

Banking on empathy

Engaging with customers
in a more human way

accenture



Personal touch, digital reach

With consumer distress—personal and financial—expected to be high throughout 2021,¹ banks aim to support customers with empathetic, personalized service across every channel and interaction, even when their human representatives are not involved.

They need to do so at a time when customers are relying more on digital channels and less on branches, as confirmed by the findings of Accenture's Global Banking Consumer Study 2020.

The survey indicates a significant shift to digital channels, with 50 percent of consumers now interacting with their bank through mobile apps or websites at least once a week, up from 32 percent two years ago.² With this surge in digital adoption making branch-based service models less relevant, banks are trying to balance two imperatives: becoming more empathetic and becoming more digital. We believe those that reconcile these seemingly conflicting priorities will reap a significant financial reward.

Accenture surveyed 125 senior banking executives to understand the extent to which banks currently prioritize customer empathy in their service model, their plans to increase their ability to offer more empathetic experiences, and the return on their investments in empathetic banking. The executives surveyed represent the top five banks by revenue in each of 21 countries across North America, Europe and growth markets.

We also conducted a cluster analysis to identify Empathetic Banking Leaders, Contenders and Laggards, matching the banks' self-reported non-financial performance metrics (customer loyalty, newly acquired customers, customer trust, employee engagement scores, employee productivity, and customer cost-to-serve) with their financial performance in 2020.

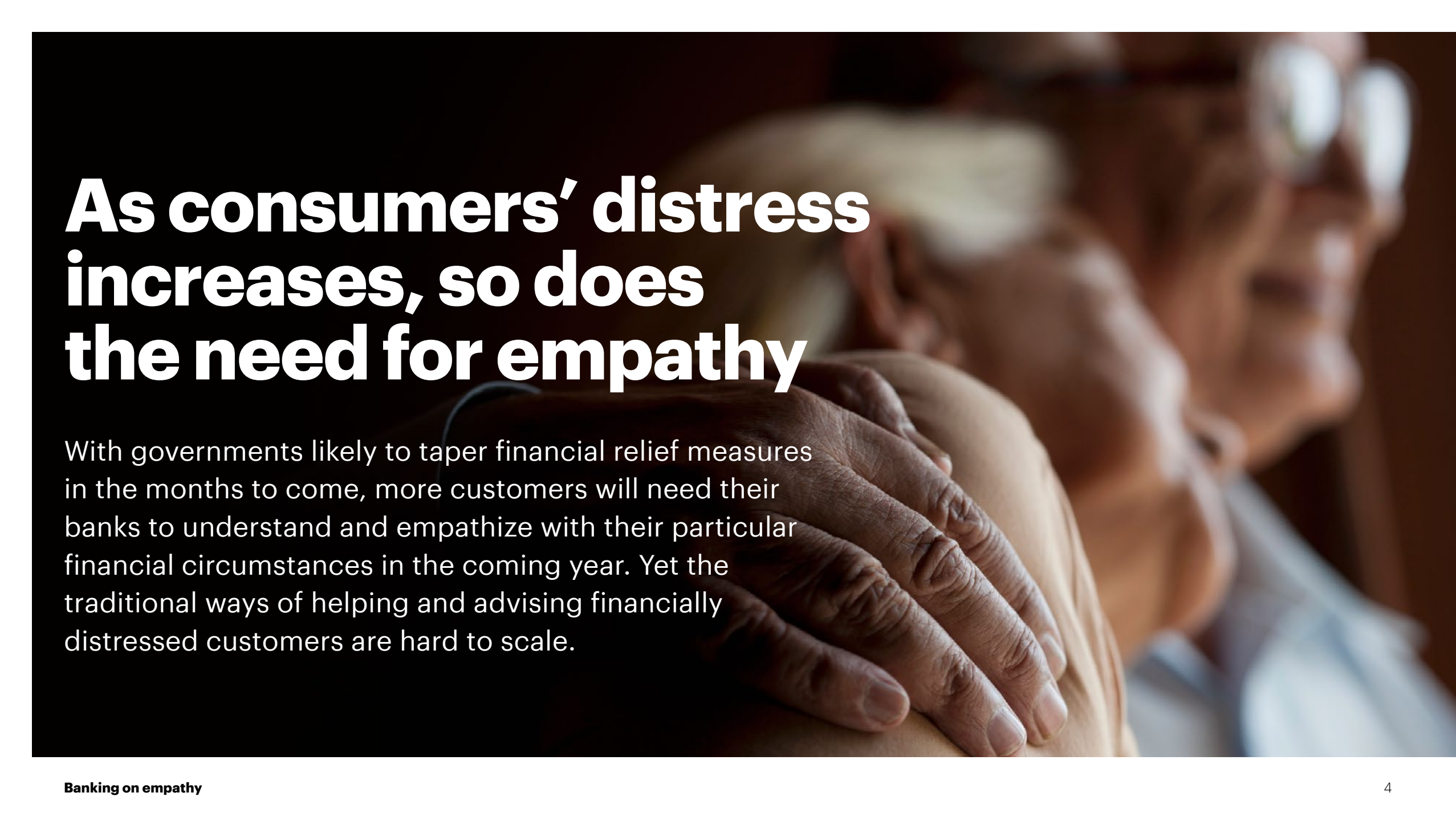
The survey found Empathetic Banking Leaders—those with strong capabilities for understanding and responding appropriately to the emotional state of their customers—outperformed their peers financially.

