability
*(continued)*

Figure 5.4

### Wells Fargo:
Salient Frustrations vs. the Peer Group Mean

| | BVS | Frequency | Sharing | Impact | Uniqueness |
|---|---|---|---|---|---|
| Trying to be sold on products I don’t need or want | 24% | 33% | 24% | 13% | 43% |
| Inconsistent service experience across branches | 12% | 7% | 5% | 17% | 27% |
| Dealing with people at the bank that don’t know me | 12% | 2% | 17% | 19% | 12% |
| Having to deal with unknowledgeable staff | 11% | 2% | 3% | 21% | 13% |
| Having to deal with rigid bank processes | 10% | 12% | 3% | 10% | 31% |
| Having to deal with staff who are not empowered to resolve issues | 10% | 9% | 9% | 11% | 10% |
| Takes a long time to get a new request processed | 7% | 1% | 3% | 11% | 12% |
| Experiencing long wait times in a branch | 7% | 12% | -1% | 6% | 22% |
| Not being able to reach a live person on the phone | 4% | 0% | 5% | 0% | 19% |
| Mistakes on my statement | 3% | 22% | -2% | 4% | 5% |
| Not offering competitive rates and/or pricing | 3% | 8% | 10% | -7% | 13% |
| Experiencing long hold times on the phone | 3% | 0% | -4% | 8% | 16% |
| Making promises they don't keep | 2% | -6% | 3% | 3% | 4% |
| Having problems with their online banking tools | 2% | 8% | 5% | -3% | 1% |
| Being nickeled and dimed with incidental charges | -1% | 2% | -2% | -2% | 1% |
| Limited hours for their branches | -2% | -11% | -4% | 2% | 10% |
| Being hit with overdraft charges | -4% | -8% | 1% | -9% | 9% |
| Having to use lagging/dated technology | -9% | -32% | -13% | 4% | -14% |

Capital One is the fourth-most vulnerable retail bank in the US overall, after Bank of America, Citibank, and Wells Fargo. It is also in the worst 4 when it comes to how vocal its customers are about their frustrations (creating more 'noise' than Wells), and in the worst 3 when it comes to the likelihood its customers will switch primary providers as a result of their frustrations.

Capital One has $12B in deposits and 15% of customers currently 'in play', the number that is actively considering a switch. The customer base actually projected to be lost is 9%, or $7B, representing 8.4% of the bank's total retail deposit base.

Figure 6.1

**Capital One:** Deposits Currently In Play and Projected Deposit Losses (Next 12 Months)

| | Ranking by Total Deposits (Out of 10) | Total Retail Deposits (2010, US$ Billions) | Customers Currently Considering Switching (%) | Deposits Currently in Play (US$ Billions) | Customers Projected to Switch in Next 12 Months (%) | Projected Deposits Lost in the Next 12 Months (US$ Billions) |
|---|---|---|---|---|---|---|
| **Category** | | **$2,036** | **20%** | **$399** | **8.7%*** | **$185** |
| Capital One | 9 | $83 | 15% | $12 | 9.0% | $7 |

Sources: 2010 Annual Report; Includes Small Business; cg42 analysis
Notes: * Category average, weighted average = 9.1%

Figure 6.2

**Capital One:** Brand Vulnerability

| | Ranking by BVS (Out of 10) | Brand Vulnerability Score (BVS) | Customers Likely to Switch in Next 12 Months (%) | Total Retail Deposits (2010, US$ Billions) | Projected Deposits Lost in the Next 12 Months (US$ Billions) |
|---|---|---|---|---|---|
| **Category** | | **1.59** | **8.7%*** | **$2,036** | **$185** |
| Capital One | 4 | 1.64 | 9.0% | $83 | $7 |

Sources: 2010 Annual Report; Includes Small Business; cg42 analysis
Notes: * Category average, weighted average = 9.1%

## Customer Profile

Fifty-one percent of the Capital One customers surveyed in this study have a tenure between 2 – 10 years with the bank, making them one of the banks with shorter average tenure. Almost 75% of Capital One customers have account balances with less than $10,000. On average, 94% of Capital One customers have a checking account; 68% have a savings account; 80% have a debit card and 77% a credit card; 37% have a mortgage and 38% have a loan with Capital One. Customers here, like customers from other banks, tend to have one other banking relationship in addition to the one they have with Capital One.

Attitudinally, Capital One customers are similar to customers of other banks – being generally cynical and distrustful of financial institutions:

– 70% believe "Banks claim they have my interests at heart but all they really care about are their own interests"

– 58% feel "It's too much of a hassle to switch banks"

– The same number say "It makes me uncomfortable to think about how large some banks have become"

Capital One customers also tend to be more like customers at banks like PNC and SunTrust than those at a Big Four – they have a preference for one-stop financial shopping, yet also prefer small banks over large ones:

– 70% of respondents "like the convenience of a bank that can serve as a one-stop shop for all my financial services needs"

– 60% say they "prefer NOT to have all my eggs in one basket"

– 52% "prefer small, community / local banks over large, global banks"

## Vulnerability

*"(Capital One has) associates or tellers that don't know the answer to questions."*

The key vulnerabilities Capital One has are the same ones all other banks seem to share – fees and charges:

- Being hit with overdraft charges
- Being nickeled and dimed with incidental charges
- Not offering competitive rates and/or pricing

Basic customer service failings, a general lack of accountability, and difficulty doing business also rise to the top as themes:

- Having to deal with staff who are not empowered to resolve issues
- Mistakes on my statement
- Having to deal with unknowledgeable staff
- Making promises they don't keep
- Not being able to reach a live person on the phone
- Experiencing long hold times on the phone
- Takes a long time to get a new request processed
- Trying to be sold on products I don't need or want
- Having to deal with rigid bank processes

Similar to the other players examined, Capital One would benefit most by looking at their practices surrounding fees and charges, since these are some of the most likely to result in customers moving their business as a result of their frustration. However, addressing some of the more fundamental service issues – training and empowering staff, eliminating mistakes, minimizing hold / wait / processing times – should also help to move the needle on Capital One's vulnerability in the right direction.

## Vulnerability
*(continued)*

Figure 6.3

**Capital One:** Key Frustrations

| | Frequency | Sharing/ Word-of-Mouth | Impact | Uniqueness | BVS |
|---|---|---|---|---|---|
| Being hit with overdraft charges | 22.91 | 36.80 | 34.94 | 15.35 | **2.17** |
| Being nickeled and dimed with incidental charges | 30.17 | 33.96 | 32.70 | 16.19 | **2.12** |
| Not offering competitive rates and/or pricing | 31.66 | 30.09 | 31.81 | 18.95 | **2.06** |
| Having to deal with staff who are not empowered to resolve issues | 26.82 | 35.76 | 22.47 | 16.67 | **1.82** |
| Mistakes on my statement | 11.17 | 26.42 | 30.66 | 23.27 | **1.79** |
| Having to deal with unknowledgeable staff | 23.28 | 30.23 | 24.76 | 16.95 | **1.75** |
| Making promises they don't keep | 12.10 | 29.20 | 28.32 | 19.30 | **1.75** |
| Not being able to reach a live person on the phone | 27.19 | 34.43 | 19.67 | 17.51 | **1.73** |
| Experiencing long hold times on the phone | 32.96 | 35.38 | 16.96 | 15.48 | **1.70** |
| Takes a long time to get a new request processed | 20.48 | 28.42 | 18.84 | 24.40 | **1.58** |
| Trying to be sold on products I don't need or want | 33.33 | 27.73 | 17.37 | 15.38 | **1.56** |
| Having to deal with rigid bank processes | 26.26 | 26.05 | 18.33 | 15.21 | **1.49** |
| Limited hours for their branches | 25.14 | 26.91 | 15.61 | 21.24 | **1.47** |
| Dealing with people at the bank that don't know me | 39.85 | 27.76 | 10.51 | 15.71 | **1.43** |
| Experiencing long wait times in a branch | 27.37 | 28.66 | 12.24 | 15.53 | **1.37** |
| Inconsistent service experience across branches | 20.86 | 26.02 | 13.38 | 20.00 | **1.33** |
| Having problems with their online banking tools | 15.83 | 24.41 | 15.38 | 19.69 | **1.31** |
| Having to use lagging/dated technology | 10.61 | 20.98 | 11.61 | 28.77 | **1.16** |

Red = BVS above category median

**Vulnerability**
*(continued)*

This customer service (and associated challenges) story becomes apparent once Capital One's Brand Vulnerability is viewed from the perspective of the peer group mean – many of the same service challenges rise to the top from each of Frequency, Sharing / Word-of-Mouth, and Impact perspectives:

– "Experiencing long hold times on the phone" and "Not being able to reach a live person on the phone" stand out in their above-average frequency of occurrence as well as tendency to be discussed by Capital One customers

– "Takes a long time to get a new request processed," "Mistakes on my statement," and "Limited hours for their branches" drive switching behavior more so at Capital One than the average

None of the frustrations seem to deviate too greatly from the average from a Uniqueness perspective.

