MID-SIZE BANK CUSTOMER RETENTION STUDY

An in-depth look into the needs profiles of mid-size bank customers

March 2021

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INTRODUCTION

Picture this: Banking customer Kara has a deposit account, a large savings account, and recently got married. She has been with her bank for three years, since she was 25, and has a college education. Now answer this, how likely is it that Kara will stay with her bank and increase her lifetime value with the institution? That's a hard question, but it's one this report aims to help answer.

The ***Vya Mid-Size Bank Customer Retention Study*** offers insights that will help bank marketers understand if they are at risk of losing Kara (and customers like her), and exactly what to do to keep her.

There is no question that there has been disruption in the banking industry. The competition alone is staggering. There are more than 5,000 banks and savings institutions in the U.S. And, for the first time ever, the Big Four of U.S. banking—JPMorgan Chase, Bank of America, Citigroup, and Wells Fargo—saw their combined assets exceed $10 trillion, or more than half the U.S. total[1]. As the big get bigger, mid-size banks face increasing competition from large banks that have been investing for over a decade in financial technology ("fintech"), including payments platforms, mobile banking, investment apps and automation of financial services and processes. In this environment, where should mid-size banks place their focus in order to protect and grow market share?

They should start with the customer.

The ***Vya Mid-Size Bank Customer Retention Study*** validates foundational knowledge that customer satisfaction and customer retention are strongly related. As either of these elements increases, customer lifetime value increases, through loyalty and increased account values. The study also points to key customer segments that are at risk, which can be used to inform and guide the design of retention marketing strategies and initiatives.

METHODOLOGY

The ***Vya Mid-Size Bank Customer Retention Study*** was administered in December 2020, via an online survey of 494 customers in the US, whose primary bank was a mid-size bank. For the purpose of this survey, mid-size bank is defined as one with roughly $10 billion to $50 billion in assets. Qualified participants were over 18 years of age, with at least one deposit account. To reduce bias, the customer could not work in the banking industry. The study included a stastically significant sample by age group, income level, length of residency, and education. The study represents banks that have branches in over 6,000 US zip codes.

EXECUTIVE SUMMARY

To overcome the disruptive forces at play across the financial services industry, mid-size banks must master customer retention. This begins with understanding which segments contribute most to attrition.

The ***Vya Mid-Size Bank Customer Retention Study*** reveals nearly one-third (31%) of US mid-size bank customers are open or actively looking to switch banks.

A closer look at these customers reveals three key drivers:

1. **Recent life events:** recently married, divorced, or widowed customers, along with those who had a baby or adopted a child are more likely to consider switching banks than those who have not experienced a major life event in the past year.
2. **Time with bank:** 1-to-5-year customers are more at risk of switching banks than new or longer-term customers.
3. **Customer satisfaction:** 23% of customers who are dissatisfied with their bank are actively looking to switch. Many of these are young customers.

The ***Vya Mid-Size Bank Customer Retention Study*** helps unpack these attrition drivers to help guide mid-size banks to a better understanding of their customers, their at-risk segments, and their needs. Addressing customer needs leads to greater customer satisfaction. And, as customer satisfaction increases, so can retention and customer engagement.

PROFILE OF LOYAL CUSTOMER

A bank's ability to distinguish its loyal customers from its *at-risk* customers is an important aspect of building a successful retention strategy. So, how does a bank know who its loyal customers are? According to the Vya study, these are the customers who have not had a major life event in the past year. Less than 20% of customers in this segment indicated they may switch banks. By comparison, over 50% of customers who got married in the past 12 months indicated they would switch. Other segments of loyal customers include those who:

- Experienced an injury or illness
- Changed jobs or employment
- Retired

These are also the same segments that rank their satisfaction with their bank a 7 or higher (on a 0 to 10 scale). These loyal customers are satisfied with their bank's customer service and ease and convenience of doing business. They are older, with longer lengths of residence. And, they have been with their bank for 11 or more years.

CUSTOMER SATISFACTION

In the Vya study, among customers who said they are highly satisfied, only 8% indicated they are actively looking to switch primary banks, compared with 23% of customers who are dissatisfied and indicated they are actively looking to switch primary banks.

The more satisfied a customer is, the less likely they are to switch banks. In fact, there is a 70% correlation between retention and satisfaction.

When comparing average customer satisfaction scores between the four retention categories (1=Actively Looking, 2=Open to Switching, 3=Maybe, 4=Will Not Switch), the relationship between retention and satisfaction is evident.

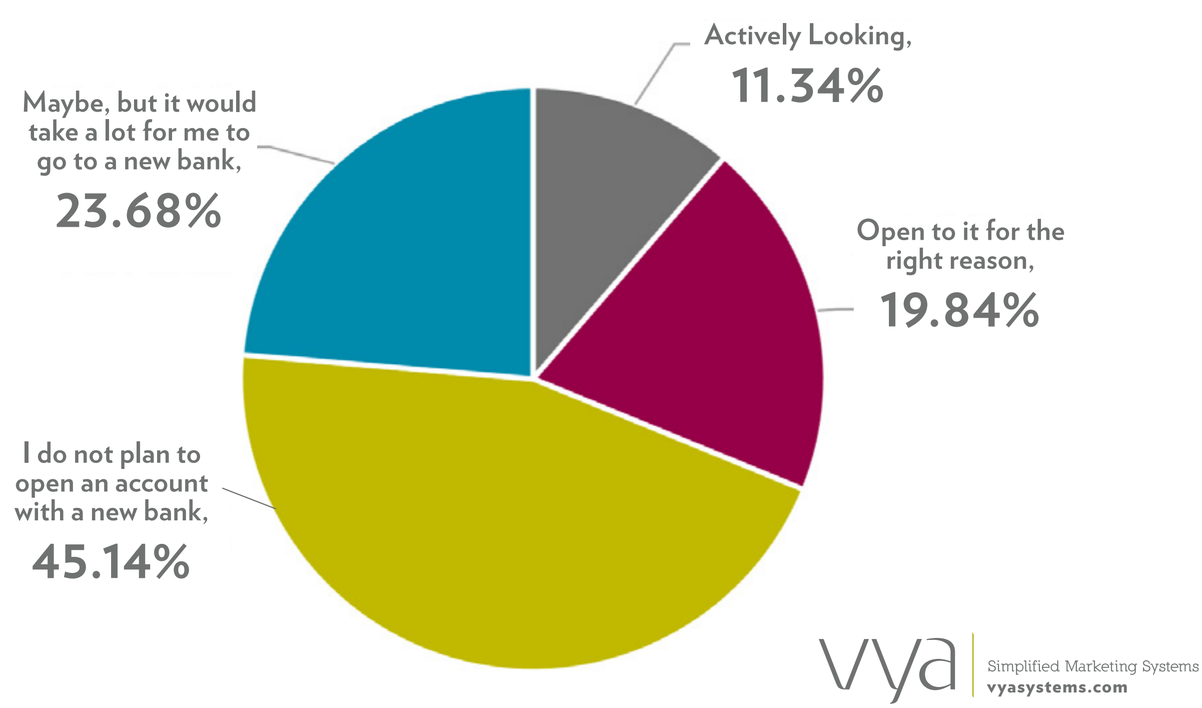
RETENTION

The study reveals 31% of mid-size banking customers are open or actively looking to switch banks. This is in line with reported rates from 2018 of 28%[2]. Although the ability to switch banks is becoming easier with digital options, mid-size banks can focus on the needs of at-risk customer groups to increase their retention.

An analysis of the key drivers for switching banks – recent life events, time with bank, and level of customer satisfaction – reveals three at-risk customer segments for mid-size banks:

- Marital/parental events customers
- 1-to-5-year customers
- Young customers (age 19-34)

In 2021, how likely are you to switch financial institutions for your banking needs?

