

Press Release

J.D. Power Reports: Gen Z Has Arrived. Is Your Bank Ready?

Overall Retail Banking Satisfaction is Up, Mobile and ATM Satisfaction Declines

WESTLAKE VILLAGE, Calif.: 30 April 2015 — Gen Z,¹ which comprises about one-fourth of the U.S. population, is entering adulthood and creating new challenges and opportunities for retail banks of all sizes to acquire them as customers, build their loyalty and capture a larger share of wallet as they age; however, banks will need to understand what drives satisfaction among this generational group. Additionally, while overall satisfaction has improved from 2014, satisfaction with mobile and ATM features has slightly declined raising a red flag about retail banks' approach to technology, according to the J.D. Power 2015 U.S. Retail Banking Satisfaction StudySM released today.

The 10th annual customer satisfaction study is the longest-running and most in-depth survey of the retail banking industry, with more than 80,000 consumers evaluating various aspects of their banking experience. The study measures satisfaction in six factors (listed in alphabetical order): account information; channel activities; facility; fees; problem resolution; and product offerings. Channel activities include six subfactors (listed in alphabetical order): ATM; branch; call center; IVR; mobile; and website. Banks are ranked based on overall customer satisfaction in each of the following regions: California, Florida, Mid-Atlantic, Midwest, New England, North Central, Northwest, South Central, Southeast, Southwest and Texas. Satisfaction is measured on a 1,000-point scale.

Gen Z and Retail Banking:

- Satisfaction among Gen Z customers (797) is higher than among Gen Y and Gen X customers (781 and 778, respectively.) Additionally, overall satisfaction among Gen Z customers of big banks² (807) is higher than among Gen Z customers of regional banks (796) and midsize banks (769).
- Among Gen Z customers, digital transactions are shifting from website to mobile. A higher percentage of Gen Z customers use mobile (38%) than the average use across all other generational groups (19%), and Gen Z uses mobile more often than other generations (48 times per year vs. 39 times).
- Surprisingly, branch usage among Gen Z customers is on par with that of Gen X and Gen Y, as 76 percent of Gen Z customers have visited a branch in the past 12 months, compared with 72 percent of Gen Y customers and 74 percent of Gen X customers. Gen Z customers who visit a branch average 12 times per year, compared with Gen Y and Gen X who visit 11 times and 12 times, respectively.

¹ J.D. Power defines generational groups as Pre-Boomers (born before 1946); Boomers (1946-1964); Gen X (1965-1976); Gen Y (1977-1994); Gen Z (born after 1995).

² Big banks are defined as the six largest financial institutions based on total deposits as reported by the FDIC, averaging \$180 billion and above. Regional banks are defined as those with between \$180 billion and \$33 billion in deposits. Midsize banks are defined as those with between \$33 billion and \$2 billion in deposits.

- Among Gen Z customers, overall satisfaction is highest with big banks, compared with regional and midsize banks, driven by satisfaction in the facility and product offering factors, and the ATM, branch, mobile and website subfactors.
- Despite lower satisfaction, midsize and regional banks are capturing a greater share of Gen Z customers than they are with Gen X. Among midsize and larger banks, 18 percent of Gen Z customers indicate that their primary bank is a midsize bank, compared to 13 percent for Gen Y. More than one-fourth (28%) of Gen Z customers indicate their primary bank is regional bank, compared to 24 percent for Gen Y.
- Satisfying Gen Z has a tremendous impact on advocacy. Highly satisfied Gen Z customers (satisfaction scores of 800 and higher) are five times more likely to say they “definitely will” recommend their bank than those with medium or low satisfaction (scores below 800), who say the same (68% vs. 12%, respectively).

“It is not surprising that Gen Z is satisfied with website and mobile at big banks, but they are also satisfied with the in-person experience at big banks,” said **Jim Miller, senior director of banking at J.D. Power**. “There is a common misconception that younger customers aren’t using the branch, but they use it about the same as Gen X and Y. Midsize and regional banks risk losing the Gen Z customers to big banks if they can’t meet their needs regarding digital and in-person interactions. There needs to be a seamless experience across all channels. The first step for retail banks is to understand what is important to Gen Z and what drives their satisfaction and loyalty.”

Overall Satisfaction Up, Mobile and ATM Satisfaction Declines

Overall satisfaction with retail banks has improved to 790, an increase of 5 points from 2014. The increase is largely due to an increase in fee satisfaction and fewer customers experiencing a problem or having a complaint. Fee satisfaction has increased by 15 points to 684 from 669, with few customers indicating a change to their fees (9%) and only 14 percent of customers indicating they paid a monthly service charge during the past 12 months. In 2015, 14 percent of customers have experienced a problem or had a complaint, down from 16 percent in 2014 and 24 percent in 2010. Among customers who do experience a problem in 2015, problem resolution satisfaction has increased to 630, up by 10 points from 2014.

Mobile satisfaction, which has increased each year since the sub-factor was included in the study in 2012, has declined by 3 points in 2015 to 837 from 840 in 2014. For big banks, this decline is largely due to a 6-point drop in mobile scores year over year (845 vs. 839, respectively), based on lower customer ratings in clarity of information and ease of navigating.