## Vulnerability

*(continued)*

### Figure 6.4

**Capital One:**
Salient Frustrations vs. the Peer Group Mean

| | BVS | Frequency | Sharing | Impact | Uniqueness |
|---|---|---|---|---|---|
| Experiencing long hold times on the phone | 23% | 28% | 30% | 16% | 4% |
| Not being able to reach a live person on the phone | 20% | 20% | 28% | 12% | 16% |
| Takes a long time to get a new request processed | 15% | 4% | 13% | 24% | 11% |
| Mistakes on my statement | 15% | 23% | 1% | 22% | 18% |
| Having to deal with staff who are not empowered to resolve issues | 11% | 4% | 20% | 12% | -9% |
| Having to deal with unknowledgeable staff | 10% | 9% | 10% | 16% | -13% |
| Limited hours for their branches | 9% | -5% | 10% | 21% | -1% |
| Trying to be sold on products I don't need or want | 6% | 16% | 1% | 6% | 9% |
| Dealing with people at the bank that don't know me | 5% | -3% | 12% | 17% | -13% |
| Experiencing long wait times in a branch | 4% | -3% | 13% | -3% | 0% |
| Having problems with their online banking tools | 3% | -6% | 9% | 3% | -3% |
| Making promises they don't keep | -1% | -13% | 8% | -4% | -6% |
| Not offering competitive rates and/or pricing | -2% | -9% | -3% | 5% | -16% |
| Being hit with overdraft charges | -4% | -7% | -8% | 0% | -4% |
| Inconsistent service experience across branches | -5% | -3% | -2% | -11% | 1% |
| Having to use lagging/dated technology | -5% | -10% | 5% | -21% | 7% |
| Having to deal with rigid bank processes | -8% | -10% | -11% | -3% | -10% |
| Being nickeled and dimed with incidental charges | -12% | -14% | -13% | -12% | -11% |

CHASE

Of the Big Four retail banks, Chase is the one that receives the least amount of negative feedback from its customers. It ranks fifth in vulnerability overall – in the worst 3 from the perspectives of Frequency and Sharing, but fourth least vulnerable in terms of Impact and Uniqueness. Put differently, Chase has very vocal customers who report experiencing frequent frustrations, but these are considered largely a category issue (i.e., 'everyone does it, not just Chase'), and not problematic enough to warrant switching / switching consideration.

It should be noted that although Chase suffers from the largest proportion of customers currently 'in play' – with 24% saying they are actively considering a switch – those actually projected to leave comprise a lower percentage than either Bank of America or Citibank. Chase is projected to lose 8.9% of its customers and $31B in deposits, or 9% of its total retail deposits.

Figure 7.1

**CHASE:**
Deposits Currently In Play and Projected Deposit Losses (Next 12 Months)

| | Ranking by Total Deposits (Out of 10) | Total Retail Deposits (2010, US$ Billions) | Customers Currently Considering Switching (%) | Deposits Currently in Play (US$ Billions) | Customers Projected to Switch in Next 12 Months (%) | Projected Deposits Lost in the Next 12 Months (US$ Billions) |
|---|---|---|---|---|---|---|
| **Category** | | **$2,036** | **20%** | **$399** | **8.7%*** | **$185** |
| Chase | 3 | $344 | 24% | $83 | 8.9% | $31 |

Sources: 2010 Annual Report; Retail Financial Services LOB (includes small businesses); cg42 analysis
Notes: * Category average, weighted average = 9.1%

Figure 7.2

**CHASE:**
Brand Vulnerability

| | Ranking by BVS (Out of 10) | Brand Vulnerability Score (BVS) | Customers Likely to Switch in Next 12 Months (%) | Total Retail Deposits (2010, US$ Billions) | Projected Deposits Lost in the Next 12 Months (US$ Billions) |
|---|---|---|---|---|---|
| **Category** | | **1.59** | **8.7%*** | **$2,036** | **$185** |
| Chase | 5 | 1.62 | 8.9% | $344 | $31 |

Sources: 2010 Annual Report; Retail Financial Services LOB (includes small businesses); cg42 analysis
Notes: * Category average, weighted average = 9.1%

## Customer Profile

More than 50% of the Chase customers in this study have a tenure between 2 – 10 years with the bank, making their customers relatively new when compared to the rest of the Big Four. Approximately 64% of Chase customers have an account balance lower than $5,000. From a product offering standpoint, 96% have a checking account; 66% a savings account; 80% have a debit card and 71% a credit card with the bank; 27% have an investment/ brokerage account with Chase; 37% have a mortgage, while 26% have a loan with Chase. Like other bank's customers, Chase customers tend to have one other banking relationship.

As with Citibank and Bank of America, Chase customers are wary of banks, though to a slightly lesser degree:

- 71% of their customers believe "Banks claim they have my interests at heart but all they really care about are their own interests"

As with other large bank customers, Chase customers are ambivalent about doing business with banks of this scale

- 59% are "uncomfortable to think about how large some banks have become"
- And 62% "prefer NOT to have all my eggs in one basket"

However, their preference for the convenience of a one-stop shop seems to override their other concerns

- 71% "like the convenience of a bank that can serve as a one-stop shop for all my financial services needs"
- In addition, 54% feel "It's too much of a hassle to switch banks"

It will be useful for Chase to keep in mind these contradictory tendencies in their customers, as it thinks of ways to better serve them going forward.

## Vulnerability

*"Chase is too large to care about its customers."*

As with most of the banks included in the study, Chase customers cite fees and charges as their top frustrations:

– Being nickeled and dimed with incidental charges

– Not offering competitive rates and/or pricing

– Being hit with overdraft charges

They also point to actions that make it difficult to do business with the bank, as well as to its perceived lack of accountability:

– Having to deal with rigid bank processes

– Making promises they don't keep

– Having to deal with staff who are not empowered to resolve issues

– Trying to be sold on products I don't need or want

– Having to deal with unknowledgeable staff

– Mistakes on my statement

– Dealing with people at the bank that don't know me

Interestingly, there are very few frustrations customers attribute singularly to Chase – except for the following four, most frustrations are seen as common occurrences in the category:

– Having to use lagging / dated technology

– Having problems with their online banking tools

– Not offering competitive rates

– Mistakes on my statement

It should be noted that the 2 frustrations related to technology are frequently considered by customers to be unique to their primary bank. In fact, customers of all 10 banks – except BB&T and PNC – rate both frustrations as 'unique' to their bank. Even with BB&T and PNC, "Having to use lagging / dated technology" is considered a 'unique' problem by their customers. Improving the technology experience in financial services in general seems to be a salient theme.

## Vulnerability
*(continued)*

Figure 7.3

| **Chase:** Key Frustrations | Frequency | Sharing/ Word-of-Mouth | Impact | Uniqueness | **BVS** |
|---|---|---|---|---|---|
| Being nickeled and dimed with incidental charges | 38.56 | 43.21 | 40.53 | 17.38 | **2.64** |
| Not offering competitive rates and/or pricing | 37.68 | 36.56 | 30.84 | 20.96 | **2.24** |
| Being hit with overdraft charges | 24.05 | 39.94 | 33.53 | 18.18 | **2.23** |
| Having to deal with rigid bank processes | 35.19 | 34.27 | 19.61 | 15.83 | **1.78** |
| Making promises they don't keep | 16.86 | 28.57 | 27.95 | 18.73 | **1.77** |
| Having to deal with staff who are not empowered to resolve issues | 26.83 | 31.19 | 19.52 | 18.58 | **1.66** |
| Trying to be sold on products I don't need or want | 35.04 | 28.82 | 19.00 | 15.16 | **1.65** |
| Having to deal with unknowledgeable staff | 23.46 | 29.17 | 18.06 | 18.34 | **1.54** |
| Mistakes on my statement | 9.82 | 24.41 | 24.41 | 20.58 | **1.52** |
| Dealing with people at the bank that don't know me | 48.09 | 30.77 | 7.89 | 16.33 | **1.50** |
| Not being able to reach a live person on the phone | 25.37 | 29.72 | 15.37 | 17.50 | **1.48** |
| Takes a long time to get a new request processed | 22.29 | 28.93 | 14.47 | 18.33 | **1.42** |
| Experiencing long hold times on the phone | 25.95 | 29.19 | 13.88 | 14.03 | **1.40** |
| Having to use lagging/dated technology | 13.20 | 22.83 | 16.67 | 24.30 | **1.33** |
| Inconsistent service experience across branches | 23.02 | 26.15 | 13.21 | 16.96 | **1.32** |
| Experiencing long wait times in a branch | 28.59 | 26.42 | 11.53 | 12.78 | **1.29** |
| Having problems with their online banking tools | 16.86 | 22.89 | 15.26 | 20.00 | **1.28** |
| Limited hours for their branches | 24.34 | 23.44 | 9.48 | 17.88 | **1.18** |

Red = BVS above category median

**Vulnerability** *(continued)*

When Chase's Brand Vulnerability is viewed from the perspective of the peer group mean, the frustrations that emerge support the need to improve the bank's accountability and ease of doing business:

- "Trying to be sold on products I don't need or want", "Having to deal with rigid bank processes", and "Making promises they don't keep" occur with more frequency at Chase than the average
- And "Dealing with people at the bank who don't know me" seems to be a frustration discussed more often by Chase customers than the average

"Limited hours for their branches", interestingly, actually seems to have a much lower impact on Chase customers' switching behavior than when it occurs at other top 10 banks. Chase otherwise seems to perform as expected (close to average) from a Uniqueness perspective.

