

A New Day in Retail Banking Customer Satisfaction?

In an industry where competitors regularly speak of the importance of a relationship strategy to their long term success, customer satisfaction is one of the most critical performance measures in retail banking. While all banks can point to their relative financial performance on a quarterly basis, comparing their success in satisfying customers versus their competitors can be more challenging. Given that challenge, the annual release of the J.D. Power Retail Banking Satisfaction StudySM is highly anticipated, offering a snapshot into the relative performance of banks on this important indicator of competitive success. Given the profound impact of the pandemic on consumers across industries, an even greater focus than usual has been placed on the most recent study, published in April 2022. Two years after the onset of the pandemic, and, with it, consumers' accelerated adoption of digital capabilities, which banks have been most successful in sustaining, if not improving levels of customer satisfaction? More broadly, has the pandemic materially changed the competitive landscape among banks as they vie for customers?

Is "smallness" still a virtue?

On the surface, it appears that the traditional pattern continues of smaller banks, with a singular regional focus and a greater reliance on in-person interaction, achieving higher levels of customer satisfaction. Of the 15 regional geographic markets reported by J.D. Power, 10 of them are led by banks with less than \$50 billion in assets and competing in only one of the regions (see Exhibit One). In contrast, institutions with assets exceeding \$500 billion consistently perform below the regional average, having the lowest score in all but two regions. So does that indicate that larger institutions have failed to leverage their long term investments in digital capabilities to make inroads in better satisfying customers? Interestingly, certain large banks are demonstrating the ability to consistently achieve higher levels of customer satisfaction across each of their markets. Most notably, Chase's customer satisfaction was above the average in each market, and actually leading in the Upper Midwest region. Similarly, PNC enjoys above average satisfaction in all but one of the regional markets where it competes and also leads all other competitors in one region, the Mid-Atlantic. Size clearly does not preclude a bank from satisfying its customers.

Why is there so much variability?

So, what leads to the variability in customer satisfaction, particularly across larger competitors? Why does a Chase or PNC consistently and materially outperform Wells Fargo, Truist and Citibank in satisfying customers across multiple regions? In reviewing the most recent results for the nations' largest, multi-regional banks (see Exhibit 2), a few trends emerge, among them the impact of either a recent merger or an adverse reputational event.

A recent merger

Truist, the result of the merger of SunTrust and BB&T, consistently underperforms the regional average across all of its markets in the 2022 study. Notably, while the merger was originally announced in 2019, the merger integration proceeded into 2022 with all customers ultimately transitioning to a new brand. Moreover, given the significant geographic overlap of the two organizations, branch consolidations are widespread with 800 branches ultimately targeted for closure. Correspondingly, Truist had its lowest levels of satisfaction in those regions where the overlap between SunTrust and BB&T was most prevalent, namely the Mid-Atlantic, South Central, and the Southeast.

Perhaps the impact of a merger on customer satisfaction is best highlighted in the case of PNC Financial. As previously noted, PNC enjoys above average levels of customer satisfaction in each reported market region, except for the South Central where, as the lowest rated competitor, it trails the Region Average score by 42 points. What is unique about the South Central region? That region served as the core market area for BBVA Compass Bank which PNC acquired in 2021, converting its branch network in October 2021. As the J.D. Power Retail Bank Study was conducted in the aftermath of that conversion, it reflected customers' degree of satisfaction with their new bank coincidental with the merger conversion. Only future surveys will tell if that was a passing reflection of the acquired customers' satisfaction with the merger process or a fundamental change in their underlying satisfaction with their primary bank.

Can a bank overcome the aftermath of a merger? Are depressed levels of customer satisfaction a short-term reflection of the impact of change on the customer base or are they a longer lasting issue that might lead to lower levels of engagement and ultimately attrition? The most recent J.D. Power Satisfaction results would suggest that both outcomes are possible. Chase is the ultimate example of an institution, built from decades of serial mergers, now delivering a customer experience consistently yielding above average levels of customer satisfaction. Notably, Chase's customer satisfaction score averages nearly 20 points above the regional average across the 11 markets where it competes. In contrast, KeyBank, which completed the merger integration of First Niagara Financial five years ago, continues to lag competitors in customer satisfaction in most all markets. Most significantly, Key has its lowest levels of satisfaction in the New York Tri-State and Pennsylvania regions where the First Niagara customer base was concentrated.

