In Direct Bank Gold Rush, Top Performers Find Different Paths to Success, J.D. Power Finds

Charles Schwab Bank Ranks Highest in Overall Satisfaction among Branchless Banks

COSTA MESA, Calif.: 21 March 2019 — As customers continue to flock to online banks, with many such banks posting double-digit increases over the past year, branchless—or direct—banks are setting the standard for customer satisfaction in the banking sector. According to the J.D. Power 2019 Direct Banking Satisfaction Study, direct banks continue to significantly outperform traditional retail banks in overall customer satisfaction, with the highest-ranked performers each operating different business models and taking distinct approaches to customer interaction.

“Direct banks are performing better than traditional retail banks across every comparable factor we evaluate—even areas like communication and problem resolution, where one might intuitively think a traditional retail bank would have an advantage,” said Bob Neuhaus, Vice President of Global Financial Services at J.D. Power. “What’s most interesting in this study, though, is the fact that the top three performers—Charles Schwab, Ally and Discover—have taken decidedly different paths to market and deliver high levels of customer satisfaction in different ways, showing that there is more than one recipe for success in this rapidly growing market.”

Following are some key findings of the 2019 study:

- **Direct banks outperform traditional retail banks:** The overall satisfaction score for direct banks is 860 (on a 1,000-point scale). This score is 53 points higher than the overall satisfaction score for traditional branch-based retail banks in the J.D. Power 2019 U.S. Retail Banking Satisfaction Study. Largest performance gaps are in the areas of products and fees; communication; and problem resolution.

- **No single formula for success:** The study’s three highest-performing direct banks have roots in decidedly different businesses, ranging from wealth management to credit cards, yet all deliver stand-out levels of customer satisfaction, with scores ranging within 5 points of one another. Highest-ranked Charles Schwab Bank performs well in website satisfaction; second-ranked Ally Bank performs significantly higher than average on competitiveness of interest rates; and third-ranked Discover Bank has the greatest year-over-year improvement of any brand in the study, driven by gains in assisted online support; new account opening experience; and interactive voice response (IVR) banking.

- **Direct bank customers skew younger:** More than half (61%) of direct bank customers hail from Generations X, Y and Z, while those age groups account for just 45% of customers of traditional retail banks. Direct bank customers are also considerably more likely to use mobile payment apps (66%) than their traditional retail bank customer peers (49%).

- **Need to get past the honeymoon period:** Long-term direct bank customers are less satisfied than new customers. Existing direct bank customers who have had their account open for more than one year are less satisfied than new direct bank customers. Existing direct bank customers who have had their account open for more than one year are less satisfied than new direct bank customers.

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2. J.D. Power defines the generational groups as Pre-Boomers (born before 1946); Boomers (1946-1964); Gen X (1965-1976); Gen Y (1977-1994); and Gen Z (1995-2004).
year are notably less satisfied (862) with their bank than are new customers (882). Longer-term customers are also less likely to reuse their direct bank for their next banking product.

Study Rankings

Charles Schwab Bank ranks highest in overall satisfaction with a score of 865. Ally Bank (864) ranks second and Discover Bank (860) ranks third.

The U.S. Direct Banking Satisfaction Study, now in its third year, measures overall satisfaction with direct banks based on five factors (in order of importance): channel activities; products and fees; communication; new account opening; and problem resolution. The channel activities factor includes five subfactors: online banking website; mobile banking; assisted online; call center; and IVR. The study is based on responses from 2,138 direct bank customers nationwide and was fielded in January-February 2019.


See the online press release at http://www.jdpower.com/pr-id/2019047.

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NOTE: One chart follows.
J.D. Power
2019 Direct Banking Satisfaction Study℠

Customer Satisfaction Index Ranking
(Based on a 1,000-point scale)

<table>
<thead>
<tr>
<th>Bank</th>
<th>Score</th>
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<tbody>
<tr>
<td>Charles Schwab Bank</td>
<td>865</td>
</tr>
<tr>
<td>Ally Bank</td>
<td>864</td>
</tr>
<tr>
<td>Discover Bank</td>
<td>860</td>
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<tr>
<td>Industry Average</td>
<td>860</td>
</tr>
<tr>
<td>E*TRADE Bank</td>
<td>850</td>
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<tr>
<td>State Farm Bank</td>
<td>850</td>
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<tr>
<td>Capital One 360</td>
<td>843</td>
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<tr>
<td>Axos Bank</td>
<td>811</td>
</tr>
<tr>
<td>^USAA</td>
<td>899</td>
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</tbody>
</table>

^USAA is profiled but not rank eligible because it does not meet the study award criteria.

Source: J.D. Power 2019 Direct Banking Satisfaction Study℠

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