## Vulnerability
*(continued)*

Figure 7.4

### Chase:
Salient Frustrations vs. the Peer Group Mean

| | BVS | Frequency | Sharing | Impact | Uniqueness |
|---|---|---|---|---|---|
| Trying to be sold on products I don't need or want | 12% | 22% | 5% | 16% | 7% |
| Having to deal with rigid bank processes | 10% | 20% | 17% | 3% | -6% |
| Dealing with people at the bank that don't know me | 10% | 17% | 24% | -12% | -9% |
| Being nickeled and dimed with incidental charges | 9% | 10% | 11% | 9% | -4% |
| Having to use lagging/dated technology | 9% | 12% | 14% | 14% | -10% |
| Not offering competitive rates and/or pricing | 6% | 9% | 18% | 1% | -7% |
| Takes a long time to get a new request processed | 3% | 14% | 15% | -5% | -17% |
| Not being able to reach a live person on the phone | 3% | 12% | 10% | -13% | 16% |
| Having to deal with staff who are not empowered to resolve issues | 2% | 4% | 4% | -3% | 2% |
| Having problems with their online banking tools | 1% | 0% | 2% | 2% | -2% |
| Experiencing long hold times on the phone | 1% | 1% | 7% | -5% | -6% |
| Making promises they don't keep | 0% | 21% | 5% | -5% | -9% |
| Being hit with overdraft charges | -1% | -2% | 0% | -4% | 13% |
| Experiencing long wait times in a branch | -2% | 2% | 4% | -9% | -18% |
| Mistakes on my statement | -3% | 8% | -7% | -3% | 4% |
| Having to deal with unknowledgeable staff | -3% | 10% | 6% | -16% | -5% |
| Inconsistent service experience across branches | -5% | 8% | -1% | -13% | -15% |
| Limited hours for their branches | -13% | -8% | -4% | -26% | -17% |

TD Bank falls in the middle of the pack, ranking sixth-most vulnerable – less vulnerable than Capital One or Chase, but more vulnerable than BB&T or US Bank. The frustrations customers experience seem to be considered fairly unique to TD Bank however, with only Bank of America, Wells Fargo, and Citibank coming in with higher (i.e., worse) Uniqueness scores.

TD also suffers from a relatively high percentage (22%) of customers actively considering to switch, with $29B of its $131B deposits 'in play'. 8.6% of customers or $11B in deposits are actually projected to leave the bank over the next 12 months.

Figure 8.1

**TD Bank:**
Deposits Currently In Play and Projected Deposit Losses (Next 12 Months)

| | Ranking by Total Deposits (Out of 10) | Total Retail Deposits (2010, US$ Billions) | Customers Currently Considering Switching (%) | Deposits Currently in Play (US$ Billions) | Customers Projected to Switch in Next 12 Months (%) | Projected Deposits Lost in the Next 12 Months (US$ Billions) |
|---|---|---|---|---|---|---|
| **Category** | | **$2,036** | **20%** | **$399** | **8.7%*** | **$185** |
| TD Bank | 5 | $131 | 22% | $29 | 8.6% | $11 |

Sources: FDIC; includes all deposits from individuals, partnerships & corporations – excludes deposits from governments and other financial institutions; cg42 analysis
Notes: * Category average, weighted average = 9.1%

Figure 8.2

**TD Bank:**
Brand Vulnerability

| | Ranking by BVS (Out of 10) | Brand Vulnerability Score (BVS) | Customers Likely to Switch in Next 12 Months (%) | Total Retail Deposits (2010, US$ Billions) | Projected Deposits Lost in the Next 12 Months (US$ Billions) |
|---|---|---|---|---|---|
| **Category** | | **1.59** | **8.7%*** | **$2,036** | **$185** |
| TD Bank | 6 | 1.56 | 8.6% | $131 | $11 |

Sources: FDIC; includes all deposits from individuals, partnerships & corporations – excludes deposits from governments and other financial institutions; cg42 analysis
Notes: * Category average, weighted average = 9.1%

## Customer Profile

Approximately 60% of the TD customers surveyed have a tenure of 5 years or more with the bank. More than 80% have an account balance of $10,000 or less. Additionally, close to 96% of customers have checking accounts; 64% have savings accounts; 67% have a credit card with the bank while 81% have a debit card; 38% have a mortgage with TD; and 31% have loans. TD customers on average have 2 banking relationships, including the relationship they have with their primary provider.

Compared to customers of the smaller, regional banks, TD Bank customers seem more wary and cynical about the financial services industry, similar to customers of the Big Four:

– 74% feel "Banks claim they have my interests at heart but all they really care about are their own interests"

– 62% are "uncomfortable to think about how large some banks have become"

– 59% believe "It's too much of a hassle to switch banks"

Despite this, they also seem to have a much stronger preference for convenience over diversification, similar to customers at PNC and SunTrust:

– 71% of respondents "like the convenience of a bank that can serve as a one-stop shop for all my financial services needs"

– Only 57% say they "prefer NOT to have all my eggs in one basket"

This may be explained by the history of TD – customers may still be adjusting from the acquisition of Commerce Bank, making them rather wary, yet they may still find a convenience-based value proposition appealing.

## Vulnerability

*"(There is a) lack of customer support and interest in customers (at TD), we are just money to them."*

TD has the same key vulnerabilities as all of its top 10 competitors:

- Being nickeled and dimed with incidental charges
- Being hit with overdraft charges
- Not offering competitive rates and/or pricing
- Making promises they don't keep

Additionally, "Having to use lagging / dated technology" – the one frustration that emerges as 'unique,' ironically, to every bank – emerges here as well, as a frustration 'unique' to TD Bank.

Beyond these similarities however, it is clear that TD suffers from basic customer service issues that call into question its level of professionalism and competence, as well as its ease of doing business:

- Having to deal with unknowledgeable staff
- Having to deal with staff who are not empowered to resolve issues
- Having to deal with rigid bank processes
- Mistakes on my statement
- Inconsistent service experience across branches

Working to improve these areas could help TD reach parity with players like PNC and SunTrust, helping to lay the groundwork for true differentiation.

## Vulnerability
*(continued)*

Figure 8.3

### TD Bank: Key Frustrations

| TD Bank: Key Frustrations | Frequency | Sharing/ Word-of-Mouth | Impact | Uniqueness | BVS |
|---|---|---|---|---|---|
| Being nickeled and dimed with incidental charges | 40.51 | 45.61 | 42.98 | 23.32 | **2.84** |
| Being hit with overdraft charges | 28.72 | 47.76 | 39.30 | 19.02 | **2.61** |
| Not offering competitive rates and/or pricing | 34.10 | 34.06 | 31.44 | 26.29 | **2.23** |
| Making promises they don't keep | 15.38 | 28.57 | 31.97 | 24.32 | **1.93** |
| Having to deal with unknowledgeable staff | 22.56 | 31.22 | 21.72 | 17.28 | **1.67** |
| Having to deal with staff who are not empowered to resolve issues | 23.08 | 28.25 | 19.28 | 20.67 | **1.58** |
| Having to deal with rigid bank processes | 29.23 | 27.56 | 17.78 | 19.21 | **1.57** |
| Mistakes on my statement | 9.23 | 29.86 | 20.83 | 20.00 | **1.51** |
| Inconsistent service experience across branches | 21.79 | 28.57 | 15.34 | 26.05 | **1.51** |
| Experiencing long wait times in a branch | 33.08 | 26.89 | 12.88 | 16.67 | **1.42** |
| Dealing with people at the bank that don't know me | 44.62 | 20.07 | 8.03 | 17.07 | **1.26** |
| Having problems with their online banking tools | 14.87 | 21.03 | 14.87 | 20.83 | **1.22** |
| Trying to be sold on products I don't need or want | 16.67 | 20.11 | 16.09 | 11.32 | **1.16** |
| Limited hours for their branches | 10.77 | 20.77 | 15.38 | 17.14 | **1.16** |
| Having to use lagging/dated technology | 11.28 | 19.40 | 12.69 | 26.74 | **1.15** |
| Takes a long time to get a new request processed | 14.62 | 22.04 | 10.75 | 21.31 | **1.12** |
| Not being able to reach a live person on the phone | 15.90 | 19.89 | 13.64 | 14.04 | **1.11** |
| Experiencing long hold times on the phone | 19.23 | 21.86 | 10.70 | 15.27 | **1.10** |

Red = BVS above category median

**Vulnerability**
*(continued)*

It is interesting to see what bubbles to the top when TD's Brand Vulnerability is viewed from the perspective of the peer group mean:

– "Being nickeled and dimed with incidental charges" and "Inconsistent service experience across branches" are the only 2 frustrations that deviate significantly from the average in a negative sense, and only in Uniqueness, meaning that these are frustrations TD customers tend to view as specific to TD, more than customers of other banks