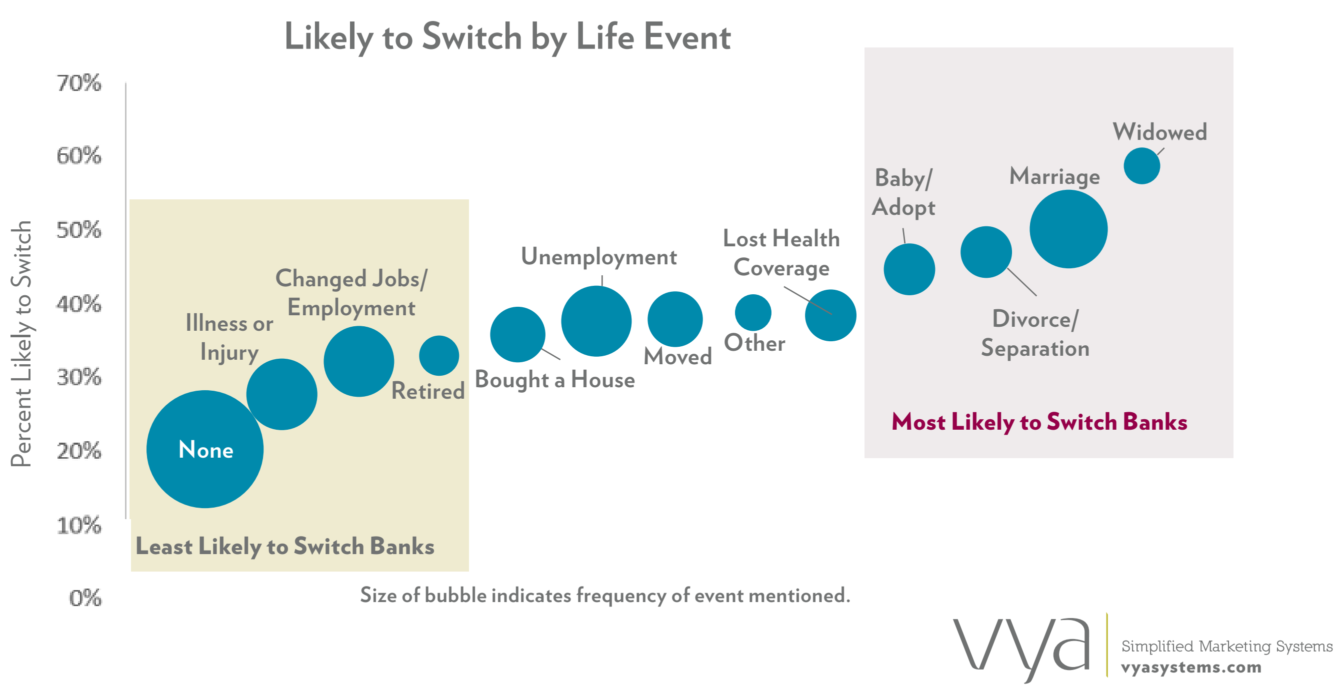


At-Risk Segment #1: Marital/ Parental Events Customers

Over 50% of customers who have recently married are more likely to switch banks, and the data show there are a lot of couples getting married. In the Vya survey, 15% of respondents indicated they got married in the past year. The recently married segment is among the greatest at risk of attrition, because it represents one of the larger life event segments, and one that is more likely to switch banks.

Life events segments at highest risk of attrition (in order by size):

1) Married couples
2) Divorced/separated
3) New parents (had baby/adopted)
4) Widow/widower



In addition, there was a statistically significant increase in likelihood to switch banks if a customer experienced more than one life event within the past year.

LENGTH OF RESIDENCE AND SATISFACTION

Findings from the Vya survey indicate a statistically significant relationship between length of residence and satisfaction. Customers with a longer length of residence at the same address are, on average, more satisfied.

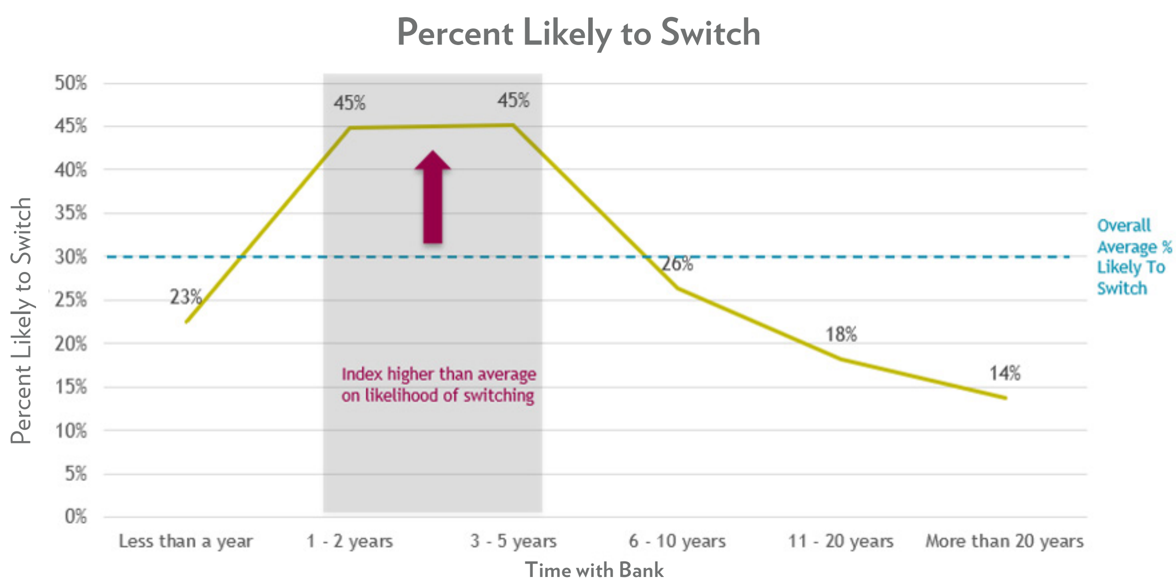
Those with a longer length of residence tend to have more stability in their lives due to fewer life events, which can contribute to being more satisfied with their current bank. In addition, they have likely had more time to build a relationship with their bank. On the other hand, those with many life events might be more likely to run into frustrations with their bank while going through a divorce or moving, for example, or because of these events, they may become aware of their bank's weaknesses.

At-Risk Segment #2: 1-to-5-Year Customers

When examining retention probability, there is a clear correlation between long-time customers and retention. Customers who have recently joined a bank, as well as those who have been with a bank longer than five years, are more likely to be satisfied with their bank's services and plan on staying.

However, customers who have been with a bank between one and five years, harbor a different opinion – one that is statistically significant, according to the study. This makes 1-to-5-year customers of mid-size banks one of the key segments at risk.

Many young customers of mid-size banks fall into the 1-to-5-year segment, which compounds the at-risk nature of this segment.



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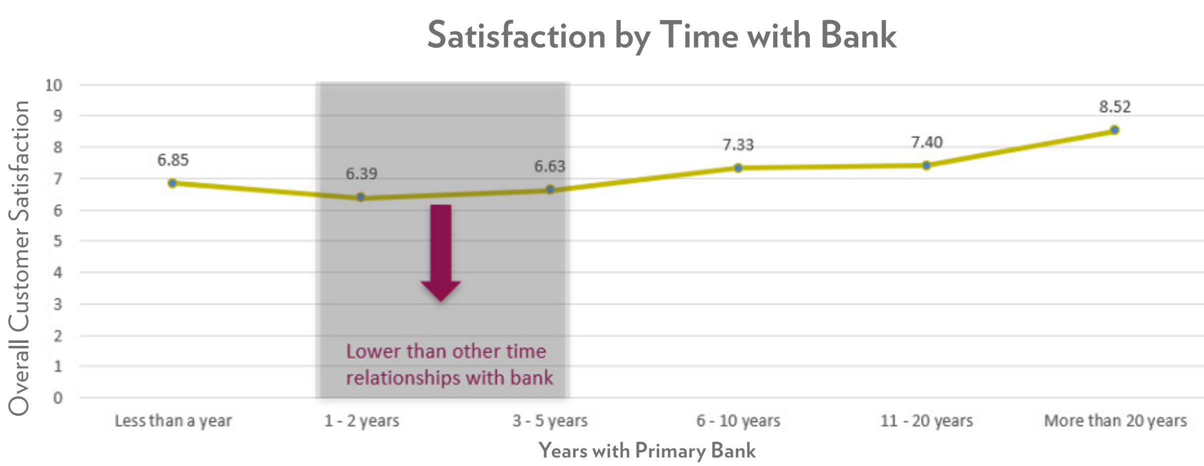
TIME WITH BANK AND SATISFACTION

The research indicates the longer a customer is with a bank, the higher their satisfaction with their bank. Some of this is attributed to the relationship between time with bank and age.