Their revenues grew by an average 1.3 percent during 2020, while the banks we identified as Empathetic Banking Laggards saw a contraction of revenues by 0.6 percent on average.

Furthermore, this group of Empathetic Banking Leaders fits neatly within the band of Digital Leaders identified in earlier Accenture research,³ confirming that empathetic banking is one of the key levers for becoming a truly digital bank. Our research showed that banks identified as Empathetic Banking Leaders are fast-tracking their transition to a single, unified engagement model that leverages the best of both digital and human interactions.

The new survey shows that Leaders are taking four important steps to achieve their vision of empathetic banking:

- Anticipating the customer intent at the zero moment of truth.
- Making empathy part of the digital skillset.
- Transforming contact centers into empathetic customer care hubs.
- Reinventing branches as empathetic experience centers.



As consumers' distress increases, so does the need for empathy

With governments likely to taper financial relief measures in the months to come, more customers will need their banks to understand and empathize with their particular financial circumstances in the coming year. Yet the traditional ways of helping and advising financially distressed customers are hard to scale.

By far the greatest and most complex impact of the pandemic for banks will be on credit management.

As government support programs start to wind down during 2021, banks will find themselves dealing with more customers under financial and personal stress. These customers will require more human, empathetic service. Delivering it in a way that scales is hard for banks that depend on branches to reach them.



Half of the banking executives we surveyed have experienced an increase in their cost to serve customers since the start of the pandemic in 2020.



63 percent of banks believe that the branch is the most effective channel for helping financially distressed customers resolve their challenges.

Digital channels are easier to scale, yet they also carry the risk of commoditization and the loss of the human touch at a time when customers need empathy more than ever. What's more, as our recent banking consumer study shows, customers still crave personalized advice—especially when it helps them save money and enhance financial management.



65 percent of consumers would welcome saving tips based on their spending patterns.



61 percent would welcome budget information based on their monthly spending.⁴

Whether it's a customer seeking to refinance a mortgage for a second home or one for whom taking a \$3,000 personal loan represents a major financial decision, consumers want their bank to show a deep understanding of their financial and emotional situation. Straightforward business rules based on customers' risk profiles or the value of their transactions or assets are too simplistic to enable banks to respond to their needs with empathy.

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It's not enough to match customer service responses to the customer's economic profile—their emotional profile also needs to be part of the equation. Banks that get their customer engagement responses wrong could see their market share shrink. Conversely, those that make the right moves could gain share. In this regard, the Empathetic Banking survey echoes the findings of our Purpose-Driven Banking research, which highlights how customers re-evaluated their relationships with institutions based on how they were treated early in the COVID-19 crisis.⁵



38 percent of banks expect the crisis will affect customer attrition over 2021.



84 percent of banking CEOs agree that their company will fundamentally change the way it engages and interacts with its customers.⁶

Serving with Purpose and Empathy

Empathy is about how banks interact with customers in the moments that matter most. It is a bank's ability to adapt everything, from its distribution channel to its tone of voice, to the emotional state of the customer.

Banks can build customer trust in each engagement by being attentive, reassuring and helpful.