On the positive side, basic customer service issues many of the other top 10 banks suffer from – "Takes a long time to get a request processed", "Experiencing long hold times on the phone", "Not being able to reach a live person on the phone", "Trying to be sold on products I don't need or want", and "Limited hours for their branches", actually emerge as areas in which TD Bank performs better than its peer group:

– All 5 frustrations – especially "Limited hours for their branches", have significantly lower Frequency Scores than the average, suggesting these frustrations occur much less frequently then average at TD

– "Trying to be sold on products I don't need or want" and "Not being able to reach a live person on the phone" have lower Sharing / Word-of-Mouth Scores than the average, meaning they create much less 'noise' for TD than they would for other top 10 banks

– "Takes a long time to get a request processed" "Experiencing long hold times on the phone", and "Not being able to reach a live person on the phone" are all frustrations for which TD Bank seems to experience a lower-than-average likelihood of its customers to switch

## Vulnerability
*(continued)*

Figure 8.4

**TD Bank:**
Salient Frustrations vs. the Peer Group Mean

| | BVS | Frequency | Sharing | Impact | Uniqueness |
|---|---|---|---|---|---|
| Being nickeled and dimed with incidental charges | 17% | 16% | 17% | 16% | 28% |
| Being hit with overdraft charges | 16% | 16% | 19% | 13% | 18% |
| Making promises they don't keep | 9% | 11% | 5% | 8% | 18% |
| Inconsistent service experience across branches | 8% | 2% | 8% | 2% | 31% |
| Experiencing long wait times in a branch | 8% | 18% | 6% | 2% | 8% |
| Not offering competitive rates and/or pricing | 6% | -2% | 10% | 3% | 16% |
| Having to deal with unknowledgeable staff | 5% | 6% | 14% | 1% | -11% |
| Having to deal with rigid bank processes | -3% | 0% | -6% | -6% | 13% |
| Mistakes on my statement | -3% | 2% | 14% | -17% | 1% |
| Having problems with their online banking tools | -4% | -12% | -6% | 0% | 2% |
| Having to deal with staff who are not empowered to resolve issues | -4% | -10% | -5% | -4% | 13% |
| Having to use lagging/dated technology | -6% | -4% | -3% | -13% | -1% |
| Dealing with people at the bank that don't know me | -7% | 8% | -19% | -11% | -5% |
| Limited hours for their branches | -15% | -59% | -15% | 19% | -20% |
| Takes a long time to get a new request processed | -18% | -26% | -13% | -29% | -3% |
| Experiencing long hold times on the phone | -21% | -25% | -20% | -27% | 3% |
| Trying to be sold on products I don't need or want | -21% | -42% | -27% | -2% | -20% |
| Not being able to reach a live person on the phone | -23% | -30% | -26% | -23% | -7% |

BB&T

BB&T is the fourth-least vulnerable of the top 10 US retail banks, performing better than TD Bank, but worse than US Bank. It enjoys a relatively low Frequency score but has higher Impact and Uniqueness scores, suggesting that the frustrations that do occur at BB&T affect the switching behavior of its customers more so than its competitors.

BB&T has a relatively low number of customers actively considering a switch (15%), with $14B in deposits currently 'in play'. It is projected to lose 8.4% of its customers or $8B of its $95B total retail deposit base, if it continues on its current trajectory.

Figure 9.1

**BB&T:**
Deposits Currently In Play and Projected Deposit Losses (Next 12 Months)

| | Ranking by Total Deposits (Out of 10) | Total Retail Deposits (2010, US$ Billions) | Customers Currently Considering Switching (%) | Deposits Currently in Play (US$ Billions) | Customers Projected to Switch in Next 12 Months (%) | Projected Deposits Lost in the Next 12 Months (US$ Billions) |
|---|---|---|---|---|---|---|
| **Category** | | **$2,036** | **20%** | **$399** | **8.7%*** | **$185** |
| BB&T | 8 | $95 | 15% | $14 | 8.4% | $8 |

Sources: FDIC; includes all deposits from individuals, partnerships & corporations – excludes deposits from governments and other financial institutions; cg42 analysis
Notes: * Category average, weighted average = 9.1%

Figure 9.2

**BB&T:**
Brand Vulnerability

| | Ranking by BVS (Out of 10) | Brand Vulnerability Score (BVS) | Customers Likely to Switch in Next 12 Months (%) | Total Retail Deposits (2010, US$ Billions) | Projected Deposits Lost in the Next 12 Months (US$ Billions) |
|---|---|---|---|---|---|
| **Category** | | **1.59** | **8.7%*** | **$2,036** | **$185** |
| BB&T | 7 | 1.53 | 8.4% | $95 | $8 |

Sources: FDIC; includes all deposits from individuals, partnerships & corporations – excludes deposits from governments and other financial institutions; cg42 analysis
Notes: * Category average, weighted average = 9.1%

## Customer Profile

More than 50% of the BB&T customers included in this study have been with the bank for over 5 years. 83% of the bank's customers have account balances lower than $10,000. Almost all – about 97% – of BB&T customers have checking accounts; 58% have savings accounts; 80% have a debit card while 58% have a credit card with the bank; 42% have a mortgage and 30% have a loan with BB&T. As with customers of other banks, BB&T customers tend to have one other additional banking relationship beyond their primary relationship.

BB&T customers have similar attitudes to the rest of the top 10 customer set – wary and skeptical:

- 69% feel "Banks claim they have my interests at heart but all they really care about are their own interests"
- 59% are "uncomfortable to think about how large some banks have become"
- 58% believe "It's too much of a hassle to switch banks"

They have a clear preference for convenience over diversification when it comes to financial services, as with customers of PNC and SunTrust:

- 71% of respondents "like the convenience of a bank that can serve as a one-stop shop for all my financial services needs"
- 55% say they "prefer NOT to have all my eggs in one basket"

It is interesting to note that this is true even though BB&T customers have a very strong preference for smaller banks than even customers of institutions like SunTrust:

- 60% "prefer small, community / local banks over large, global banks"

Balancing these various sentiments and preferences in a unique value proposition – wary and skeptical, seeking the convenience of a one-stop shop bank, yet still yearning for a smaller-scale institution – will be important as BB&T looks to retain its customer base.

## Vulnerability

*"(BB&T) charges for items that used to be free."*

As with every other top 10 bank, BB&T suffers from vulnerabilities regarding fees and charges, as well as the perception of broken promises:

- Being nickeled and dimed with incidental charges
- Being hit with overdraft charges
- Not offering competitive rates and/or pricing
- Making promises they don't keep

Beyond these, BB&T customers seem to struggle with frustrations that make it difficult to do business with their primary bank:

- Mistakes on my statement
- Having to deal with rigid bank processes
- Having to deal with staff who are not empowered to resolve issues
- Having to deal with unknowledgeable staff

The good news is that BB&T has the opportunity to tangibly improve its customer experience by immediately addressing these vulnerabilities. Given that "being nickeled and dimed" also appears as a frustration that occurs frequently, is frequently discussed, and is likely to lead to switching behavior, it should also be given priority consideration.

## Vulnerability
*(continued)*

Figure 9.3

**BB&T:**
Key Frustrations

| | Frequency | Sharing/ Word-of-Mouth | Impact | Uniqueness | BVS |
|---|---|---|---|---|---|
| Being nickeled and dimed with incidental charges | 31.21 | 38.98 | 40.68 | 15.63 | **2.47** |
| Being hit with overdraft charges | 28.37 | 43.56 | 36.00 | 13.69 | **2.37** |
| Not offering competitive rates and/or pricing | 28.84 | 27.12 | 31.36 | 21.28 | **1.98** |
| Making promises they don't keep | 9.22 | 23.36 | 32.85 | 21.21 | **1.76** |
| Mistakes on my statement | 6.62 | 27.08 | 27.78 | 20.00 | **1.64** |
| Having to deal with rigid bank processes | 21.51 | 28.88 | 21.55 | 19.23 | **1.63** |
| Having to deal with staff who are not empowered to resolve issues | 21.28 | 28.70 | 20.18 | 19.87 | **1.59** |
| Having to deal with unknowledgeable staff | 16.31 | 25.73 | 20.87 | 20.98 | **1.51** |
| Having to use lagging/dated technology | 14.18 | 21.15 | 18.59 | 35.19 | **1.47** |
| Inconsistent service experience across branches | 20.09 | 24.08 | 14.14 | 23.26 | **1.34** |
| Takes a long time to get a new request processed | 18.44 | 24.34 | 14.29 | 23.26 | **1.33** |
| Experiencing long wait times in a branch | 25.06 | 23.42 | 13.75 | 17.39 | **1.31** |
| Limited hours for their branches | 29.55 | 23.05 | 10.94 | 21.60 | **1.30** |
| Having problems with their online banking tools | 15.84 | 21.00 | 15.00 | 18.52 | **1.21** |
| Not being able to reach a live person on the phone | 17.97 | 24.04 | 14.42 | 11.76 | **1.21** |
| Dealing with people at the bank that don't know me | 38.53 | 21.18 | 6.94 | 18.12 | **1.20** |
| Experiencing long hold times on the phone | 18.44 | 20.57 | 13.40 | 13.18 | **1.13** |
| Trying to be sold on products I don't need or want | 16.08 | 19.15 | 11.70 | 11.11 | **1.01** |