As discussed earlier, those who have been with their bank longer are often older. Therefore, it makes sense that time with bank influences satisfaction positively, given its relationship with age.



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Another finding is that although satisfaction increases overall as time with bank increases, this is not linear like age. For customers who have been with their bank for less than one year, satisfaction starts at 6.9 out of 10. However, this satisfaction dips to 6.4 for customers at 1-2 years, and increases slightly to 6.6 for customers at 2-5 years. This suggests something may be changing between the time the customer first joins the bank and after they have been there for 1-5 years.

Among the potential factors influencing this change in satisfaction is the bank's onboarding process. In the first 90 days, banks often put new customers into a strategic workflow that focuses on customer relationship and engagement. This includes increased touches and targeted communications and conversations with the new customer.

Eventually, this customer is no longer considered new, and banks often move to a different phase, one involving less frequent engagement with the customer. This is likely why, in the survey, "Understands Your Needs" and "Customer Service" are ranked significantly higher by new customers than by those who have been with the bank for a few years.

Another variable in the survey that new customers rank high but longer standing customers rank lower is available product and service offerings. Since new customers are often flooded with bank follow-ups and cross-sell communications, they are very aware of their bank's product and service offerings.

However, as the bank backs off on the volume of communications that it sends out, customers who have been with their bank after one year may be less aware of their product and service offerings, leading to a lower satisfaction ranking, and increased likelihood to leave.

At-Risk Segment #3: Young Customers (Age 19-34)

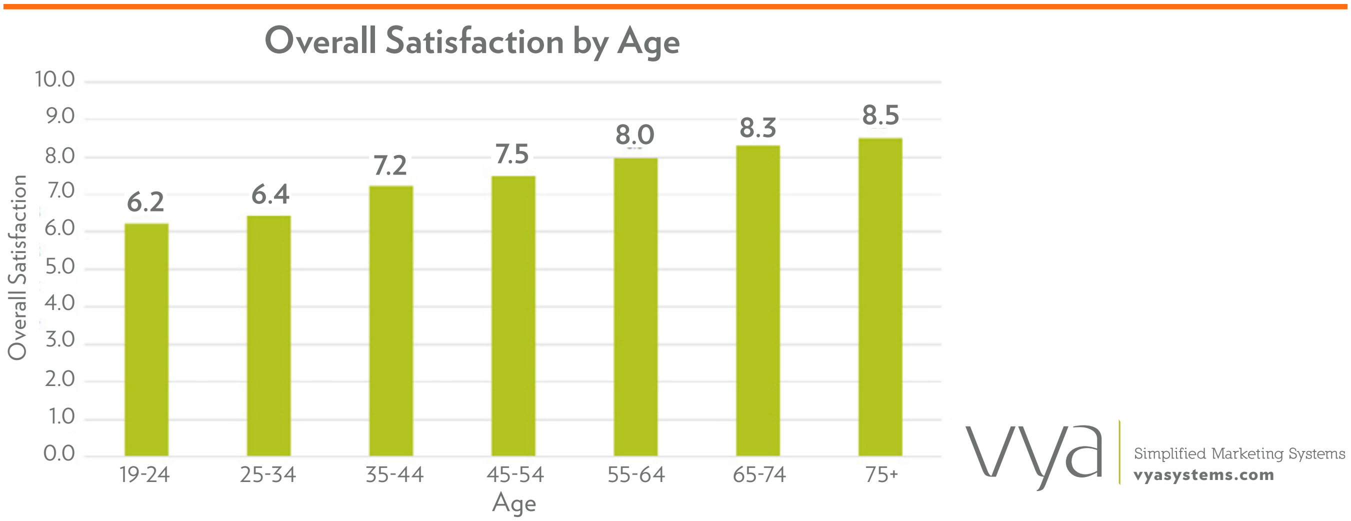
To better understand how customer satisfaction impacts at-risk customers, the study examined satisfaction as it relates to a variety of factors, including length of residence and time with bank, as reported above. The study also looked at satisfaction related to age. Based on this analysis, "Young Customers" (age 19-34) was identified as one of the top at-risk segments for mid-size banks.

AGE AND SATISFACTION

When looking at the relationship between age and overall satisfaction, customer satisfaction increases as age increases. When comparing each age group, there is a statistically significant difference between higher ages and lower ages and how satisfied they are with their bank. This phenomenon has been observed by other studies in a variety of industries[3]. One interpretation of this is the idea that older customers have experienced firsthand the product and service enhancements that are introduced to better satisfy customer needs.

For example, John, a 45-year-old man, used to have to take all his checks to his local branch to deposit them into his account. This took time out of his day, and often he would have to wait in line at his branch. With the invention of mobile check deposit via smartphone in the early 2000s, John no longer has to go to his bank's physical branch to deposit checks, which has saved him a substantial amount of time over the years. On the other hand, Alex, who is 19 years old, has had a smartphone since he was a young teen and has always had the ability to use mobile deposit for checks. Because of this, Alex never experienced the same pain points that John did, and therefore he already expects these types of features. If the mobile deposit feature on Alex's banking app is buggy or does not always work when he needs it, he may be more likely to rank his bank lower in a customer satisfaction survey than John, who has more appreciation for the time-saving technology.

In addition, it has been observed that younger customers tend to know more about the latest products and services compared with older customers.[3] These younger customers tend to keep closer tabs on new or competing offerings. Given this, in general, the younger age groups are more likely to have a faster replacement cycle on products and services – including bank relationships – than older customers.



WHERE TO START

The research thus far has identified which mid-size bank customer segments are loyal and which are *at risk*. This provides a starting point for building a retention strategy. The next step involves developing an understanding of what's important to customers, as well as their level of satisfaction with how a bank addresses those areas of importance.

The Kano Model of analysis for product development and customer satisfaction plots results for each customer satisfaction attribute on two axes: 1) level of satisfaction, and 2) level of importance. Based on where each satisfaction attribute falls in the matrix, different strategies are applied to maximize satisfaction in the most efficient manner.

I. Top Areas to Improve - *Key drivers of satisfaction with mid-size banks.*

These are areas that have a great influence on satisfaction, but customers report lower satisfaction. These attributes are primary targets for improvement because improvements in these areas are most likely to result in greater satisfaction with your bank, increasing retention likelihood.

II. Strengths - *Key drivers of satisfaction with mid-size banks.*

They add substantially to overall satisfaction and are key strengths. These are areas where mid-size banks are currently performing well.

III. Next Areas to Improve - *Less important to satisfaction relative to other attributes.*

Although less important, they are still detracting from overall satisfaction and should be a secondary target for improvement.

IV. Requisites - *What is expected by mid-size bank customers.*

Also called "table stakes." You may be performing well on these factors but they will not increase satisfaction if you improve on them.

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Areas to Improve

The left half of the Kano chart identifies the areas for improvement. Based on the analysis, the first areas for mid-size bank marketers to focus on are understanding customer needs and innovation. These are the areas that will move the needle on Overall Satisfaction with the bank, which leads to retention.

The secondary areas for improvement include grace periods, keeping fees low, and financial advice. The next section of this report will show that the needs of at-risk customer segments fall into the secondary areas for improvement. Therefore, when developing retention strategies for specific at-risk segments, the secondary improvement areas become influential.

Note that interest rates have the lowest satisfaction, however, this study shows that this is not a driver to switch banks. Therefore, the analysis that follows focuses on the other needs of bank customers.

Areas to Maintain

Customer service, offerings, and branch and local related amenities such as ATMs, branch hours and convenience are at the top of the list for driving positive satisfaction, and mid-size banks are performing well in these areas.

Providing solutions to problems, online banking, and mobile apps are services customers expect.

CUSTOMER NEEDS

In this survey, customers rated their satisfaction with their bank low for "Understands my needs." Yet, the Kano analysis identified this attribute as having the highest importance for driving overall satisfaction with the bank. Mid-size banks must do better at understanding their customers' needs if they want to increase overall satisfaction and retention.

This section examines the specific customer needs uncovered in the study, including overall needs of all mid-size bank customers, as well as additional needs of at-risk segments.