An adverse reputational event

One of the most striking results of the 2022 study was the continued low level of customer satisfaction with Wells Fargo. Not only does Wells consistently hold the lowest level of customer satisfaction across regions (scoring the lowest in 8 out the 12 regions where it competes), the scores are materially lower than most any other competitor. Across its 12

regions, Wells' customer satisfaction averages 30 points below the regional average and is nearly 50 points, on average, below Chase. Interestingly, the two regions where Wells performs relatively better are Florida and the Southeast where it is the successor organization to Wachovia which had been an industry leader in customer satisfaction. While Wells' low levels of customer satisfaction are not new, stemming back to the revelation of unauthorized account openings in 2016, they demonstrate the significant challenge of changing customers' perceptions once they are adversely impacted.

What can you conclude?

Given the 2022 Study results, several conclusions emerge:

- For smaller organizations, don't assume that you'll continue to enjoy higher levels of customer satisfaction. The pandemic has changed customers' preferences and expectations, particularly related to remote banking, with convenience and proximity being profoundly redefined. Several larger, national banking organization are demonstrating the ability to consistently build higher levels of customer satisfaction, leveraging their distinctive technological capabilities. Your local presence and longstanding market familiarity may no longer suffice in engaging and retaining your customers versus those competitors offering a great digital environment providing easy and seamless access to a wide range of services.
- For larger organizations, don't rely on outspending your competitors on technology, new products, and branding without keeping the client and their needs and preferences front and center. As is becoming evident in multiple retail industries, consumers are returning to a more balanced use of on-line and in-person experiences as the impact of the pandemic ebbs. Obsessing about the client experience and consistently delivering on a clear value proposition across each customer interaction, both virtual and physical, can be a true differentiator as demonstrated by selected large bank competitors.
- Mergers are a moment of truth...and one that comes with significant risk. While cost savings can be easily identified and valued, the opportunity cost of a diminished or attrited customer can be less clear in the near term. The survey results clearly highlight the real peril, both short term and, in selected cases, long term, of a merger integration on customer satisfaction.
- Your organization's reputation can be fragile and, once damaged, it can be difficult to regain the full faith and confidence of your customers. As most clearly demonstrated by Wells Fargo, having an extensive branch network, and a wide array of products, all supported by advanced technology cannot offset the perception, let alone the reality, of an institution not acting in the best interests of its customers.

What can you do?

As evidenced by the variability in the most recent J.D. Power Study results, a bank can differentiate itself on customer satisfaction, regardless of their size or level of merger activity. Regardless of your organization's size and scale, what actions might you consider to help ensure that your bank better satisfies your customers, and that you too can differentiate versus your competitors on this important measure?

- *Build a foundation of data and insights* – J.D. Power is a helpful external benchmark to highlight a bank's relative performance in satisfying customers. However, as an annual benchmark based on limited sample size, it does not provide deeper, more timely insight into the specific drivers of customer satisfaction, both overall and across the customer journeys that matter. Building a robust, ongoing measurement system that provides for an actionable view of customer satisfaction across your organization is foundational to identifying specific opportunities to enhance satisfaction and to track improvement over time.
- *Engrain customer satisfaction into your operating model* – while a foundation of data and insights are critical, alone it is insufficient to drive change. Organizations that excel at differentiating on customer satisfaction and delivering an excellent experience have embedded the focus on the customer into their operating model and culture. A notable best practice is establishing a regular cadence and forum for reviewing performance on critical satisfaction measurements, spotlighting improvement opportunities, and celebrating successes. Bottom-line is ensuring that there is comparable management shelf-space dedicated to understanding how well you are satisfying customer and holding critical stakeholders accountable to achieving commitments.
- *Build with the customer in mind* – ongoing measurements coupled with management focus are essential to managing your current customer experience more effectively, but they alone do not position your organization to differentiate with your customers in the future. Increasingly, those retail banks that are committed to customer excellence are adopting techniques such as customer journey mapping and design thinking into developing new products and processes. Informed by the established foundation of customer insight, these practices actually bring customers into the design of new bank capabilities, better ensuring that the end result aligns with their expectations.
- *Keep customers at the center of any merger integration* – bank mergers will remain an important part of the competitive landscape as organizations look to reach new markets through growing their physical presence. Past experience, however, highlights the significant value at risk from a merger integration that focuses on rapidly achieving cost savings versus retaining and expanding the acquired customer relationships. A critical consideration going forward is ensuring that the merger integration focuses on