Red = BVS above category median

**Vulnerability**
*(continued)*

When BB&T's Brand Vulnerability is viewed from the perspective of the peer group mean, what emerges is a technology vs. sales story:

– Whereas "Having to use lagging / dated technology" seems to be the single frustration in which BB&T performs worse than its competitor average – especially in Impact (meaning lagging technology is linked to a higher-than average likelihood for customers to switch at BB&T than at other top 10 banks) and Uniqueness (meaning customers at BB&T feel more strongly than those at peer banks that BB&T is a tech laggard)

– "Trying to be sold on products I don't need or want" is actually a frustration that BB&T customers seem to experience significantly less than at other top 10 banks, on average

Many other frustrations seem to occur with lower-than-average frequency at BB&T:

– Mistakes on my statement

– Having to deal with rigid bank processes

– Making promises they don't keep

– Having to deal with unknowledgeable staff

– Experiencing long hold times on the phone

## Vulnerability
*(continued)*

Figure 9.4

**BB&T:**
Salient Frustrations vs.
the Peer Group Mean

| | BVS | Frequency | Sharing | Impact | Uniqueness |
|---|---|---|---|---|---|
| Having to use lagging/dated technology | 20% | 20% | 6% | 27% | 31% |
| Being hit with overdraft charges | 5% | 15% | 9% | 3% | -15% |
| Mistakes on my statement | 5% | -27% | 3% | 11% | 1% |
| Being nickeled and dimed with incidental charges | 2% | -11% | 0% | 9% | -14% |
| Having to deal with rigid bank processes | 1% | -26% | -1% | 14% | 14% |
| Making promises they don't keep | -1% | -34% | -14% | 11% | 3% |
| Experiencing long wait times in a branch | -1% | -11% | -7% | 9% | 12% |
| Having to deal with staff who are not empowered to resolve issues | -3% | -17% | -4% | 1% | 9% |
| Takes a long time to get a new request processed | -3% | -6% | -4% | -6% | 6% |
| Limited hours for their branches | -4% | 12% | -6% | -15% | 0% |
| Inconsistent service experience across branches | -4% | -6% | -9% | -6% | 17% |
| Having problems with their online banking tools | -4% | -6% | -7% | 1% | -9% |
| Having to deal with unknowledgeable staff | -5% | -24% | -6% | -2% | 8% |
| Not offering competitive rates and/or pricing | -6% | -17% | -13% | 3% | -6% |
| Dealing with people at the bank that don't know me | -12% | -7% | -15% | -23% | 1% |
| Not being able to reach a live person on the phone | -16% | -20% | -11% | -18% | -22% |
| Experiencing long hold times on the phone | -19% | -28% | -24% | -8% | -11% |
| Trying to be sold on products I don't need or want | -32% | -44% | -31% | -29% | -22% |

US Bank is the third-least vulnerable top 10 US retail bank brand, after PNC and SunTrust. It is a strong performer all around, though it does appear to have a weakness in Frequency – with a higher (i.e., worse-than-average) occurrence of frustrations.

US Bank has $17B of its $101B retail deposit base 'in play,' or about 17% of its customers who claim they are actively considering switching providers. The number actually projected as a potential loss in the next 12 months is just under 8%, which translates to a projected deposit loss of $8B in the same time period.

Figure 10.1

**US Bank:** Deposits Currently In Play and Projected Deposit Losses (Next 12 Months)

| | Ranking by Total Deposits (Out of 10) | Total Retail Deposits (2010, US$ Billions) | Customers Currently Considering Switching (%) | Deposits Currently in Play (US$ Billions) | Customers Projected to Switch in Next 12 Months (%) | Projected Deposits Lost in the Next 12 Months (US$ Billions) |
|---|---|---|---|---|---|---|
| **Category** | | **$2,036** | **20%** | **$399** | **8.7%*** | **$185** |
| US Bank | 7 | $101 | 17% | $17 | 7.9% | $8 |

Sources: 2010 Annual Report; Consumer and Small Business Banking segment; cg42 analysis
Notes: * Category average, weighted average = 9.1%

Figure 10.2

**US Bank:** Brand Vulnerability

| | Ranking by BVS (Out of 10) | Brand Vulnerability Score (BVS) | Customers Likely to Switch in Next 12 Months (%) | Total Retail Deposits (2010, US$ Billions) | Projected Deposits Lost in the Next 12 Months (US$ Billions) |
|---|---|---|---|---|---|
| **Category** | | **1.59** | **8.7%*** | **$2,036** | **$185** |
| US Bank | 8 | 1.45 | 7.9% | $101 | $8 |

Sources: Sources: 2010 Annual Report; Consumer and Small Business Banking segment; cg42 analysis
Notes: * Category average, weighted average = 9.1%

## Customer Profile

Approximately 63% of US Bank customers surveyed in this study have a tenure of more than 5 years with their bank. More than 85% have an account balance lower than $10,000. On average, 96% of US Bank customers have checking accounts; 64% have savings accounts; 80% have a debit card with the bank while 63% have a credit card; 33% have a mortgage and 28% have a loan with US Bank. Like other bank's customers, US Bank customers tend to have one other banking relationship in addition to their primary relationship.

Attitudinally, US Bank customers seem to be generally similar to customers of other institutions, being wary and skeptical:

– 73% feel "Banks claim they have my interests at heart but all they really care about are their own interests"

– 61% believe "It's too much of a hassle to switch banks"

– 60% are "uncomfortable to think about how large some banks have become"

They also seem to have a much stronger preference for convenience over diversification, consistent with customers at the smaller institutions in the study such as PNC and SunTrust:

– 70% of respondents "like the convenience of a bank that can serve as a one-stop shop for all my financial services needs"

– Only 54% say they "prefer NOT to have all my eggs in one basket"

## Vulnerability

*"(US Bank has) new fees every week. The cliché 'nickel and diming us to death' is becoming the bank's mantra."*

US Bank has the same key vulnerabilities in fees and charges, as well as under-delivering, as do its other top 10 competitors:

– Being nickeled and dimed with incidental charges

– Being hit with overdraft charges

– Not offering competitive rates and/or pricing

– Making promises they don't keep

The only other vulnerability that rises to the top for US Bank is "Having to deal with staff not empowered to resolve issues."

As with virtually all other institutions, US Bank customers believe "Having to use lagging / dated technology" is a frustration 'unique' to their primary bank.

Given that US Bank has minimal issues when viewed in a competitive lens, its biggest opportunity may be to tackle the vulnerabilities in fees and charges, as well as minimizing the perception that it doesn't deliver on its promises. An important first step will be to understand which 'promises' US Bank is seen to be breaking.

## Vulnerability
*(continued)*

Figure 10.3

**US Bank:** Key Frustrations

| | Frequency | Sharing/ Word-of-Mouth | Impact | Uniqueness | BVS |
|---|---|---|---|---|---|
| Being nickeled and dimed with incidental charges | 36.18 | 41.76 | 36.36 | 16.32 | **2.45** |
| Being hit with overdraft charges | 23.95 | 36.77 | 33.23 | 12.45 | **2.10** |
| Not offering competitive rates and/or pricing | 32.66 | 24.93 | 26.33 | 23.44 | **1.85** |
| Making promises they don't keep | 14.57 | 29.72 | 29.32 | 21.08 | **1.83** |
| Having to deal with staff who are not empowered to resolve issues | 26.13 | 26.90 | 18.42 | 15.77 | **1.51** |
| Having to deal with rigid bank processes | 29.82 | 27.37 | 17.04 | 12.40 | **1.48** |
| Trying to be sold on products I don't need or want | 28.14 | 28.25 | 13.57 | 12.90 | **1.38** |
| Mistakes on my statement | 7.71 | 23.50 | 22.22 | 16.36 | **1.38** |
| Having to deal with unknowledgeable staff | 19.10 | 22.26 | 17.68 | 19.41 | **1.36** |
| Having problems with their online banking tools | 15.75 | 20.57 | 16.46 | 21.51 | **1.28** |
| Inconsistent service experience across branches | 19.77 | 25.44 | 12.37 | 17.01 | **1.25** |
| Takes a long time to get a new request processed | 18.43 | 19.86 | 15.33 | 20.21 | **1.24** |
| Dealing with people at the bank that don't know me | 39.03 | 20.05 | 8.94 | 14.15 | **1.20** |
| Not being able to reach a live person on the phone | 18.26 | 21.97 | 14.10 | 12.89 | **1.17** |
| Experiencing long wait times in a branch | 24.79 | 22.67 | 11.34 | 11.59 | **1.16** |
| Limited hours for their branches | 27.81 | 19.34 | 9.39 | 20.19 | **1.15** |
| Experiencing long hold times on the phone | 21.61 | 21.54 | 11.38 | 14.69 | **1.14** |
| Having to use lagging/dated technology | 11.22 | 16.07 | 12.95 | 26.71 | **1.09** |

Red = BVS above category median

**Vulnerability**
*(continued)*

When US Bank's Brand Vulnerability is viewed from the perspective of the peer group mean, its position of strength is highlighted even further – most frustrations are less of a factor at US Bank than the average. Although it is generally on par with the competition regarding the frequency of frustrations, there seems to be a slightly lower tendency for those frustrations to be discussed by customers:

– Takes a long time to get a request processed
– Having to use lagging / dated technology
– Dealing with people at the bank who don't know me
– Not offering competitive rates and / or pricing
– Having to deal with unknowledgeable staff
– Limited hours for their branches
– Experiencing long hold times on the phone
– Not being able to reach a live person on the phone

"Limited hours for their branches" is clearly less of a factor in affecting switching behavior at US Bank than at other banks.