- Despite increasing functionality offered in mobile, satisfaction has dropped as fewer customers indicate that they completely understand mobile (47% vs. 57% in 2014).
- Among customers who completely understand mobile, 46 percent say they “definitely will not” switch banks, compared with the 34 percent of customers who partially understand mobile who say the same.
- ATM satisfaction has declined by 6 points to 837 from 843 in 2014. ATM customer usage dropped to 65 percent from 70 percent in 2014 as use of cash has declined and the role of mobile as a banking tool has increased. Although customers indicate having more ATM features in 2015 than in 2014, they are less satisfied with the range of services the ATM can perform and with ease of use of ATMs.

“Satisfaction with mobile banking and ATMs is dropping as customer expectations are outpacing technology improvements,” said Miller. “Customers expect to be able to perform more functions on the same device this year than they did last year and that it will be easier to use. Success will not be driven by

just adding more bells and whistles, but by balancing functionality with ease of use and then clearly communicating features and benefits to customers.”

The study measures customer satisfaction with banks in 11 regions. Study results by region are:

California Region: Rabobank ranks highest in the California region with a score of 816 and performs particularly well in the facility and channel activities factors. Following Rabobank in the rankings are Chase (800), and Bank of the West and Union Bank in a tie (798 each).

Florida Region: Chase ranks highest in the Florida region with a score of 834, performing particularly well in the channel activities, facility and account information factors. TD Bank (830) and PNC Bank (826) follow in the rankings.

Mid-Atlantic Region: Susquehanna Bank ranks highest in the region with a score of 834 and performs particularly well in the channel activities, product offerings and account information factors. Northwest Savings Bank (821) and S&T Bank (810) follow in the rankings.

Midwest Region: First Midwest Bank ranks highest in the region with a score of 818 and performs particularly well in the product offerings, account information and channel activities factors. Following First Midwest Bank in the rankings are PNC Bank (808) and Commerce Bank (806).

New England Region: Bangor Savings Bank ranks highest in the region with a score of 844 and performs particularly well in the product offerings and fees factors. Rockland Trust Co. (840) and Eastern Bank (805) follow in the rankings.

North Central Region: With a score of 835, Huntington National Bank ranks highest in the region, performing particularly well in the product offerings and fees factors. Following in the rankings are 1st Source Bank (817) and Flagstar Bank (816).

Northwest Region: Umpqua Bank ranks highest in the region with a score of 809 and performs particularly well in the facility factor. Wells Fargo (791) and Columbia State Bank (787) follow in the rankings.

South Central Region: Arvest Bank ranks highest in the region with a score of 859, performing particularly well in the channel activities, product offerings, facility, account information, fees factors. Following in the rankings are Trustmark National Bank (844) and PNC Bank (832).

Southeast Region: United Community Bank ranks highest in the region with a score of 842 and performs particularly well in the product offerings and facility factors. Following United Community Bank in the rankings are First Citizens Bancorp (839) and First Citizens Bancshares (832).

Southwest Region: With a score of 840, Arvest Bank ranks highest in the region, performing particularly well in the product offerings, facility, account information and fees factors. FirstBank (CO) (823) and Chase (813) follow in the rankings.

Texas Region: Frost Bank ranks highest in the Texas region with a score of 862, and performs particularly well in the channel activities, product offerings, facility, account information and fees factors. Woodforest National Bank (826) and Regions Bank (820) follow in the rankings.

The 2015 U.S. Retail Banking Satisfaction Study is based on responses from more than 80,000 retail banking customers of more than 130 of the largest banks in the United States regarding their experiences with their retail bank. The study was fielded quarterly from April 2014 to February 2015:

Wave 1: April 1, 2014 – April 30, 2014

Wave 2: July 1, 2014 – August 4, 2014

Wave 3: October 1, 2014 – November 4, 2014

Wave 4: January 5, 2015 – February 2, 2015

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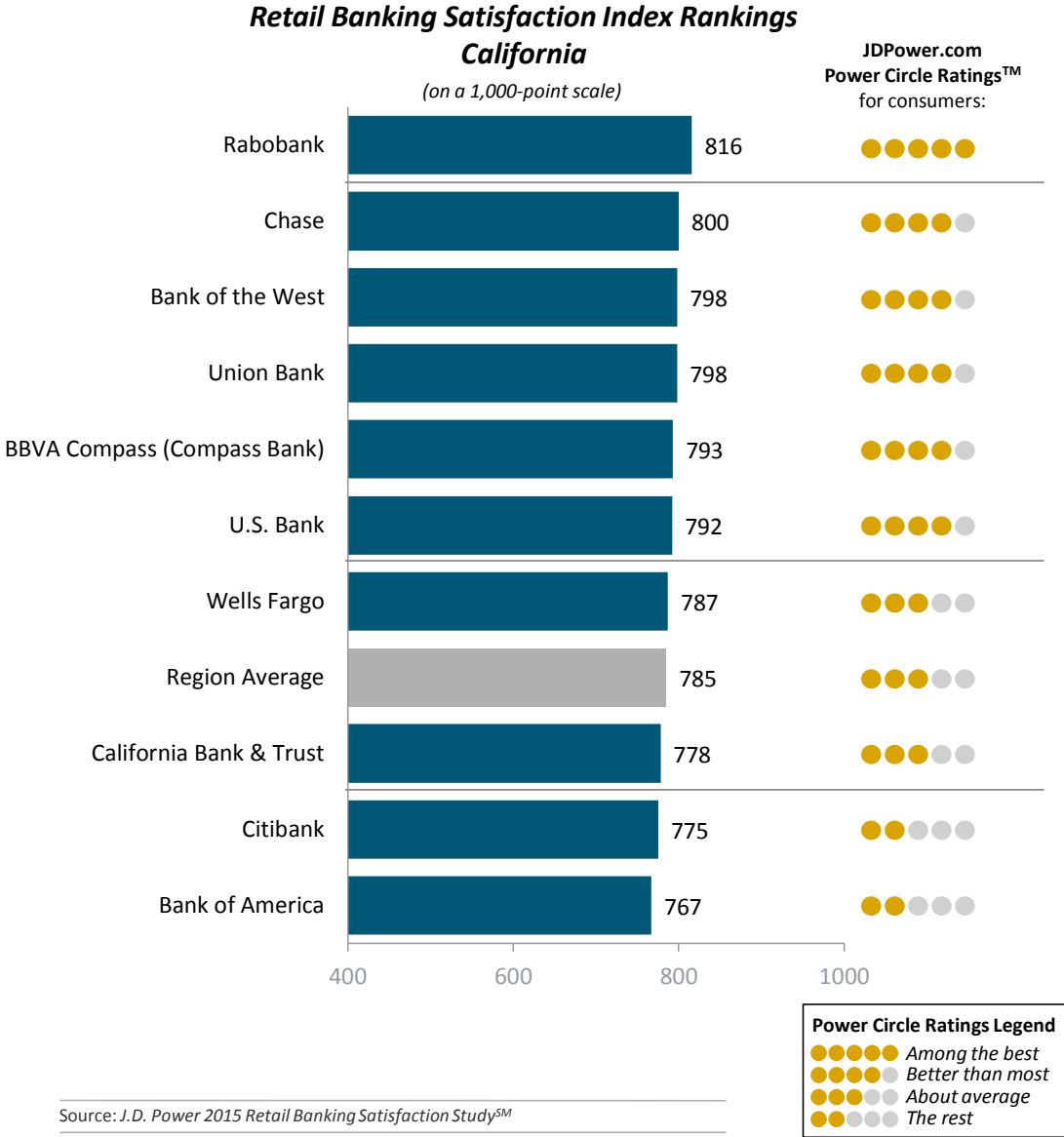
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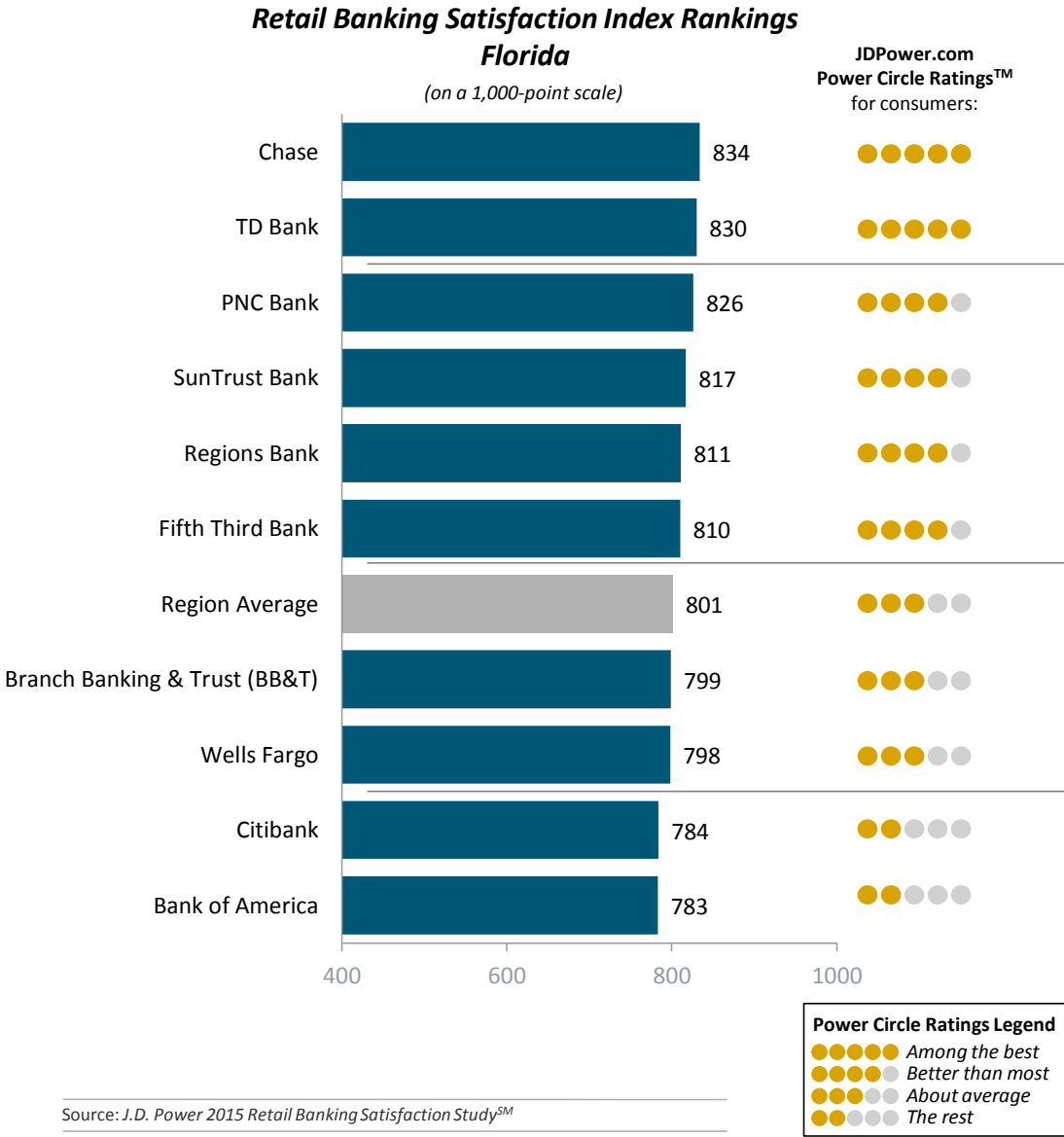
Note: Eleven charts follow.