The needs assessment that follows is not organized by bank division (mortgages, investments, private banking - checking accounts). The best approach is to start with the customers, and then deliver on these needs at the individual bank division, ultimately flipping the hierarchy. This 'working backwards' approach to customer experience helps customers build an affinity toward the bank and makes its offerings more relevant to customers[4].

Overall Needs

The study identified the following as the top three overall needs that are common across all bank customer segments:

- Feeling safe and secure
- Loyalty rewards
- Free checks

FEELING SAFE AND SECURE

In the survey, customers stated they feel happy, content, and satisfied with their primary bank. Customer behavior scientists point out these may be rational thoughts based on logic and reason[5]. However, a deeper emostional factor analysis of open-ended responses revealed respondents' feelings that suggest, to be an exemplary bank you must make a customer feel safe and secure.

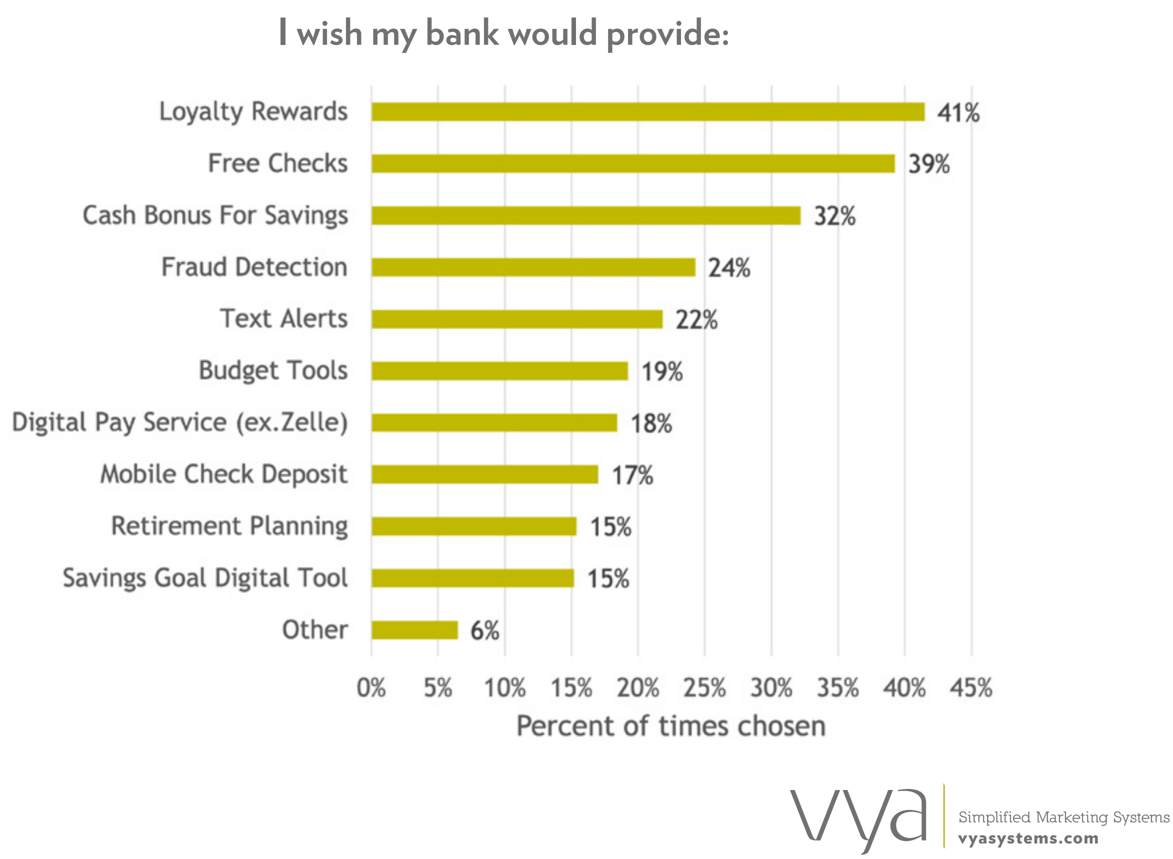
According to the University of Sussex, "Feeling safe and secure means having a sense of control of yourself and the environment." When unexpected fees occur and other life events cause stress, it shakes a customer's security.

In the era of COVID-19, safe and secure take on additional meanings. Many customers are left wondering what the bank is doing to protect them but still be accessible. They may be thinking, "What if I get COVID and can't work/earn an income?"

Security with customers and banks also taps into the fears related to bank stability – encompassing things like confidence in not closing and concerns related to losing money on interest-bearing accounts. When asked about the reasons for diversifying accounts across multiple banking institutions, we heard things like, "I like to spread out my accounts in case a bank has financial troubles." And, "It's less risky."

However, customers who like to have most of their accounts at their primary bank, do so because it's "easy and convenient."

The following table reveals additional needs that were selected by customers.



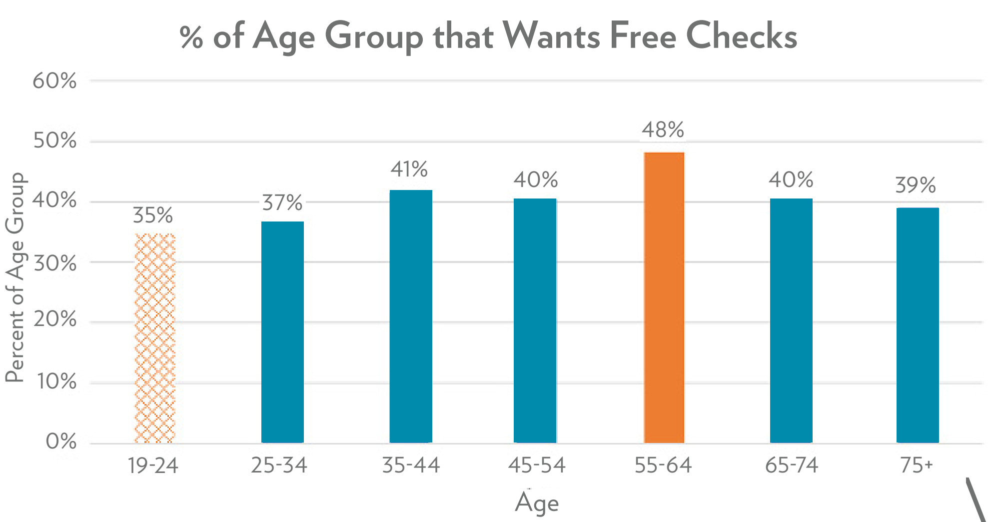
LOYALTY REWARDS

The number one selected wish from banking customers is loyalty rewards. According to ampliFI, a provider of credit and debit reward programs for financial institutions, loyalty programs yield a 30.5% increase in transactions, and a 20% increase in active account growth[6]. In one case study, a loyalty program generated growth in auto loans when account holders were offered bonus points if they financed or refinanced an auto loan. Vehicle loans increased 24.53% compared with the same period the year prior.

FREE CHECKS

With growing use of payment systems such as Zelle® and Venmo, you might expect check writing would become obsolete. In 2018, checks represented only 8% of noncash payments.[7] Yet, *free checks* are near the top of the wish list for customer needs. Perhaps because they use checks so infrequently, thirty-nine percent (39%) of mid-size bank customers say they would like free checks.

The desire for free checks surprisingly spans all age groups, though the highest demand is among customers between ages 55 and 64. This suggests that offering them at no charge will benefit all your customers.



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As a loss leader, free checks can provide enormous retention gains for banks. If the cost to retain or win a customer is as little as the cost of two boxes of checks – between $11.20 and $25, according to Bankrate.com – it makes financial sense to offer free checks or a limited-time promotion of free checks for opening a deposit account.

	Single checks		
Company	Number of checks in box	Cost, 2 boxes	Cost per check
Sam's Club	240	$11.20	$0.023
Costco	246	$14.48	$0.029
Walmart	150	$12.92	$0.043
Checks.com	125	$11.90	$0.047
Promise Checks	125	$13.90	$0.055
Vistaprint	150	$25.00	$0.083

Source: bankrate.com

Needs of Segments at Risk

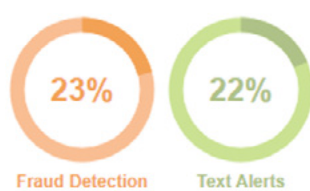
Once a bank addresses the common needs of its customers, with things like loyalty rewards and free checks, it's important to focus on the needs of the bank's at-risk customer segments and fine-tune its retention strategy.