Several other frustrations also have a lower-than-average tendency to be viewed as unique to US Bank:

– Being hit with overdraft charges
– Having to deal with rigid bank processes
– Dealing with people at the bank who don't know me
– Experiencing long wait times in a branch

## Vulnerability

*(continued)*

Figure 10.4

### US Bank:
Salient Frustrations vs. the Peer Group Mean

| | BVS | Frequency | Sharing | Impact | Uniqueness |
|---|---|---|---|---|---|
| Making promises they don't keep | 3% | 5% | 10% | -1% | 2% |
| Being nickeled and dimed with incidental charges | 1% | 3% | 7% | -2% | -10% |
| Having problems with their online banking tools | 1% | -7% | -8% | 10% | 6% |
| Trying to be sold on products I don't need or want | -6% | -2% | 2% | -17% | -9% |
| Being hit with overdraft charges | -7% | -3% | -8% | -5% | -23% |
| Having to deal with staff who are not empowered to resolve issues | -8% | 1% | -10% | -8% | -14% |
| Having to deal with rigid bank processes | -8% | 2% | -6% | -10% | -27% |
| Takes a long time to get a new request processed | -10% | -6% | -21% | 1% | -8% |
| Inconsistent service experience across branches | -11% | -8% | -4% | -18% | -14% |
| Having to use lagging/dated technology | -11% | -5% | -19% | -11% | -1% |
| Dealing with people at the bank that don't know me | -12% | -5% | -19% | -1% | -21% |
| Mistakes on my statement | -12% | -15% | -10% | -11% | -17% |
| Not offering competitive rates and/or pricing | -12% | -6% | -20% | -13% | 4% |
| Experiencing long wait times in a branch | -12% | -12% | -10% | -10% | -25% |
| Having to deal with unknowledgeable staff | -15% | -10% | -19% | -17% | 0% |
| Limited hours for their branches | -15% | 5% | -21% | -27% | -6% |
| Experiencing long hold times on the phone | -18% | -16% | -21% | -22% | -1% |
| Not being able to reach a live person on the phone | -19% | -19% | -18% | -20% | -14% |

SunTrust is the second-least vulnerable of all retail bank brands tested in the study, ranking second only to PNC. In fact, it outperforms even PNC when it comes to Frequency and Uniqueness – its customers report lower frequencies of frustrations and fewer instances of 'unique' (vs. more category-wide, commonly occurring) issues than do customers at PNC.

SunTrust has a 14% customer base that considers itself 'in play', or actively considering a switch – this amounts to $10B of deposits out of a total of $75B in retail deposits. Customers actually expected to switch in the next 12 months make up 7.4% of the current base, translating to a projected loss of $6B in deposits.

Figure 11.1

**SunTrust:**
Deposits Currently In Play and Projected Deposit Losses (Next 12 Months)

| | Ranking by Total Deposits (Out of 10) | Total Retail Deposits (2010, US$ Billions) | Customers Currently Considering Switching (%) | Deposits Currently in Play (US$ Billions) | Customers Projected to Switch in Next 12 Months (%) | Projected Deposits Lost in the Next 12 Months (US$ Billions) |
|---|---|---|---|---|---|---|
| **Category** | | **$2,036** | **20%** | **$399** | **8.7%*** | **$185** |
| SunTrust | 10 | $75 | 14% | $10 | 7.5% | $6 |

Sources: 2010 Annual Report; Retail Banking only; excludes Wealth & Investment Management LOBs; cg42 analysis
Notes: * Category average, weighted average = 9.1%

Figure 11.2

**SunTrust:**
Brand Vulnerability

| | Ranking by BVS (Out of 10) | Brand Vulnerability Score (BVS) | Customers Likely to Switch in Next 12 Months (%) | Total Retail Deposits (2010, US$ Billions) | Projected Deposits Lost in the Next 12 Months (US$ Billions) |
|---|---|---|---|---|---|
| **Category** | | **1.59** | **8.7%*** | **$2,036** | **$185** |
| SunTrust | 9 | 1.38 | 7.5% | $75 | $6 |

Sources: 2010 Annual Report; Retail Banking only; excludes Wealth & Investment Management LOBs; cg42 analysis
Notes: * Category average, weighted average = 9.1%

## Customer Profile

Sixty-one percent of the SunTrust customers surveyed in this study have a tenure of more than 5 years with their bank. More than 80% of customers have less than $10,000 in their account balances. In terms of products offerings by customer, 97% have checking accounts; 65% have savings accounts; 81% have debit cards and 61% have credit cards with SunTrust; 42% have a mortgage with the bank 28% have a loan with the bank. SunTrust customers on average have 2 banking relationships, including the relationship they have with their primary bank.

Whether it is because of the positive (or at least, less negative) experience they have with their current primary bank, customers at SunTrust are slightly less critical / skeptical of financial institutions than are customers of the Big Four, though they are still generally wary:

– Only 66% (as opposed to 75% for Citibank, for instance) feel “Banks claim they have my interests at heart but all they really care about are their own interests”

– 61% are “uncomfortable to think about how large some banks have become”

– 56% believe “It’s too much of a hassle to switch banks”

Similar to PNC customers, SunTrust customers have a preference for convenience over diversification when it comes to financial services…

– 3/4 of respondents “like the convenience of a bank that can serve as a one-stop shop for all my financial services needs”

– While only 61% say they “prefer NOT to have all my eggs in one basket”

…Even though they also prefer smaller banks over large ones:

– 54% (19% strongly) say they “prefer small, community / local banks over large, global banks”

Striking a balance between being considered large enough to meet most (if not all) of a customer’s needs while still maintaining a ‘smaller bank’ feel will likely be important for SunTrust to maintain its appeal among its customers.

## Vulnerability

*"(SunTrust is) not open enough hours."*

As with all other banks tested, the major frustrations customers report revolve around fees and charges:

– Being hit with overdraft charges

– Being nickeled and dimed with incidental charges

– Not offering competitive rates and/or pricing

…As well as "Making promises they don't keep."

"Limited hours for their branches," however, is a frustration that seems to rise to the top only for SunTrust, and customers in turn identify it as an issue unique to this bank. In addition to "Having to use lagging / dated technology" – which also appears as a 'unique' frustration – focusing on mitigating SunTrust's perceived lack of convenience may provide a tangible signal for change.

## Vulnerability
*(continued)*

Figure 11.3

**SunTrust:** Key Frustrations

| | Frequency | Sharing/ Word-of-Mouth | Impact | Uniqueness | BVS |
|---|---|---|---|---|---|
| Being hit with overdraft charges | 23.52 | 39.78 | 33.46 | 13.02 | **2.16** |
| Being nickeled and dimed with incidental charges | 24.47 | 27.99 | 30.22 | 12.08 | **1.83** |
| Not offering competitive rates and/or pricing | 25.05 | 23.71 | 24.74 | 19.55 | **1.66** |
| Making promises they don't keep | 10.13 | 21.60 | 29.63 | 17.21 | **1.59** |
| Limited hours for their branches | 31.74 | 26.65 | 13.48 | 24.87 | **1.50** |
| Having to deal with unknowledgeable staff | 15.30 | 25.68 | 19.84 | 17.86 | **1.44** |
| Having to deal with staff who are not empowered to resolve issues | 19.89 | 27.20 | 18.39 | 12.14 | **1.42** |
| Having to deal with rigid bank processes | 21.22 | 26.01 | 17.22 | 14.36 | **1.39** |
| Mistakes on my statement | 5.93 | 25.37 | 20.49 | 14.60 | **1.33** |
| Inconsistent service experience across branches | 17.59 | 25.00 | 15.57 | 14.58 | **1.29** |
| Having problems with their online banking tools | 16.83 | 22.96 | 14.81 | 19.50 | **1.27** |
| Trying to be sold on products I don't need or want | 22.18 | 25.10 | 14.51 | 9.03 | **1.25** |
| Not being able to reach a live person on the phone | 16.63 | 22.56 | 15.79 | 9.41 | **1.19** |
| Experiencing long hold times on the phone | 20.46 | 24.09 | 12.77 | 10.32 | **1.17** |
| Takes a long time to get a new request processed | 14.34 | 22.46 | 12.71 | 17.39 | **1.15** |
| Dealing with people at the bank that don't know me | 33.84 | 20.23 | 7.23 | 15.44 | **1.11** |
| Experiencing long wait times in a branch | 21.22 | 20.50 | 9.63 | 11.24 | **1.02** |
| Having to use lagging/dated technology | 11.28 | 16.40 | 9.52 | 27.78 | **1.00** |

Red = BVS above category median

## Vulnerability
*(continued)*

When SunTrust's Brand Vulnerability is viewed from the perspective of the peer group mean, it becomes clear how much stronger its relative position is in comparison to the rest of the top 10 banks – "Limited hours for their branches" is the only frustration that happens with above-average frequency.