J.D. Power 2015 Retail Banking Satisfaction StudySM



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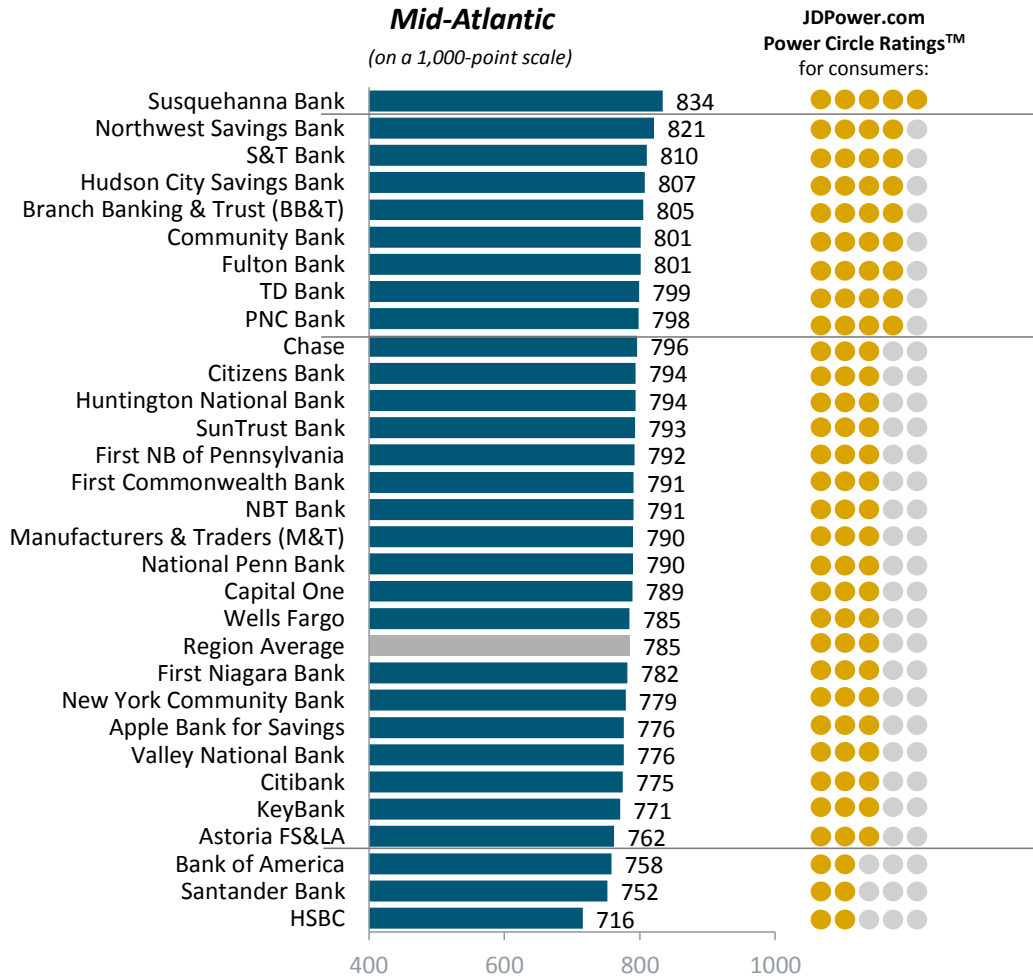
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Retail Banking Satisfaction Index Rankings