the well-being of the acquired customer base from its earliest planning through execution. Among the best practices deployed in successful merger integrations is setting an upfront customer retention goal for the merger and establishing a timely measurement system to track progress toward that goal, spotlighting any signs of customer attrition.

While there is no singular formula for success, focusing on the above practices can help your organization in better satisfying its customers and ultimately delivering upon your relationship strategy. Even as the pandemic has changed customer preferences and expectations, starting with a strong foundation of customer insight and then leveraging it into how you run your organization will position you well to compete successfully in a future of continual change.

Exhibit One

Source: 2022 J.D. Powers Retail Banking Satisfaction Study SM, April 7th 2022

| California | Index | +/- Average | Florida | Index | +/- Average | Illinois | Index | +/- Average |
|----------------------------------|-------------------|------------------|-------------------------------|-------------------|------------------|-------------------------------------|-------------------|------------------|
| <i>US Bank</i> | <i>669</i> | <i>44</i> | <i>Regions Bank</i> | <i>697</i> | <i>38</i> | <i>Wintrust</i> | <i>733</i> | <i>68</i> |
| Bank of the West | 653 | 28 | Fifth Third Bank | 687 | 28 | PNC | 683 | 18 |
| Chase | 646 | 21 | Chase | 684 | 25 | Chase | 676 | 11 |
| Union Bank | 644 | 19 | PNC | 676 | 17 | First Midwest | 669 | 4 |
| Region Average | 625 | 0 | TD Bank | 666 | 7 | Region Average | 665 | 0 |
| Citibank | 620 | -5 | Region Average | 659 | 0 | BMO Harris | 662 | -3 |
| Bank of America | 606 | -19 | Citibank | 658 | -1 | US Bank | 653 | -12 |
| Wells Fargo | 599 | -26 | Wells Fargo | 652 | -7 | Fifth Third Bank | 652 | -13 |
| | | | Truist | 643 | -16 | Bank of America | 647 | -18 |
| | | | Bank of America | 636 | -23 | Citibank | 631 | -34 |
| Lower Midwest | Index | +/- Average | Mid-Atlantic | Index | +/- Average | New England | Index | +/- Average |
| <i>Central Bank</i> | <i>685</i> | <i>35</i> | <i>PNC</i> | <i>684</i> | <i>39</i> | <i>Bangor Savings</i> | <i>722</i> | <i>88</i> |
| Capitol Federal | 682 | 32 | Atlantic Union Bank | 668 | 23 | <i>Rockland trust</i> | <i>722</i> | <i>88</i> |
| FNBO | 682 | 32 | Bank of America | 652 | 7 | Eastern Bank | 701 | 67 |
| Bancfirst | 676 | 26 | Region Average | 645 | 0 | TD Bank | 650 | 16 |
| Arvest Bank | 670 | 20 | Capital One | 644 | -1 | Region Average | 634 | 0 |
| Bank of Oklahoma | 662 | 12 | M&T Bank | 642 | -3 | Citizens Bank | 630 | -4 |
| Commerce Bank | 660 | 10 | TD Bank | 636 | -9 | Santander | 628 | -6 |
| UMB Bank | 654 | 4 | Truist | 627 | -18 | People's United | 617 | -17 |
| Region Average | 650 | 0 | Wells Fargo | 611 | -34 | Bank of America | 612 | -22 |
| Bank of America | 647 | -3 | | | | | | |
| Regions Bank | 640 | -10 | | | | | | |
| Bank of the West | 637 | -13 | | | | | | |
| US Bank | 636 | -14 | | | | | | |
| Wells Fargo | 611 | -39 | | | | | | |
| North Central | Index | +/- Average | Northwest | Index | +/- Average | NY Tr-State | Index | +/- Average |