MARITAL/PARENTAL EVENTS SEGMENT

As highlighted earlier, customers who have had a major life event are more likely to switch banks. The life event categories at risk include married, divorced/separated, widowed, and those with a new baby.

Respondents in this segment indicated that within the top four needs, other than *loyalty rewards* and *free checks*, they want *fraud detection* and *text alerts*.

Life Event Risk Segment Needs



Fraud Detection

Fraud detection is extremely important today, especially since all customers want to feel safe and secure in their choice of bank. There is a wide array of technologies and methods that banks can implement to address this customer need, from dual authentication, biometrics, and artificial intelligence-based fraud detection, to account alerts and card hold/lock.

1-TO-5-YEAR CUSTOMER SEGMENT

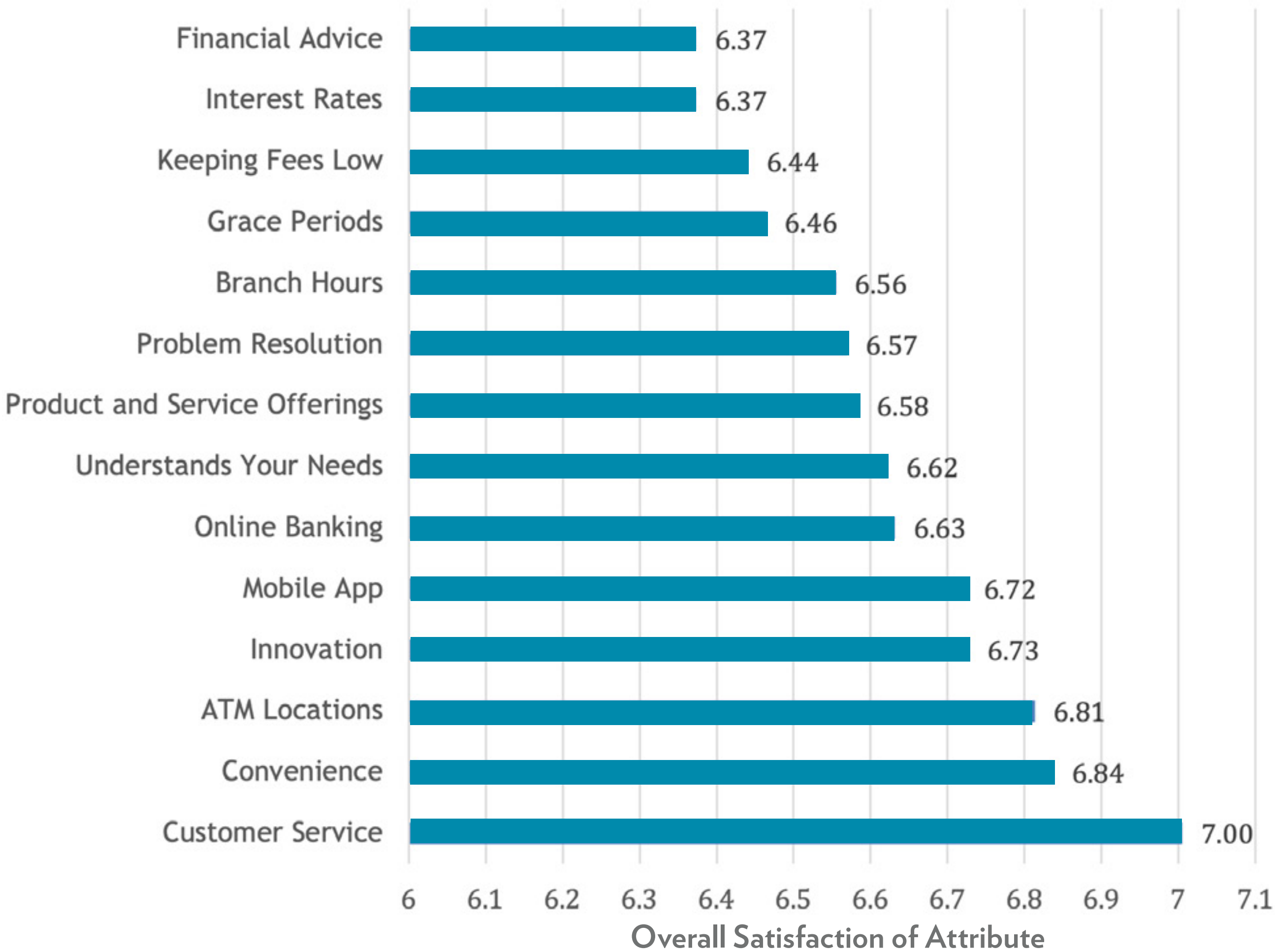
The research indicates mid-size banks do very well initially in focusing on the needs of new customers. Where they need improvement is in continuing to focus on these needs after the first year of the customer relationship. Although a decrease in the level communication with customers after a few months of them joining is normal, they must still be consistently engaged and nurtured to ensure they feel their needs are being met.

As stated earlier, not only do banking customers of one to five years have a higher likelihood of switching banks, but they are also less satisfied overall than all other customers. On top of this, the areas that earn low ratings from these customers are those that have high importance when it comes to influencing overall customer satisfaction.

Financial Advice

Financial advice, with the lowest satisfaction rate among 1-to-5-year customers, is an area that can be improved upon to better meet the overall needs of this segment.

Satisfaction: 1-5 Year Customers



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Increased Communication

Given that customers in the 1–to-5-year segment are not as impressed as newer customers with their available product and service offerings, banks must address this. This could involve looking at what types of communications they are sending to this group of customers. It also may involve the bank taking inventory of its products and services to ensure that there are not any gaps in what they have and what is available out in the market. In some circumstances, banks may need to proactively develop new products and services to be a step ahead of their competitors.

YOUNG CUSTOMER SEGMENT (AGE 19-34)

The young customer segment is comprised of individuals between the ages of 19 and 34. Some of these customers have been with their banks between one and five years.

Cash Offers

Forty percent (40%) of young customers want cash offers for opening additional accounts. Given the seasonality trends of banking customers[8], many banks capitalize on cash offers after January, when employment bonuses are paid and tax returns are around the corner. Cash offers are very important for this segment and are explored further in the innovation section of this report.

Grace Periods

A grace period is the time after a financial obligation is due or expected, where a late fee is waived. Across all customers, satisfaction of grace periods with banks is rated low, and for young customers it ranks the lowest (after interest rates). However, it is a bigger driver of switching banks for young customers. Dissatisfaction with grace periods may be related to overdraft windows, due to the large amount of debit transactions completed by this segment. More than half (52%) of Gen Z and 41% of millennials say they prefer to use debit cards most[9].

INNOVATION

Innovation is the second area of focus identified earlier by the Kano analysis. New markets and platforms have emerged that are beginning to steal market share from mid-size banks. Tapping into this innovation is essential for mid-size banks to remain competitive. This section explores examples of innovation that are redefining banking today and beyond.

Example: Robinhood

A great example of innovation is the app Robinhood. It first launched as an investing app for the everyday individual to use on their smartphone. It made trading stocks seamless, even for beginners, and does not charge commissions or fees. As the app matured and gained a larger customer base, it began to offer users the option to open a checking account through the app that earned 2.05% interest[10] on uninvested money in the account, along with a debit card to spend from the account. The national average APY on savings accounts is .05%,[11] so an APY of 2.05% is unheard of (41 times the average) and naturally attracted a lot of people to take money out of their banks and put it into a Robinhood account. Robinhood later lowered its APY to .30%,[12] which is still substantially higher than the average. These perks are drawing customers away from traditional banks to apps like Robinhood, where they can do more with their money.