An empathetic bank can listen, provide comfort and find a solution when a distressed customer phones about a missed credit card payment.

Purpose is the foundation of the banking relationship and reflects how banks build trust in the long run through consistent action. Purpose is about how they create win-win relationships between themselves and customers, providing them with the right

offers that are tailored to their needs and solve their unmet needs. It is about prioritizing the help they provide their customers to lead better financial lives.

Empathy is purpose applied in specific client interactions. A bank that shows empathy in customer interactions, but then extracts income in the form of high or hidden fees, will not build trust over the longer term. By being empathetic, a bank shows that it cares about each customer. In being purpose-driven, the bank demonstrates its commitment to building win-win, deep-rooted relationships that are also beneficial to the wider society.

Understanding customer emotions

Today, just three in 10 banks are very confident that they can sense customers' emotional outlook about their financial and personal situation without asking them directly. Few banks have the awareness and sensitivity to detect the needs and challenges their customers face and to offer proactive help. The small group of banks that do—the empathetic banks—will have an advantage in building customer relationships that endure.

Empathetic banks are differentiated by their ability to gather data and use the subsequent insights to engage with their customers.

Rather than forcing customers through a particular touchpoint, they offer customers channel choices based on their emotional state and financial need. They constantly collect data that helps them anticipate the assistance a customer might require. And they do so in a consistent tone of voice across all channels, with messaging tailored to the customer's emotional profile at the time of interaction.

By contrast, banks that have not achieved this level of data and analytics mastery struggle to offer empathetic banking at scale because they must rely on face-to-face branch interactions to serve customers with personalized help. Our survey shows that Empathetic Banking Laggards underperformed the banks that prioritized empathy and blended the best of human and digital to create more personalized experiences.

Laggards saw revenues contract by an average 0.6 percent during 2020, while Empathetic Banking Leaders achieved revenue growth of 1.3 percent. We identified close alignment between Empathetic Banking Leaders and the cohort of Digital Leaders we identified in earlier research,⁷ which also achieved superior financial performance compared to peers.

Beyond short-term revenue gains, banks that show sensitivity and understanding in this time of crisis will also strengthen customer relationships in the longer term. Perhaps even more significantly, as argued in our open letter to retail and commercial banking CEOs,⁸ this is their chance to be recognized as part of the solution instead of as part of the problem—as they were perceived to be during the global financial crisis.


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Four steps towards empathetic banking at scale


To offer an empathetic experience at scale, leading banks will need to reconfigure banking channels to offer a human touch in the moments when it matters the most. How will they achieve this? By fast-tracking their transition to a single, unified engagement model that provides a consistent and empathetic banking experience across channels.




Accenture has identified four key steps that will help banks move towards this industry vision:

1.  Anticipate the customer's intent at the zero moment of truth.

2.  Make empathy part of the digital skillset.

3.  Transform contact centers into empathetic customer care hubs.

4.  Reinvent branches as empathetic experience centers.

Step 1

Anticipate the customer's intent at the zero moment of truth

Adjust the journey to the customer's need for support and empathy.

An empathetic bank anticipates customers' motions and intentions early in an interaction and adjusts its tone of voice and customer journey to their needs. The bank's ability to translate the customer intent at the zero moment of truth—that second when they might be researching which services, products or advice they need to navigate a financial crisis or opportunity—into empathetic actions hinges on its ability to integrate data from different systems and sources on a single platform that works in real time.

This might sound like old news; banks for years claimed to understand the zero moment of truth and the importance of a single, real-time view of the customer. Yet Accenture's research reveals

a gap between banks' belief in the importance of a single view of the customer and their success in reaching this outcome. Only 20 percent of banks told us that they are able to update and evaluate sales and service interactions on an ongoing basis. Moreover, even though more than 90 percent of banks say that they use both internal and external structured data to at least a moderate extent in their sales and service practices, only 12 percent⁹ of consumers think their bank's customized experiences are spot-on.



CASE IN POINT

Increasing customer relevance by proactive outreach

A single, real-time view of the customer enables contextualized and personalized conversations that can drive satisfaction even in the absence of human intervention. A bank in Australia has invested in a customer engagement engine to derive insights from its customer data that enables it to improve customer relevance. Thanks to the boost in relevance provided by the engine, the bank has been able to increase both its customer satisfaction levels and click-through rates on offers.