| <i>City National Bank</i> | <i>706</i> | <i>39</i> | <i>Banner Bank</i> | <i>685</i> | <i>51</i> | <i>New York Community</i> | <i>690</i> | <i>42</i> |
| Bank of America | 704 | 37 | Umqua Bank | 675 | 41 | NBT Bank | 686 | 38 |
| Huntington | 701 | 34 | Chase | 639 | 5 | PNC | 685 | 37 |
| Chase | 688 | 21 | US Bank | 636 | 2 | Chase | 670 | 22 |
| Region Average | 667 | 0 | KeyBank | 634 | 0 | Bank of America | 669 | 21 |
| Fifth Third Bank | 665 | -2 | Region Average | 634 | 0 | M&T Bank | 665 | 17 |
| Woodforest National Bar | 660 | -7 | Bank of America | 626 | -8 | Community Bank | 658 | 10 |
| PNC | 659 | -8 | Wells Fargo | 589 | -45 | Citizens Bank | 657 | 9 |
| Flagstar | 658 | -9 | | | | Capital One | 655 | 7 |
| Truist | 657 | -10 | | | | Webster Bank | 648 | 0 |
| WesBanco | 655 | -12 | | | | Region Average | 648 | 0 |
| KeyBank | 653 | -14 | | | | Valley National Bank | 646 | -2 |
| US Bank | 652 | -15 | | | | TD Bank | 645 | -3 |
| Citizens Bank | 651 | -16 | | | | Santander | 644 | -4 |
| First Merchants | 640 | -27 | | | | Citibank | 631 | -17 |
| Pennsylvania | Index | +/- Average | South Central | Index | +/- Average | Southeast | Index | +/- Average |
| <i>S&T Bank</i> | <i>675</i> | <i>30</i> | <i>Hancock Whitney</i> | <i>694</i> | <i>29</i> | <i>United Community Bank</i> | <i>730</i> | <i>71</i> |
| Northwest Bank | 658 | 13 | Chase | 692 | 27 | Synovus Bank | 698 | 39 |
| Citizens Bank | 657 | 12 | Arvest Bank | 690 | 25 | First Citizens Bank | 692 | 33 |
| PNC | 657 | 12 | Trustmark | 680 | 15 | Woodforest National Bar | 692 | 33 |
| Fulton Bank | 653 | 8 | Bank of America | 665 | 0 | Chase | 689 | 30 |
| Bank of America | 650 | 5 | Region Average | 665 | 0 | TD Bank | 673 | 14 |
| M&T Bank | 650 | 5 | BancorpSouth | 663 | -2 | Bank of America | 672 | 13 |
| First Commonwealth Bar | 647 | 2 | US Bank | 663 | -2 | Regions Bank | 672 | 13 |
| Region Average | 645 | 0 | First Horizon Bank | 658 | -7 | Fifth Third Bank | 671 | 12 |
| TD Bank | 642 | -3 | Capital One | 655 | -10 | PNC | 671 | 12 |
| First National Bank | 635 | -10 | Regions Bank | 654 | -11 | Region Average | 659 | 0 |
| Truist | 634 | -11 | Truist | 635 | -30 | Wells Fargo | 647 | -12 |
| Santander | 630 | -15 | Wells Fargo | 630 | -35 | Truist | 640 | -19 |
| KeyBank | 626 | -19 | PNC | 623 | -42 | Southstate | 630 | -29 |
| Wells Fargo | 604 | -41 | | | | | | |
| Southwest | Index | +/- Average | Texas | Index | +/- Average | Upper Midwest | Index | +/- Average |
| <i>FirstBank</i> | <i>680</i> | <i>45</i> | <i>Frost</i> | <i>755</i> | <i>89</i> | <i>Chase</i> | <i>661</i> | <i>30</i> |
| Chase | 655 | 20 | Capital One | 684 | 18 | US Bank | 653 | 22 |
| Region Average | 635 | 0 | Woodforest National Bar | 678 | 12 | Associated Bank | 650 | 19 |
| Bank of America | 634 | -1 | Chase | 670 | 4 | BMO Harris | 635 | 4 |
| Zions Bank | 632 | -3 | Prosperity Bank | 668 | 2 | Region Average | 631 | 0 |
| US Bank | 626 | -9 | Bank of America | 667 | 1 | Wells Fargo | 594 | -37 |
| Bank of the West | 608 | -27 | Region Average | 666 | 0 | | | |
| Wells Fargo | 606 | -29 | IBC Bank | 661 | -5 | | | |
| | | | First National Bank Texas | 650 | -16 | | | |
| | | | Wells Fargo | 645 | -21 | | | |