Example: Cash App

Cash App is another app that was released in 2013 and allows users to transfer money quickly and easily to one another. It followed with a debit card that is attached to the account that can be used for everyday purchases. Users could receive "boosts" to their card to get substantial rewards such as $1 off a purchase at any coffee shop or 10% off your purchase at your local supermarket. The more users spend with their Cash App card, the more substantial rewards they can unlock. After depositing just $300 or more in paycheck deposits to the account, for example, users can unlock the boost of $30 off one purchase anywhere.[13] These types of rewards are often superior to those offered by mid-size banks. In addition, users can now trade stocks on the app, making it a multifaceted financial tool.[14]

Example: Capital One and Chase

Large banks are stealing customers from mid-size banks with attractive introductory benefits and rewards. For example, one of Capital One's credit cards offers a one-time $200 cash bonus after spending just $500 in the first three months of opening an account, with no annual fee.[15] Chase credit cards offer substantial cash back as well as lots of perks, such as discounts for purchases at Panera, Starbucks, Walmart, Kindle, Casper, etc. Customers often jump from card to card, racking up bonus offers and rewards. In many cases, it is hard for mid-size banks to compete with these attractive and well-marketed offers.[16]

What will it take?

Today's banking customers want the convenience of being able to use platforms that are multifaceted where they can store their money, easily send money, invest, rack up rewards, and take out loans – all in one place. Because of this, mid-size banks are losing customers to these emerging platforms, which offer multiple solutions baked into one offering.

Mid-size banks will have to focus on innovation to remain competitive with these larger and more robust platforms and organizations. They will have to offer the ability to open accounts online without stepping into a branch. They will have to offer competitive rewards and innovative mobile platforms to keep up with this new wave of innovation. In many cases, mid-size banks will need to form partnerships with other organizations to do some of the heavy lifting to overhaul these areas.

Mid-size banks may not be able to compete effectively in some of the spaces where these innovative companies and larger banks are competing, when it comes to technology and platforms. However, they can always survey the market to find gaps in areas such as customer service or being able to better understand their customers' needs so they can gain an edge over competing organizations.

Larger banks tend to have multiple layers of automated call center technology that can take a while to penetrate to get on the phone with a human representative. This can be immensely frustrating for customers who need immediate help. Mid-size banks can use this to their advantage by offering exceptional and personalized customer service. The Vya study indicates customer service ranked highest in satisfaction, which is a great sign for mid-size banks.

Mid-size banks often offer a more intimate and personal service than larger banks, which is valued highly by certain customers. They are also typically more willing and able to negotiate and work with customers than their larger competitors, that offer very little flexibility. Mid-size banks must continue to strive to use these advantages to maintain and grow their market share.

MARKETING RECOMMENDATIONS FOR RETENTION STRATEGIES

This study has revealed mid-size banks' at-risk customer segments and imperatives around important customer needs and innovation. With this intelligence, mid-size bank marketers can now begin to align product and marketing strategies to increase satisfaction and retention.

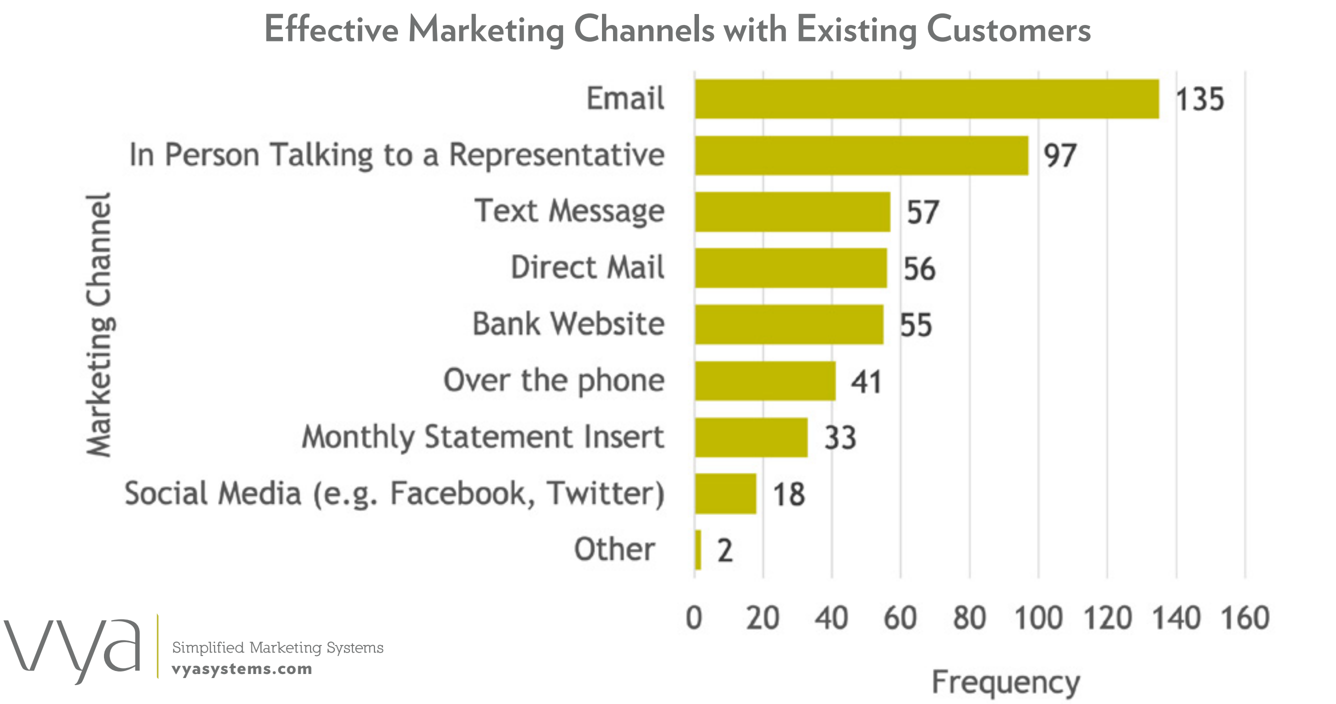
Target

Identifying and meeting the additional needs of segments at risk should be part of any mid-size bank's retention strategy. As the adage says, "The best defense is a good offense." Keep an eye on what competitors are doing to lure customers away. Take steps to strengthen relationships with existing customers by meeting needs and building trust – your best weapon. Focus on segments at risk:

- Marital/Parental Events
- 1-to-5-Year Customers
- Young Customers (Age 19-34)

Channel

Customers indicate they are most responsive to their primary bank when they receive an email or are talking to a bank representative in person. This is particularly the case for customers between the ages of 19 and 54. Those aged 55 and up prefer in-person. The graph below shows that the most personalized channels rise to the top of the list, including text messaging and direct mail. Text message was the preferred primary communication channel for the 19-24 age group. Of all the customers mentioning direct mail as a channel to get their attention, 25% were customers over the age of 64. Using these top four channels is most effective when there is a call to action versus just an awareness campaign.



Message

Customers want to feel safe and secure with their bank. These key underlying feelings should be portrayed in communications with customers. An article regarding social media marketing for banks in 2021 reminds us that, "being able to connect with customers' emotions gives you an advantage over your competitors. Connect with customers and drive home the fact that you are there for them when things go right and when things go wrong will build trust.[17]"

Marketers also need to engage customers with communications about their products and services, emphasizing their banks' innovation and focusing on products that support their customers' needs.

Products & Services

Based on the survey findings, retention strategies for mid-size banks should address the following product and service needs:

- **Loyalty Rewards** - Be innovative with loyalty programs and market to your customers.
- **Free Checks** - Loyal customers would like free checks, but so might new customers.
- **Financial Advising** - Make sure customers are aware of this service or resource by actively promoting it to them.
- **Cash Offers** - Connect the amount of cash given for opening an account to potential income groups. Synchronize the offering during the spring when customers are more likely to open accounts.
- **Grace Periods** - Consider longer-term standard grace periods that hedge the standard amount of time a customer needs for their obligations under normal circumstances.
- **Fraud Detection** - Make sure your bank's fraud detection is on par with competitors. It's important to constantly evaluate standard practices. Evolve in order to protect your customers and make them feel secure.

Customer Needs

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CONCLUSION

Overall retention begins with making your customers feel safe and secure about their money and your bank's health.

Loyal customers are satisfied with customer service, convenience, and branch hours. But all segments want you to understand their needs. The research indicates that providing loyalty rewards and free checks will go a long way with all customers.