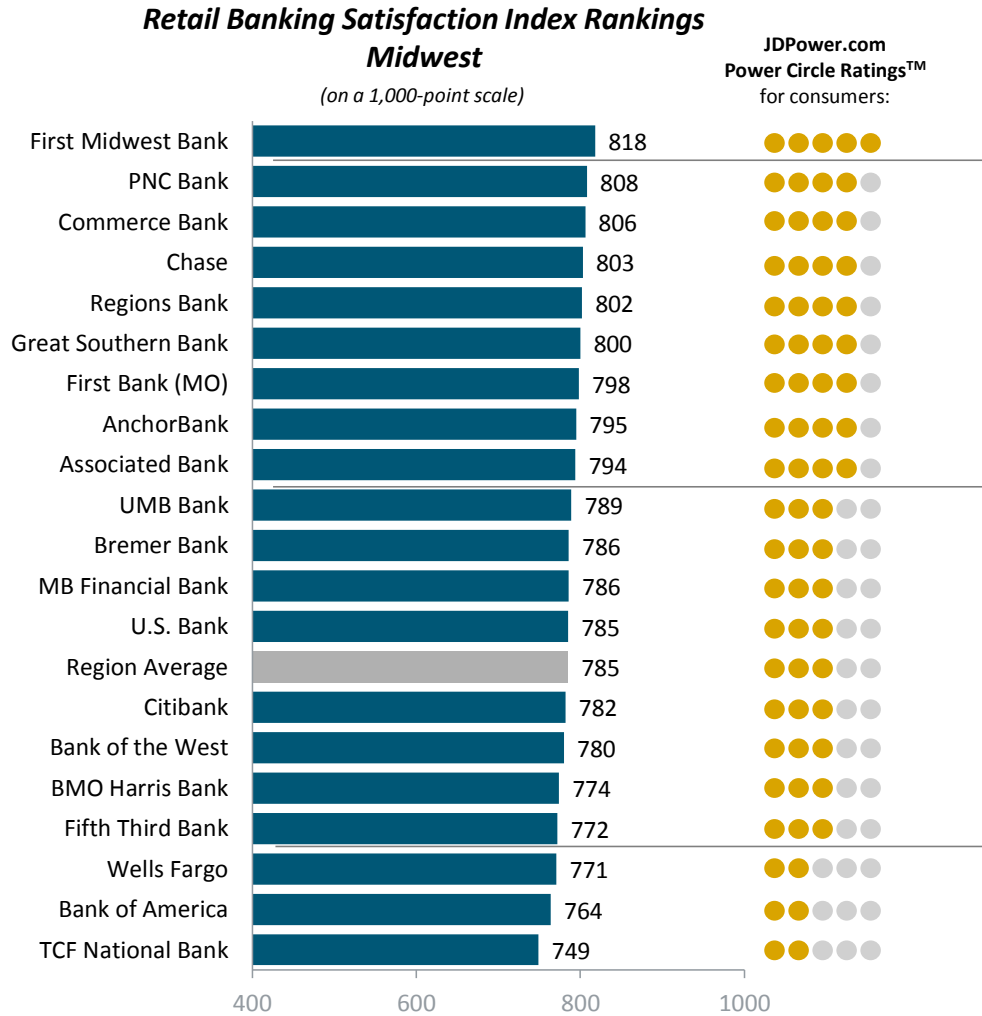
Power Circle Ratings Legend

- Among the best
- Better than most
- About average
- The rest

Source: J.D. Power 2015 Retail Banking Satisfaction StudySM