The engine enables the bank to, for example, send proactive alerts to a customer who is about to miss a credit card payment, rather than simply hitting them with a fee for late payment after the event has already happened. During the 2020 bushfires in Australia, the engine helped the bank reach out to customers eligible for its assistance packages, instead of waiting for them to get in touch. The engine can also make recommendations regarding more than 100 government benefits and rebates for which customers might be eligible.

The shift towards digital channels offers an opportunity for banks to accelerate the implementation of a single view of the customer. They have access to more data—not to mention richer data—about their customers and their banking behavior, thanks to the amount of time consumers are spending on mobile apps, banking portals, social media and other digital touchpoints.

Richer data, when the bank has the ability to analyze it, uncovers unmet customer needs and enables the institution to provide the experience consumers want—which is critical for growth. In other words, it promotes a shift towards ‘business of experience’ thinking.¹⁰ This is where the bank does things that people want, rather than trying to make them want the things that it does—as is the case in the old customer experience paradigm.

Step 2

Make empathy part of the digital skillset

Equip digital channels with technologies that enable an empathetic response.

To provide an empathetic experience, a bank needs to understand a customer's emotional state. This is easier when the interaction takes place face-to-face with a skilled advisor, but it can be more challenging through digital channels. Banks that are leading on empathy through digital channels are increasingly tapping into technologies such as voice recognition, speech analytics and text analytics to better understand customers' emotions.

These technologies can help interpret a customer's sentiment in the moment in much the same way as a skilled human agent would, improving empathy across channels by matching service responses to the customer's emotional rather than economic profile. Our research shows that Empathetic Banking Leaders are twice as likely as Laggards to already be using these technologies to enable empathetic interactions at scale.



CASE IN POINT

From emotional insights to improved customer satisfaction

Customers that feel neglected are more likely to switch banks. To combat attrition, a bank in Asia has developed a tool that enables it to rapidly respond to insights about the customer's emotional state. For example, when a distressed customer contacts the bank about a mortgage renegotiation via chat in the online banking portal, text analytics is used to detect clues about the customer's emotional status.

These insights can be linked to other customer data, such as information that reveals they own a business in a sector heavily affected by the pandemic. Based on this input, the bank can prioritize appropriate actions, such as contacting the customer as soon as possible in their preferred channel of interaction and in a tone of voice that shows understanding for their challenging situation. The bank can offer an empathetic response, no matter which channel the customer initially uses to contact it.

Step 3

Transform contact centers into empathetic customer care hubs

Deliver a better contact center experience on a greater scale.

Making the contact center the main focus of live customer interaction is a natural step towards a customer service model that scales better than serving customers through the branch network. There is a risk, however, that the empathetic touch could be lost as customers wait for service in long phone queues and interact with a different agent each time they contact the bank.



Leading banks are seeking to resolve this tension by transforming their contact centers into empathetic customer care hubs. This, in turn, means investing in capabilities that promote empathetic experiences by reducing call hold times and adding a personalized touch to the customer conversation. There are three levers banks can use to transform their contact centers into empathetic customer care hubs.

Firstly, empathetic banks will make human chat the primary way that customers interact with their contact centers. Human chat is more convenient for customers because it spares them extended phone queues. They can contact the bank whenever they want and do other things while they wait for a response. For the bank, it's more scalable than voice calls since agents can handle multiple service requests at once.

Should the bank's analytics tools or the contact center agent's intuition indicate that a video or phone conversation would better match the customer's emotional need, a voice or video call could be initiated. Banking leaders are also using artificial intelligence (AI) to match their customers with the best advisor for their emotional profile, which can increase retention, cross- and up-sell and net promoter scores.

Secondly, empathetic banks will augment contact centers with digital capabilities to promote an empathetic banking experience without physical face-to-face interaction. AI virtual agents, for example, will help contact center advisors provide relevant customer service as they manage growing contact volumes. The virtual agents could help advisors to quickly access customer information.

This will enable advisors to offer recommendations that show they are listening, understanding the customer's problem and acting in their best interest. It will also help them to adopt the right tone of voice for the specific customer. In this way, the bank can offer personalized interactions over the phone or video to customers who need it.



