Six Lessons for Banks to Learn from BigTechs About Brand Loyalty

Over the past decade, large technology firms have transformed people's lives in many ways. Everything from cabs and movies to sushi and salon services can be summoned by the press of a button. The fact that such firms would have 'banking' firmly in their sights was always a question of 'when' and not 'if'. After experiencing some regulatory hurdles, BigTechs (such as Facebook, Google, Apple, Alibaba, and Amazon) have entered the banking landscape and banks now have an added pressure to keep up to customer expectations and deliver services as seamlessly.

What's more, the digital surge brought on by the pandemic has spurred the transformation in the financial services industry. BigTechs are delivering a better value proposition than banks in many areas and garnering a high level of trust with consumers, thanks to their digital expertise, large war chests, access to customer data and presence in the customer's life events. The result? Earning customer loyalty has become more difficult than ever for banks.

In fact, a Bain & Company survey of 131,930 consumers in 22 countries found that consumers' willingness to buy a financial product from new technology companies remained high in Asia and Latin America.

It has, therefore, become imperative for banks to wake up to the reality and improve and digitalize the customer experience as well as reinvest in better product experience to ensure customer stickiness.

Here are a few key lessons for banks to learn from BigTechs:

Offer a Frictionless Experience

BigTechs have attracted the loyalty of customers primarily because they have successfully conceived ecosystems that efficiently match buyers and sellers, a one-stop shop for products and services if you will. And that's what banks need to do. They need to sharpen focus on offering users an experience tailored to their needs and provide access to an ecosystem of services at any time, from any place.

Improve Service Quality

According to a Bain & Company's survey, many consumers trust BigTechs more than banks, which raises their willingness to try banking services offered by those tech companies. The survey revealed that 54% of respondents accorded higher trust to at least one tech company more than banks in general, and 29% trusted at least one tech company more than their own primary bank. Banks can defend their turf by leveraging APIs in their offerings to enhance customer convenience and improve the quality of services. For instance, they can analyze customer behavior and pre-empt simple interactions such as online bill payment to more complex interactions such as buying a new home. Identifying such episodes and making them simpler and more digital is sure to win over customers.

Collaborate and Co-create

BigTech's have been able to outshine traditional banks in understanding customer needs largely due to their ability to harness data. But it turns out, banks have access to some excellent data, which ironically includes customer transactions with BigTech firms, but aren't fully able to get the same value from them. Banks must create an ecosystem of partners and effectively use data analytics to understand customer's preferences and ultimately offer personalized products and services that go beyond core products.

Go Beyond Traditional Products

One of the reasons BigTechs command loyalty is that their one-stop-shops are more accessible and user friendly than those of banks. That's not all, they also offer integrated, non-traditional products (for instance, money market funds and insurance) leveraging their established payment services. Banks need to look beyond core products and offer customer-centric banking solutions to cater to the new-age customer's desire for financial advice, financial education, and tech solutions to ensure greater brand stickiness. One such avenue could be digital unsecured lending that would not only open new revenue streams for banks with limited risk exposure but also cater to millennials looking for instant financing.

Offer a Connected Experience

Customers expect a banking experience that fuses with their digital lifestyle. BigTechs were one of the first to identify this shift and offer customers a digital banking experience. Personalization in banking is a sure-shot way of ensuring customer retention. Banks must therefore transform their offerings and embrace design thinking, an iterative process which involves understanding the user and challenging assumptions, to offer customers an experience that merges well with their digital lifestyle applications.

Develop an Emotional Connect

Even as banks re-engineer their physical and financial supply chains, they need to pay closer attention to how they make their customers feel if they want to build sticky relationships. A Deloitte survey of 17,100 banking consumers across 17 countries showed that banks lagged behind other brands in building emotional connections. Best-in-class digital service providers, including Apple, Amazon, Google, Samsung, and Microsoft topped the list. It is therefore critical for banks to objectively define and measure customers' emotions. Once that is done, banks can help customers realize personal values such as achieving social acceptance and attaining freedom and independence in life, which will translate into brand loyalty.

While banks began their digitalization journey years ago, they were grappling with the same given the regulations and strict licensing requirements that they are subject to. A further limiting factor is the existence of data localization rules that explicitly mandate local storage of information. The advent of BigTechs has further raised customers' expectations from banks, especially for fast, intuitive, and digitally enabled financial products. So, to prevent losing business to technology companies, banks will have to keep pace with today's tech-savvy, new-gen users, think customer-centricity and push boundaries to enhance brand loyalty and gain their trust.