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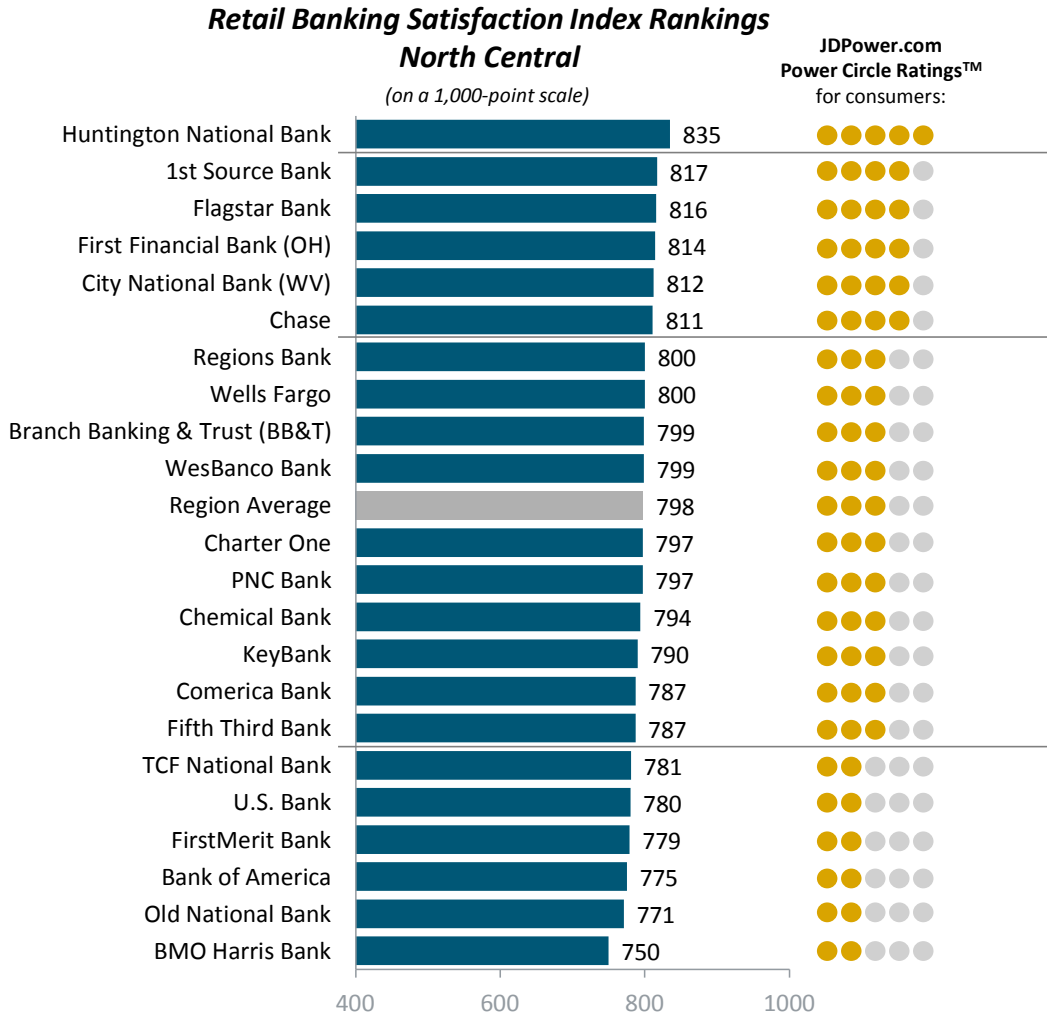
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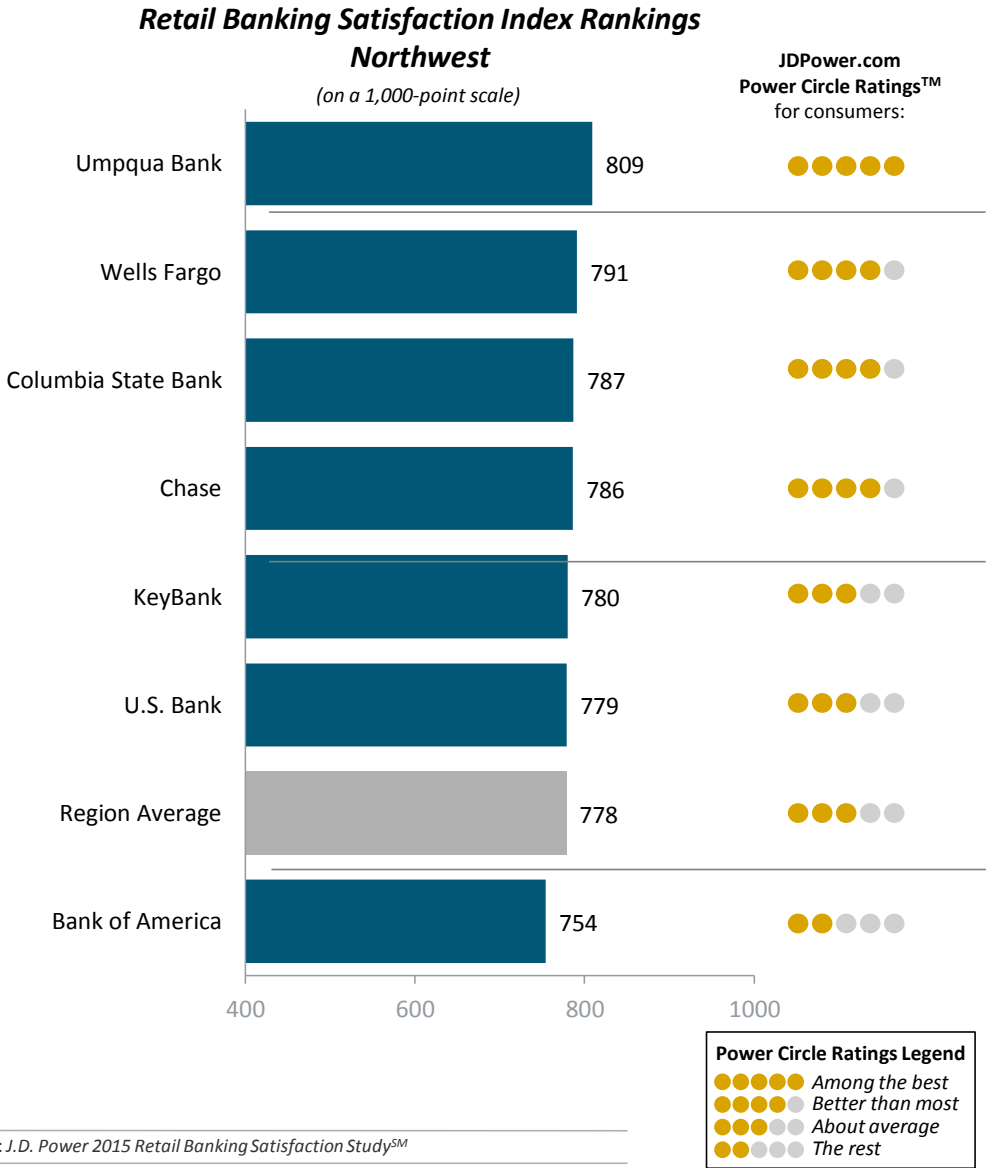