Black Bold Italic = Top/ Bottom Ranked Bank >\$50B in Assets

Blue Bold Italic = Top/ Bottom Ranked Bank <\$50B in Assets

Exhibit Two - National/ Super-Regional Bank View - Variance from Region Average
Source: J.D. Power Retail Client Satisfaction 2022SM, April 7th 2022

| | California | Florida | Illinois | Lower Midwest | Mid-Atlantic | New England | North Central | Northwest |
|-----------------------|------------|---------|----------|---------------|--------------|-------------|---------------|-----------|
| Bank of America | 606 | 636 | 647 | 647 | 652 | 612 | 704 | 626 |
| Capital One | | -23 | -18 | -3 | 7 | -22 | 37 | -8 |
| Chase | 646 | 684 | 676 | | 644 | | 688 | 639 |
| Citibank | 620 | 25 | 11 | | -1 | | 21 | 5 |
| Citizens | | | 31 | | | | | |
| Fifth Third | | 687 | 652 | | | 630 | 665 | 634 |
| Key | | 28 | -13 | | | -4 | -2 | 0 |
| PNC | | 676 | 683 | | 39 | | 34 | |
| Regions | | 697 | 17 | 640 | 684 | | 653 | |
| TD | | 666 | 7 | -10 | 636 | | 659 | |
| Truist | | 643 | -16 | | -9 | 650 | 657 | |
| US Bank | 669 | | 653 | 636 | 627 | | -10 | 2 |
| Wells Fargo | 599 | -7 | -12 | -14 | -18 | | -15 | -46 |
| | | | | 35 | 34 | | | |
| Region Average | 625 | 659 | 665 | 650 | 645 | 634 | 667 | 634 |
| | 17.5 | 15.25 | 13 | 9 | 18.25 | 9.5 | 12.75 | 12.5 |

| | NY Tr+State | Pennsylvania | South Central | Southwest | Texas | Upper Midwest | Average |
|-----------------------|-------------|--------------|---------------|-----------|-------|---------------|---------|
| Bank of America | 669 | 650 | 665 | 672 | 667 | 661 | -0.7 |
| Capital One | 555 | 5 | 0 | 13 | 18 | | 3.5 |
| Chase | 670 | 38 | -10 | 30 | 684 | 30 | 19.6 |
| Citibank | 631 | -17 | 27 | 689 | 670 | | -18.7 |
| Citizens | 657 | 12 | | | | | 10.5 |
| Fifth Third | | | | | | | 4.2 |
| Key | 631 | 626 | 623 | 671 | | | -12.5 |
| PNC | 685 | 12 | -42 | 12 | | | 10.6 |
| Regions | | 657 | -11 | 12 | | | 7.5 |
| TD | 645 | -3 | 654 | 13 | | | 3.7 |
| Truist | | 642 | -30 | 14 | | | -17.3 |
| US Bank | | 634 | -2 | 640 | | 653 | 2.0 |
| Wells Fargo | 619 | -41 | 630 | -12 | 645 | 594 | -29.6 |
| Region Average | 648 | 645 | 665 | 659 | 666 | 631 | -1.3 |
| | 16.5 | 13.25 | 17.25 | 12.25 | 9.75 | 16.75 | |

Top Quartile Regional Performer Bottom Quartile Regional Performer Past 5 Year Merger Integration