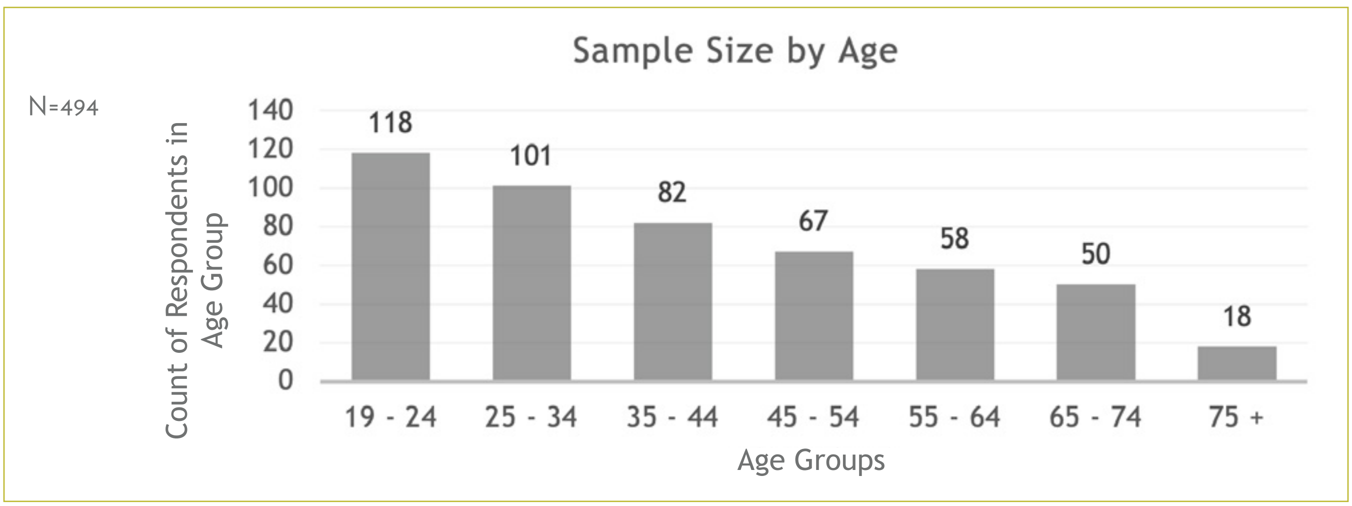
At-risk segments for mid-size banks need financial advice, fraud detection, incentives for opening savings accounts, and grace periods.

Invest in innovative products and services based on these needs profiles and know that innovation takes on many meanings to many customers. Innovation can be something as simple as grace periods or as technical as opening bank accounts online. Start with the low hanging fruit when investing in innovation.

Remember Kara? The mid-size bank customer who has a deposit account, a large savings account, recently got married, is young and falls into the one-to–five-year client segment? Not only do you now know you are at risk of losing her, you also have a roadmap of her needs and can build your retention strategy to move her from a leaving customer to a loyal one.

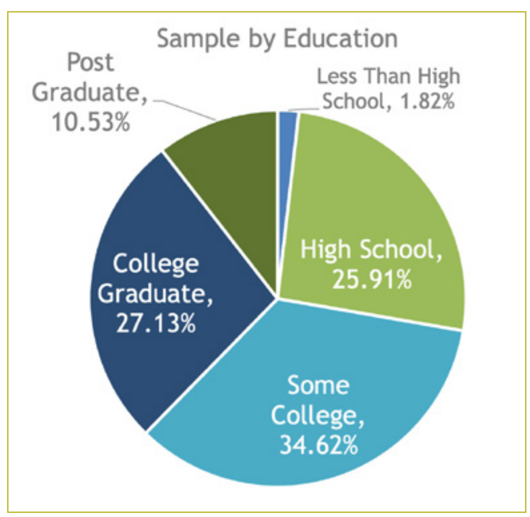
APPENDIX - PROFILE OF RESPONDENTS

The ***Vya Mid-Size Bank Customer Retention Study*** collected data from customers over the age of 18 with the goal of at least 30 respondents from each age bin in order to make satistically signficant comparisons across age groups. Significant samples were collected for all age bins, except for customers over the age of 75, in which the sample was n=18. These customers were post-hoc grouped with customers between the ages of 65-74 when appropriate.



EDUCATION

Most respondents had at least a high school education, with over one-third having some college and almost another third being college graduate.



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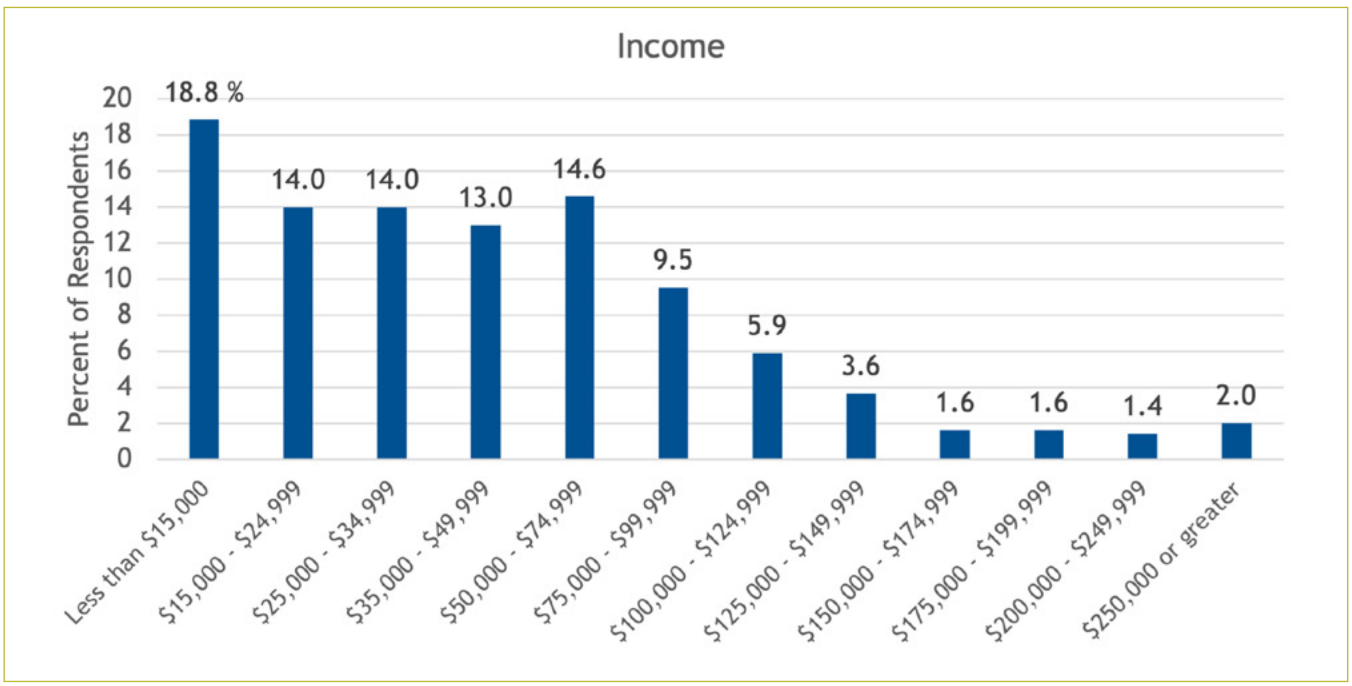
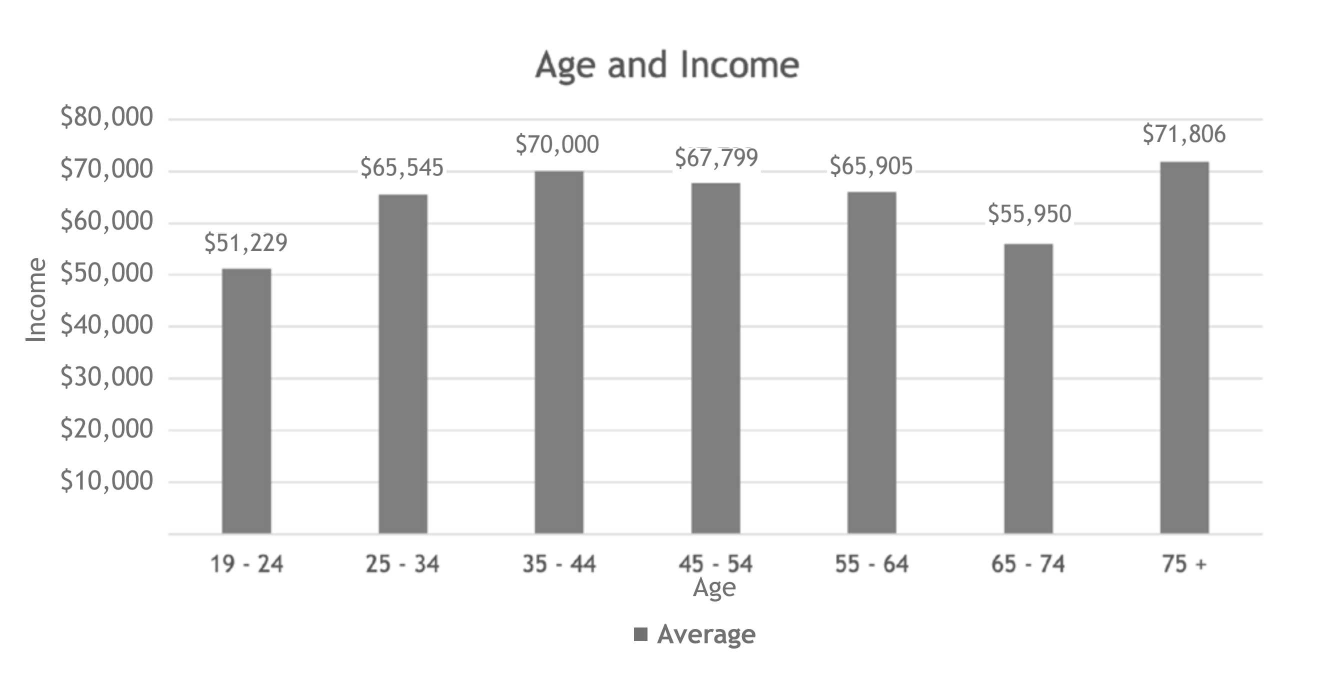
INCOME