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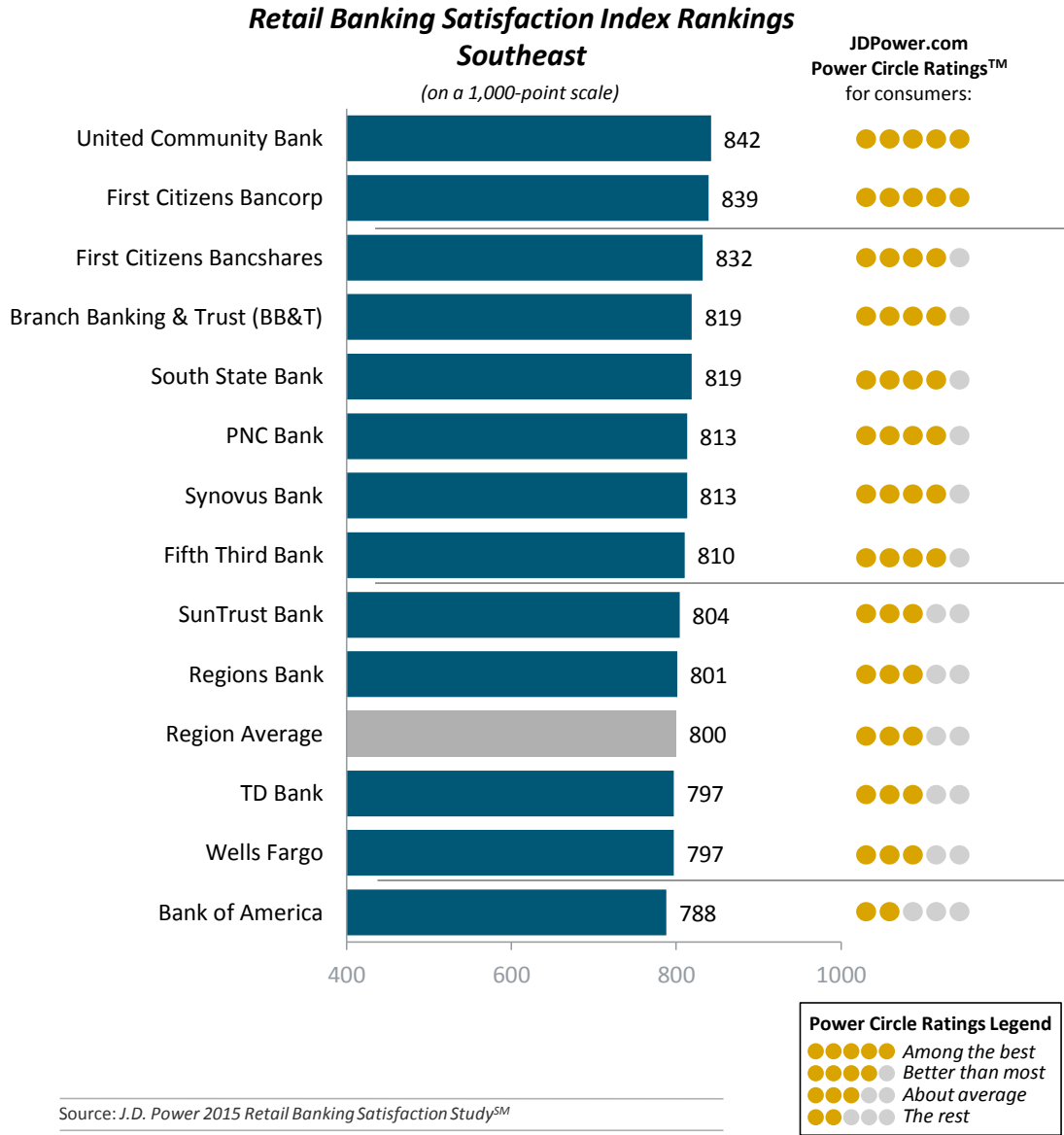
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