



## News release

**Contact:**

**Meeta Bhar**

**Ernst & Young Advisory Services Sdn. Bhd.**

**Email: [meeta.bhar@my.ey.com](mailto:meeta.bhar@my.ey.com)**

**Tel:+603 7495 8113**

## **Retail banks in developed markets still losing customer trust**

### ***Banks in emerging markets may gain as their customers' confidence soars***

Kuala Lumpur, 11 March 2011: Despite efforts by many banks to rebuild consumer confidence in the wake of the financial crisis, trust in banks fell in the past 12 months in countries hit hard by the downturn, according to a new survey report from Ernst & Young. By contrast, banks in some regions relatively unaffected by the crisis are seeing trust levels rise.

For its new report, *A New Era of Customer Expectation*, Ernst & Young conducted a global survey of more than 20,500 global retail banking customers in order to gauge what drives their relationships with their banks. Of these 20,500, 4,700 of them were from Asia Pacific. The survey finds that 44% of customers worldwide say their confidence in the banking industry has decreased in the past 12 months.

Levels of confidence are even lower in regions deeply affected by the financial crisis. In the US, 55% of customers now have less confidence in banks than they did a year ago. Within Europe, the UK has seen the largest drop in consumer trust (63%). Alternatively, in some markets that entered the downturn in better condition, confidence in the banking sector has grown in the past year. Three-quarters of customers in India report their trust in banks rose during 2010. In both Brazil and China, a majority of respondents say their confidence has grown or remained the same.



“In developed markets, customer confidence and trust in financial institutions have been severely damaged by the economic crisis, and our findings show that it remains under threat. Emerging market economies have suffered less from the credit crisis and recession and so their banks have seen trust endure,” Chow Sang Hoe, Ernst & Young’s Advisory Services Leader in Malaysia, says. “In order to get back on track the survey clearly illustrates that banks in developed nations must rebuild customer confidence, enhance the customer experience and stem customer attrition.”

### **Rebuilding customer confidence**

Survey respondents cited several issues that continue to drive down trust levels. Macro-economic factors (53%) have had the most negative impact on customer confidence. Brand strength, which has been impacted by the confidence levels, is also cited as a key factor driving customer satisfaction worldwide. The image and reputation of an institution scored an average of 4.5 out of 6 when respondents were asked what is important for a successful banking relationship. A strong brand is particularly important in markets like India, Latin America and South Africa. In all three markets, more than half of the respondents say a strong brand is a key characteristic when they choose their main bank.

### **Preventing customer attrition**

Attrition levels are highest in Europe with 39% having changed their main bank in the past. Service quality and price are the leading factors driving customers to switch their main bank, with 48% of those planning to change banks because of service quality and 43% citing price as the main reason. Other motivating factors include product offerings, branch proximity and lack of trust. As customers continue to demand higher quality service while levels of price sensitivity and distrust increase, banks must innovate to address customers concerns and remain competitive.



### **Enhancing the customer experience**

Finding a way to effectively deliver a personal service to customers will be a key success factor in the years ahead. While internet banking (83%), ATMs (79%) and branches (79%) are the touch-points customers are most satisfied with today, satisfaction with call centers is consistently weaker (44%).

Banks need to reconnect with their customer base by improving the customer experience across their operations. A number of banks are experimenting with new tools such as mobile banking but there is demand across all channels – including call centers and branches – for greater personalization and attentiveness.

### **The new era**

The banking industry in developed markets has witnessed a significant shift in confidence, and never before have loyalty and personal customer attention been such critical issues. In contrast, the emerging markets now offer significant opportunities for banks looking to expand internationally, as most have felt less of an impact from the credit crisis and instead have a growing middle class of customers looking to diversify their bank relationships.

Chow concludes: “Customers are demanding a more personalized service if they are to remain loyal. The successful institutions of the future will be those who offer customer-focused innovative services. Those that do will be able to differentiate their organization and drive for growth. The keys to success will be brand management, personalized services and efficient pricing. Retail banks that can deliver all three will prosper in a highly regulated and constantly changing global financial services market.”

*Ends*



**About the survey**

At the end of 2010, Ernst & Young conducted a global survey of customer behavior in retail banking. We surveyed more than 20,500 individuals in Belgium, France, Germany, Hungary, Italy, Netherlands, Poland, Scandinavia, Spain, UK, United States, Canada, China, India, Brazil, Mexico, Chile, Colombia, Argentina, Peru, Panama, Venezuela Japan and South Africa asking them about their relationships with their banks, and specifically about their levels of satisfaction, what they are looking for from institutions, and their intentions and demands going forward.

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