- 65% of respondents' income is between $15,000 and $100,00
- 6% have income between $100,000 and $125,000
- 10.2% have income greater than $125,000

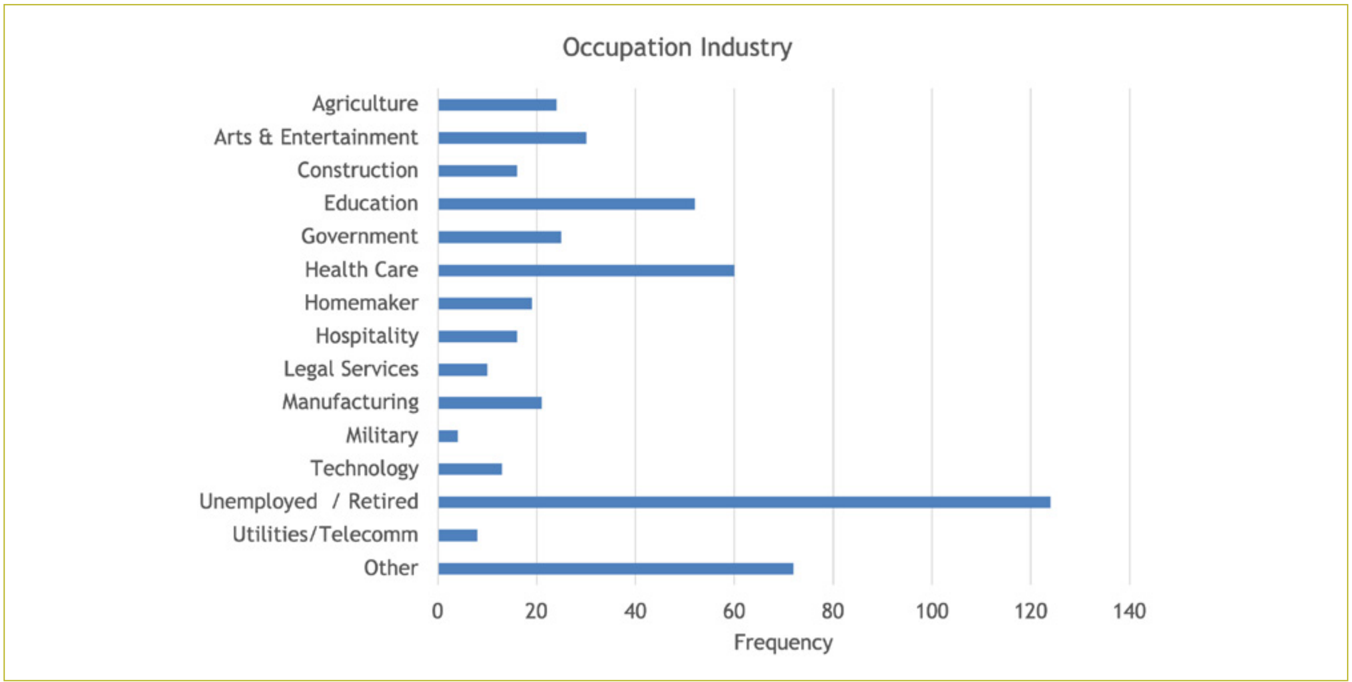
Fifteen percent (15%) of respondents experienced unemployment in the past year, which may contribute to a lower stated income.





OCCUPATIONS

A variety of occupations was represented with this study. Customers that work in the banking industry did not qualify to participate in the study.



BANKING PROFILES

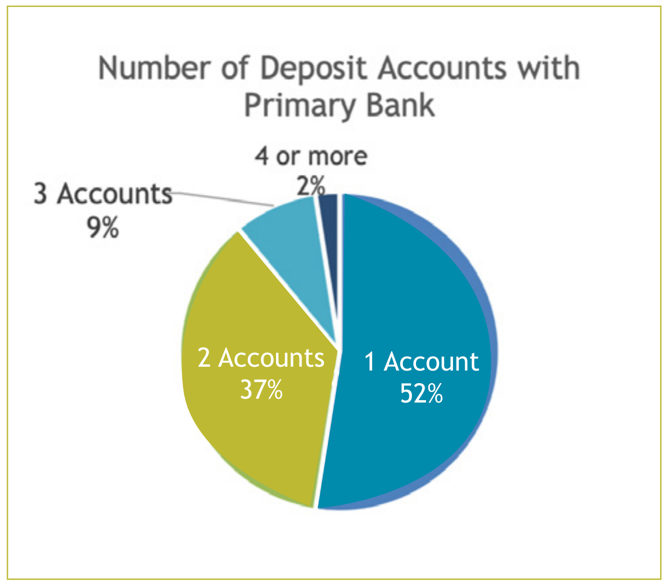
Deposit Accounts

- 52% of respondents have one deposit account with their primary bank, and the remaining have more than one.

Card Usage

With either their primary bank or secondary financial institution, the breakdown of card usage is as follows:

- 84% of respondents have a debit card
- 65% have a credit card
- 57% have both



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ABOUT THE AUTHORS

Ashlie Ossege is the VP of Analytic Services at Vya's Direct Options division, with over 23 years in the analytics and market research industry. Ashlie is responsible for providing data-informed insights to guide clients with marketing, growth, and retention strategies. Ashlie is an accomplished speaker on customer analytics and marketing effectiveness. Her passions are teaching complex statistical techniques, data science, and mentoring. When she is not analyzing consumer data, she is analyzing what next music concert she will be attending from Christian artists to 80's big hair bands.

Hunter Block is a Junior Data Analyst with Vya's Direct Options division. He graduated with a double major in International Business and Spanish at Cedarville University. With a previous background in project management, he specializes in improving processes and creating efficiencies within organizations by analyzing data to drive decisions. He is passionate about entrepreneurship, health and nutrition, personal finance, and analytics. Off the job, he enjoys traveling and weightlifting as well as reading and watching movies in Spanish.

ABOUT VYA

Vya simplifies marketing execution with local customization to help distributed and multi-location businesses increase efficiency and maximize performance. With its combination of marketing resource management technology, data analytics expertise, and production services, Vya enables marketers to customize, localize, optimize and efficiently manage marketing campaigns, messaging and materials for greater relevance and impact. Marketers across a range of industries, including banking and financial services, franchising, insurance, manufacturing, and energy and utilities, choose Vya to elevate their marketing operations and advance overall business success.

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