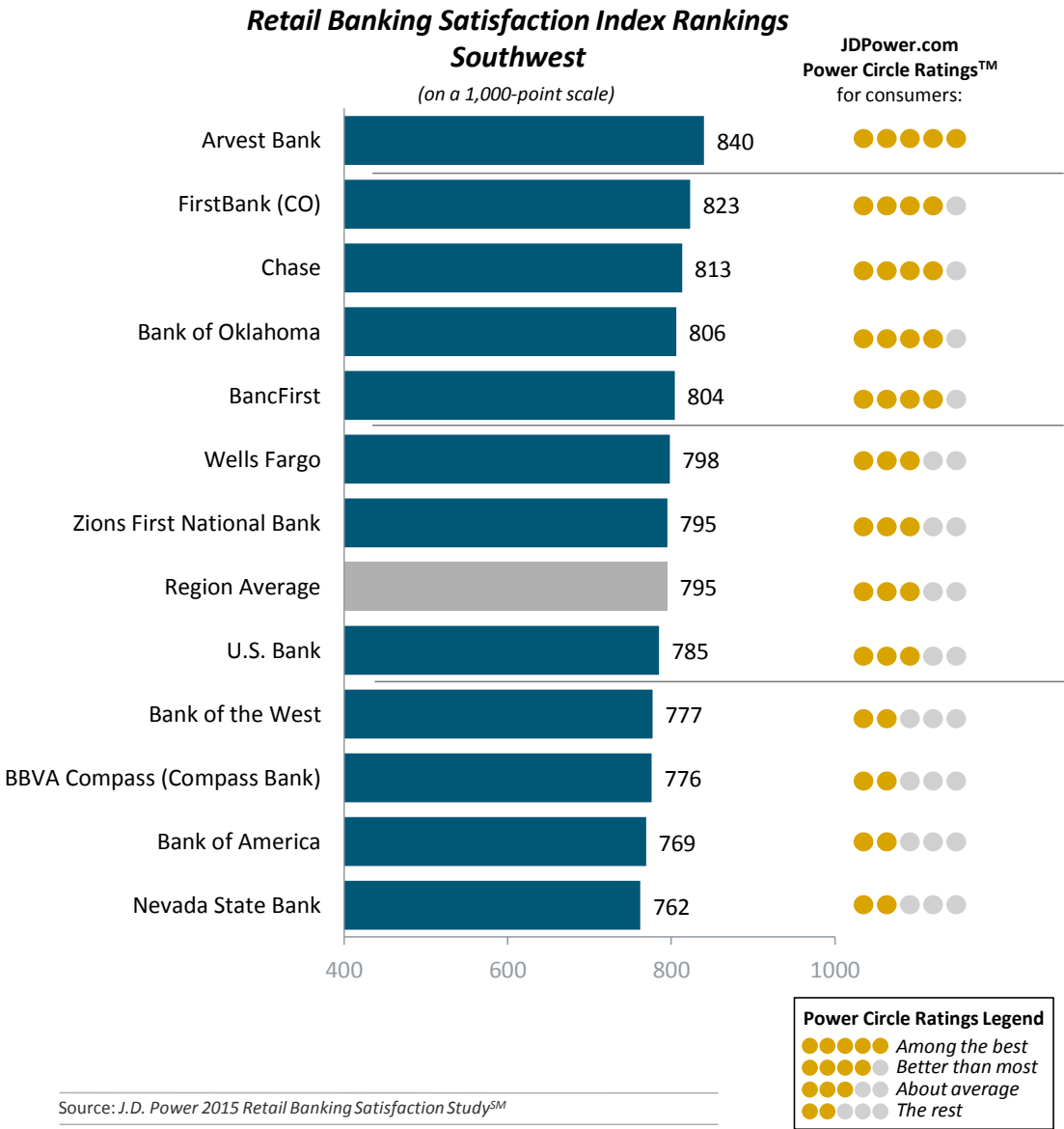
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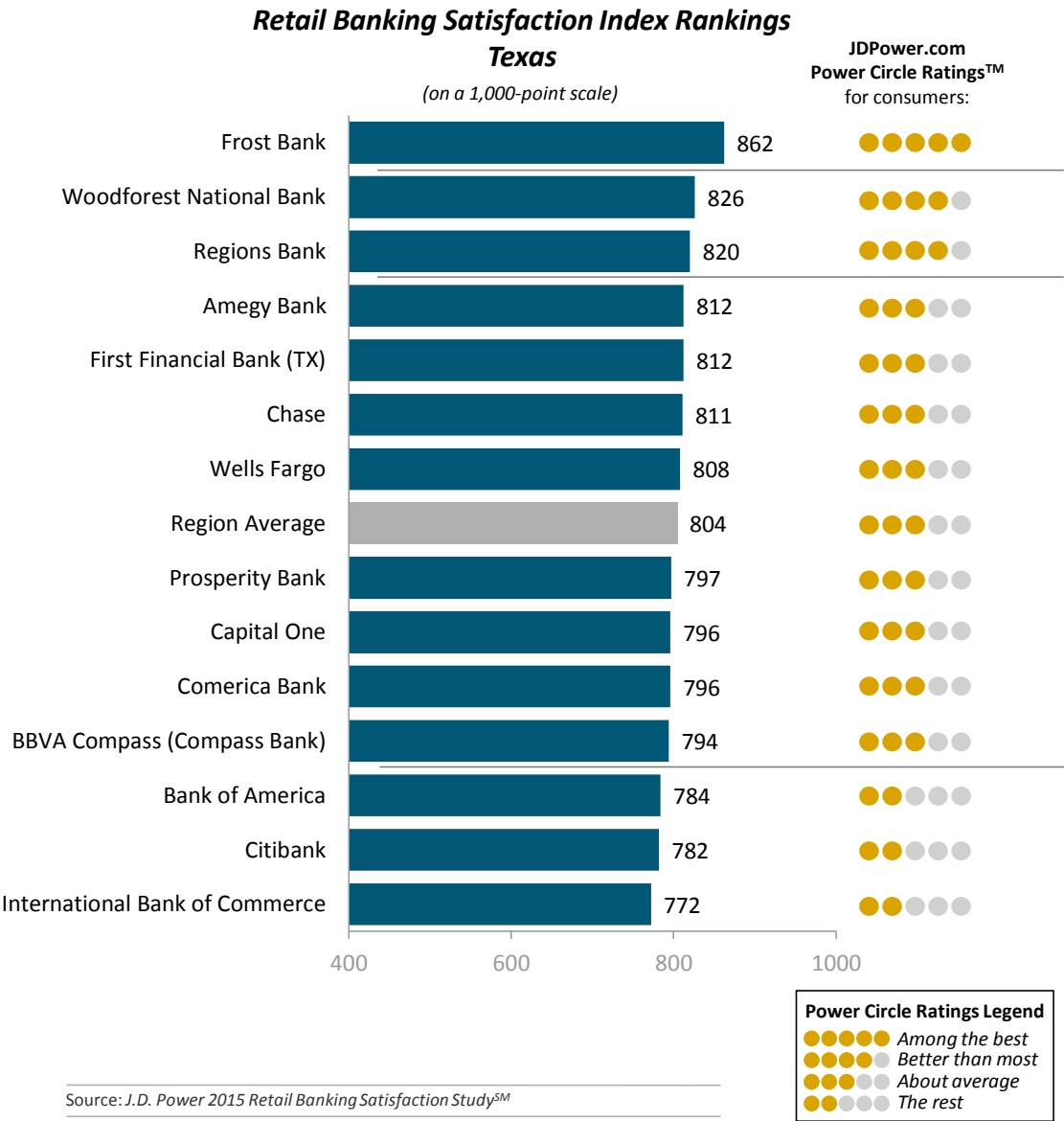
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