**Comparison: Frequency**
In fact, frequency of frustration occurrences seems to be SunTrust's key strength, with a long list of frustrations falling well below the peer group average:

- Having to deal with unknowledgeable staff
- Making promises they don't keep
- Having to deal with rigid bank processes
- Mistakes on my statement
- Takes a long time to get a new request processed
- Not being able to reach alive person on the phone
- Not offering competitive rates and / or picing
- Experiencing long wait times in a branch
- Being nickeled and dimed with incidental charges

**Comparison: Sharing**
There are a few frustrations that are less likely to be discussed by SunTrust customers when they do occur, vs. the average:

- Not offering competitive rates and / or pricing
- Being nickeled and dimed with incidental charges

**Comparison: Impact**
There are also some frustrations that are less likely to have an impact on a customer's likelihood to switch providers when they happen at SunTrust, vs. the average:

- Having to use lagging / dated technology
- Experiencing long wait times in a branch

**Comparison: Uniqueness**
Finally, there are a whole host of frustrations that customers attribute to the category (vs. SunTrust), more often than would customers of other top 10 banks:

- Inconsistent service experience across branches
- Having to deal with staff who are not empowered to resolve issues
- Trying to be sold on products I don't need or want
- Mistakes on my statement
- Experiencing long hold times on the phone
- Not being able to reach a live person on the phone
- Experiencing long wait times in a branch
- Being nickeled and dimed with incidental charges

In short, SunTrust seems to derive its overall lower Brand Vulnerability from its lower-than-average Frequency and Uniqueness Scores vis-à-vis competitors.

## Vulnerability
*(continued)*

Figure 11.4

### SunTrust:
Salient Frustrations vs.
the Peer Group Mean

| | BVS | Frequency | Sharing | Impact | Uniqueness |
|---|---|---|---|---|---|
| Limited hours for their branches | 11% | 20% | 9% | 5% | 15% |
| Having problems with their online banking tools | 0% | 0% | 2% | -1% | -4% |
| Being hit with overdraft charges | -4% | -5% | -1% | -4% | -19% |
| Inconsistent service experience across branches | -8% | -18% | -5% | 3% | -27% |
| Having to deal with unknowledgeable staff | -10% | -28% | -6% | -7% | -8% |
| Making promises they don't keep | -10% | -27% | -20% | 0% | -17% |
| Having to deal with staff who are not empowered to resolve issues | -14% | -23% | -9% | -8% | -33% |
| Having to deal with rigid bank processes | -14% | -27% | -11% | -9% | -15% |
| Trying to be sold on products I don't need or want | -15% | -23% | -9% | -11% | -36% |
| Mistakes on my statement | -15% | -35% | -3% | -18% | -26% |
| Experiencing long hold times on the phone | -15% | -20% | -11% | -13% | -31% |
| Takes a long time to get a new request processed | -17% | -27% | -11% | -16% | -21% |
| Not being able to reach a live person on the phone | -18% | -26% | -16% | -10% | -37% |
| Having to use lagging/dated technology | -18% | -4% | -18% | -35% | 3% |
| Dealing with people at the bank that don't know me | -18% | -18% | -19% | -20% | -14% |
| Not offering competitive rates and/or pricing | -21% | -28% | -24% | -19% | -13% |
| Experiencing long wait times in a branch | -23% | -25% | -19% | -24% | -28% |
| Being nickeled and dimed with incidental charges | -25% | -30% | -28% | -19% | -34% |

PNC is a clear winner when it comes to Brand Vulnerability – it has the lowest vulnerability of the top 10 banks in the US, with the lowest Sharing and Impact scores and second-lowest Frequency and Uniqueness scores. Put differently, PNC does the best job among the largest 10 retail banks in keeping frustrations levels low enough that its customers don't feel compelled to discuss their negative experiences or consider switching primary providers.

PNC enjoys the lowest levels of customers 'in play,' or those actively considering a switch, at 14% (equivalent to $18B of its $126B in retail deposits), as well as the lowest proportion of customers likely to switch in the next 12 months. Currently, PNC is projected to lose 7.4% of its customer base and $9B in deposits, or 7.1% of its retail deposit base – a dramatically lower figure when compared to the most vulnerable player of the group, Bank of America (10.3% of its customer base and $42B in deposits).

Figure 12.1

**PNC:**
Deposits Currently In Play and Projected Deposit Losses (Next 12 Months)

| Category | Ranking by Total Deposits (Out of 10) | Total Retail Deposits (2010, US$ Billions) | Customers Currently Considering Switching (%) | Deposits Currently in Play (US$ Billions) | Customers Projected to Switch in Next 12 Months (%) | Projected Deposits Lost in the Next 12 Months (US$ Billions) |
|---|---|---|---|---|---|---|
| **Category** | | **$2,036** | **20%** | **$399** | **8.7%*** | **$185** |
| PNC | 6 | $126 | 14% | $18 | 7.4% | $9 |

Sources: 2010 Annual Report; Retail Banking segment only (includes small business); cg42 analysis
Notes: * Category average, weighted average = 9.1%

Figure 12.2

**PNC:**
Brand Vulnerability

| Category | Ranking by BVS (Out of 10) | Brand Vulnerability Score (BVS) | Customers Likely to Switch in Next 12 Months (%) | Total Retail Deposits (2010, US$ Billions) | Projected Deposits Lost in the Next 12 Months (US$ Billions) |
|---|---|---|---|---|---|
| **Category** | | **1.59** | **8.7%*** | **$2,036** | **$185** |
| PNC | 10 | 1.35 | 7.4% | $126 | $9 |

Sources: 2010 Annual Report; Retail Banking segment only (includes small business); cg42 analysis
Notes: * Category average, weighted average = 9.1%

## Customer Profile

Approximately 55% of the PNC customers included in this study have a tenure of 5 years or more with their bank. More than 80% have an account balance of $10,000 or less. In terms of product offerings per customer, 97% have a checking account; 66% have a savings account; 82% have a debit card and 62% have a credit card; 37% have a mortgage with the bank and 31% have a loan. PNC customers on average have 2 banking relationships, including the relationship they have with their primary bank.

Though largely similar to customers of other banks, PNC customers seem slightly less hostile / skeptical of financial institutions when it comes to general attitudes:

– 67% (as opposed to 75% for Citibank) feel "Banks claim they have my interests at heart but all they really care about are their own interests"

– 61% are "uncomfortable to think about how large some banks have become"

– 60% also believe "It's too much of a hassle to switch banks"

This is also reflected, to some extent, in PNC customers' preference for the convenience of a one-stop shop bank (over diversification):

– 68% of respondents "like the convenience of a bank that can serve as a one-stop shop for all my financial services needs"

– Only 53% say they "prefer NOT to have all my eggs in one basket"

However, PNC customers are clearly different from customers of the Big Four banks in that they have a preference for smaller institutions:

– 53% (20% strongly) agree they "prefer small, community / local banks over large, global banks"

It will be important to remain sensitive to current customer attitudes as PNC continues to grow as an organization.

## Vulnerability

*"(PNC offers) low interest rates on savings and CDs, high rates on credit cards."*

Although PNC has the lowest overall vulnerability of the top 10 banks in the US, the major frustrations customers report are the same as those that rise to the top for all other financial institutions:

– Being hit with overdraft charges

– Being nickeled and dimed with incidental charges

– Not offering competitive rates and/or pricing

And to a slightly lesser extent, "Making promises they don't keep."

Focusing on restructuring its fees and charges could make PNC unrivalled in the space, since these are the only areas that seem problematic for the bank, not to mention the fact that all of its competitors seem to be finding it challenging to manage these influential frustrations as well. Understanding which 'promises' PNC is considered to be failing to keep could also be a potential area of significant impact.

Interestingly, "Having to use lagging / dated technology" appears as a 'unique' frustration for PNC, as it does with every other bank examined in the study. Clearly this is an area all players would benefit from some attention, but it may also be interesting for PNC to determine if there is a possible link between the perception of 'broken promises' and delivery of technology.

The lowest frustrations levels for PNC customers seem to be found in the 'basic customer service' (wait time) category, which may indicate why the bank enjoys high customer satisfaction:

– Takes a long time to get a request processed

– Experiencing long hold times on the phone

– Not being able to reach a live person on the phone

– Experiencing long wait times in a branch

## Vulnerability
*(continued)*

Figure 12.3

| **PNC:** Key Frustrations | Frequency | Sharing/ Word-of-Mouth | Impact | Uniqueness | **BVS** |
|---|---|---|---|---|---|
| Being hit with overdraft charges | 23.81 | 37.77 | 34.89 | 12.50 | **2.17** |
| Being nickeled and dimed with incidental charges | 28.06 | 34.47 | 33.23 | 17.86 | **2.15** |
| Not offering competitive rates and/or pricing | 28.23 | 23.45 | 27.12 | 20.80 | **1.77** |
| Making promises they don't keep | 9.86 | 22.79 | 26.51 | 17.20 | **1.52** |
| Having to deal with rigid bank processes | 23.81 | 25.82 | 17.65 | 12.02 | **1.40** |
| Mistakes on my statement | 6.63 | 24.29 | 21.90 | 17.45 | **1.38** |
| Having to deal with unknowledgeable staff | 16.67 | 20.56 | 19.86 | 17.77 | **1.35** |
| Having to deal with staff who are not empowered to resolve issues | 21.94 | 23.18 | 15.23 | 17.44 | **1.31** |
| Limited hours for their branches | 27.89 | 20.82 | 11.51 | 20.95 | **1.25** |
| Trying to be sold on products I don't need or want | 20.58 | 25.75 | 13.38 | 9.84 | **1.22** |
| Dealing with people at the bank that don't know me | 37.07 | 21.32 | 7.11 | 18.38 | **1.19** |
| Inconsistent service experience across branches | 17.35 | 21.27 | 14.55 | 13.41 | **1.17** |
| Takes a long time to get a new request processed | 14.63 | 21.30 | 12.64 | 19.25 | **1.14** |
| Experiencing long hold times on the phone | 20.75 | 23.76 | 11.55 | 11.36 | **1.14** |
| Not being able to reach a live person on the phone | 19.39 | 18.48 | 14.85 | 12.44 | **1.13** |
| Having to use lagging/dated technology | 9.52 | 17.11 | 13.90 | 21.19 | **1.07** |
| Having problems with their online banking tools | 14.46 | 17.41 | 11.60 | 17.11 | **1.01** |
| Experiencing long wait times in a branch | 22.45 | 18.77 | 8.31 | 13.24 | **0.98** |

Red = BVS above category median

## Vulnerability
*(continued)*

A look at PNC's performance vs. the peer group mean further underscores the brand's solid position in the competitive set – all frustrations fall below the mean, indicating that the frustrations PNC customers do experience have a much lower overall negative impact on the brand.

**Comparison: Frequency**
Specific frustrations stand out as relatively infrequent occurrences at PNC, compared to other top 10 banks:

- Mistakes on my statement
- Making promises they don't keep
- Takes a long time to get a new request processed
- Trying to be sold on products I don't need or want

**Comparison: Sharing**
Others stand out because they are much less likely to create 'noise' for PNC than for other banks in the peer group:

- Having to deal with unknowledgeable staff
- Not offering competitive rates and / or pricing
- Not being able to reach a live person on the phone
- Experiencing long wait times in a branch

**Comparison: Impact**
"Experiencing long wait times in a branch" is also significantly less likely to impact a PNC customer's decision to switch than it would for other banks in the top 10.

**Comparison: Uniqueness**
Finally, the following are much less likely to be considered issues specific to PNC, and more likely to be seen as common to the category:

- Having to deal with rigid bank processes
- Inconsistent service experience across branches
- Trying to be sold on products I don't need or want

## Vulnerability
*(continued)*

Figure 12.4

### PNC:
Salient Frustrations vs. the Peer Group Mean

| | BVS | Frequency | Sharing | Impact | Uniqueness |
|---|---|---|---|---|---|
| Being hit with overdraft charges | -4% | -3% | -6% | 0% | -22% |
| Limited hours for their branches | -8% | 5% | -15% | -11% | -3% |
| Mistakes on my statement | -12% | -27% | -7% | -13% | -12% |
| Being nickeled and dimed with incidental charges | -12% | -20% | -12% | -11% | -2% |
| Dealing with people at the bank that don't know me | -12% | -10% | -14% | -21% | 2% |
| Having to use lagging/dated technology | -13% | -19% | -14% | -5% | -21% |
| Having to deal with rigid bank processes | -13% | -19% | -12% | -7% | -29% |
| Making promises they don't keep | -14% | -29% | -16% | -10% | -17% |
| Having to deal with unknowledgeable staff | -15% | -22% | -25% | -7% | -8% |
| Not offering competitive rates and/or pricing | -16% | -18% | -25% | -11% | -8% |
| Inconsistent service experience across branches | -16% | -19% | -20% | -4% | -33% |
| Takes a long time to get a new request processed | -17% | -25% | -16% | -17% | -12% |
| Trying to be sold on products I don't need or want | -17% | -28% | -7% | -18% | -31% |
| Experiencing long hold times on the phone | -18% | -19% | -13% | -21% | -24% |
| Having to deal with staff who are not empowered to resolve issues | -20% | -15% | -22% | -24% | -4% |
| Having problems with their online banking tools | -20% | -14% | -23% | -22% | -16% |
| Not being able to reach a live person on the phone | -21% | -14% | -31% | -16% | -17% |
| Experiencing long wait times in a branch | -26% | -20% | -26% | -34% | -15% |

The Brand Vulnerability Index can be a very useful tool, whether it is for one of the Top 10 US Retail Banks, another player in the category, or a consumer, since it captures and quantifies real customers' perspectives regarding their frustrations with the major industry players. This is of particular relevance given the current unstable global macro-economic environment, and changes in the way frustrations are realized and shared in the financial industry – these changes have been magnified by the use of social media as a catalyst of negative sentiment towards the banks. Understanding Brand Vulnerability provides unique insight into what banks need to do to address their weaknesses, and what consumers need to consider when selecting a long term banking relationship.

## BVI Implications: Top 10 US Retail Banks

At a high level, the Brand Vulnerability Index will allow top US retail banks to:

- Improve their relative position vs. the competition by helping to prioritize investments for mitigating existing areas of vulnerability
- Better understand customer attitudes and how they affect their relationship with their bank, in particular, how customer attrition and financial loss projections can be used to create a 'case for action' regarding initiatives that seek to address a bank's vulnerabilities
- Use the Brand Vulnerability Score as a benchmark to track progress over time

In addition, the Top 10 US banks may use the Brand Vulnerability methodology to target their competitors' areas of vulnerability, particularly areas regarded as 'category-wide' frustrations. This could lead to:

- Value proposition reinvention / re-articulation
- Development of new offerings that target specific frustrations
- Broader communications highlighting differentiation over competitive vulnerabilities

## BVI Implications: Other Banks and Organizations

Beyond the Top 10 US Retail Banks, the Brand Vulnerability Study can be used by other players in the space, including smaller banks and other types of organizations like credit unions.

These other players may find the study useful as a base to:

- Identify key vulnerabilities of leaders in the retail banking space and plan to specifically target areas of unmet need
  - Key input into strategic planning and value proposition development
  - Input into communication development, highlighting major bank vulnerabilities
- Gain a better understanding of consumer sentiment
- Consider using vulnerability-related metrics in addition to standard metrics to track business and brand performance over time

As negative consumer sentiment intensifies in the industry, understanding where the lead players are failing will be crucial for other organizations looking to bring change to the category.

## BVI Implications: Consumer

The Brand Vulnerability Study can also help consumers make informed decisions regarding their choice of long-term financial provider, since it can be used – in essence – as an 'open report card' or scientifically valid 'community board' where they can clearly see the frustrations current customers are experiencing.

Consumers can use the Brand Vulnerability Study to:

– Become aware of the key weaknesses of certain banks – understanding tradeoffs that may be necessary when choosing one institution over another

– Identify banks that have customers with attitudes and preferences like their own

– Read between the lines when it comes to bank 'marketing speak' – armed with knowledge regarding frustrations salient with particular banks

– Form realistic expectations about how a specific banking relationship may be

– Monitor how well a bank addresses vulnerabilities, by tracking changes over time

***Ultimately, the value of the Brand Vulnerability methodology is that it provides information that is actionable – and for those most vulnerable banks, the opportunity to change course is here.***

## About cg42

Today's consumers may not always be right, but they certainly know what they want. They have virtually instant access to product and pricing information, demand products and services customized to their individual needs, and expect high levels of service.

This makes capturing and retaining their business — and doing so profitably — more challenging than ever. To succeed, marketing organizations must use all the talents, tools, technologies, and channels at their disposal to win in today's increasingly competitive marketplace.

cg42 is a boutique management consulting firm that helps clients effectively create demand through customer-led growth strategies.

At cg42, we speak the disparate languages of operations, finance, and marketing with equal fluency, giving us a definitive edge in helping the disparate parts of our clients' organizations embrace a common strategy for growth. We understand the value of taking a holistic view of a client's total marketing ecosystem.

Our advisory services and industry expertise offer the experience needed to turn customer insight into marketing strategies that effectively create demand. Our expertise spans the following functional areas and industry categories:

| **Areas of Expertise** | **Industry Practices** |
|---|---|
| Consumer & Customer Insights | Financial Services |
| Marketing Strategy | Professional Services |
| Brand Strategy | Technology |
| Portfolio Management | Telecommunications |
| Digital Strategy | Healthcare |
| Marketing Effectiveness | Consumer Goods & Services |
| Marketing Organization | |

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