Only 15 percent of surveyed consumers had spoken to a bank advisor via video call before COVID-19.



46 percent said they would be prepared to do so when branches reopened.



35 percent said they would now prefer this to a face-to-face meeting.¹¹

Finally, empathetic banks will combine resources from the back-office, service center, branch and contact center into distributed contact centers. These virtualized customer care hubs will be able to help customers in a more seamless and agile manner. For instance, an investment advisor who is idle in a branch would be able to pick up a query from a customer who called the central contact center seeking wealth management advice. This could help reduce holding times or to connect customers to the representative who is best qualified to help them with their requests.



72 percent of banks expect interactions through human chat to increase in the coming one to two years.



93 percent of Empathetic Banking Leaders regard human chat as an efficient option for solving the problems of customers.



Only 23 percent of Laggards agree.

CASE IN POINT

How new ways of interacting can increase both scale and customer satisfaction

A bank in Europe has implemented a model that helps it to scale up operations and increase customer satisfaction. The model allows for three ways of interacting with the bank's customer service.

An AI virtual assistant helps customers with basic queries like 'How do I find my account information?' or 'How do I set up a direct debit?' Human chat addresses more complex requests that may require the customer to share files, for example 'How do I prove my change of address?' or 'Can I get more details about this transaction on my account?'

Human advisors help customers with the most complex requests over the phone, for example 'How can I delay my mortgage payments?' or 'How can my car leasing agreement be modified now that I'm not using the car to commute anymore?'

This three-tiered approach has enabled the bank to increase scale and speed by digitizing the handling of a larger proportion of requests. The bank has also been able to improve its net promoter score by resolving customer queries faster and offering more relevant human interactions.

Step 4

Reinvent branches as empathetic experience centers

The customer- and community-centric branch of the future.

The branch of the future will be far from the most important distribution channel for most banks. However, the customer interactions that take place here will be among those that matter most to the customer's experience with and perception of the bank. Indeed, banks with a traditional branch network still enjoy higher customer trust levels than pure digital players. Our Global Banking Consumer Study¹¹ shows that 8 percent of consumers trust neobanks "a lot" to look after their long-term financial wellbeing, while 29 percent trust their current bank to the same degree.

Empathetic Banking Leaders in our survey foresee that they will operate a mix of large and small branches that serve different purposes. Some are reinventing their branches as hubs where customers and community members can learn, network and connect in a comfortable and inspiring setting. Branches in strategic locations might become experience centers that offer friendly spaces for customer engagement, perhaps including coffee areas to spark conversations that wouldn't take place in a more formal setting.

Others might be designed as networking and training hubs for the local small business community, or personal finance educational centers in neighborhoods where fewer people have bank accounts. Here customer engagements might focus on improving access and financial inclusion.



Banks might also use their branch footprint as decentralized offices for customer care representatives, or other service staff, enabling them to maintain a branch presence while downsizing their head offices.

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Empathetic Banking Leaders will adjust how branches are managed in line with their evolving purpose. Many are moving from a standardized, centrally-controlled structure to a model where branch managers have more autonomy to respond to local needs. This might include having the flexibility to adapt opening hours according to the needs of their communities and being accountable not only for branch-based sales and service but also for the digital customer base in their market.

Additionally, the skills mix at branches is under scrutiny. In line with the growing importance of each interaction as the volume of customer contacts at the branch decreases, the profile and skills of the branch employee are evolving. More than six in 10 banks in our survey agreed that 26 percent or more of their branch employees will need to be reskilled in the coming one to two years to meet higher service demands.

Furthermore, empathetic banks will use the branch as a digital gateway and integrate the branch into their digital distribution channels. Getting customers to use their mobile banking app while interacting with an advisor, for instance, helps familiarize customers with the app—customers can even be shown how to get human support (via chat, phone or video calls) using the app.



97%

97 percent of banks agree that the branch will need to be redesigned in the next one to two years to meet new demands.



88%

88 percent of banks agree that their technology platforms for in-branch customer service won't last for more than another three years.

CASE IN POINT

Upgrading the physical banking experience to support the community

Some banks are already working toward creating experience centers that support the local community. In Latin America, one bank started rolling out new co-working spaces in its branches in 2016. Local small business owners can get financial coaching from the banking team to bring their business ideas to life. The bank also hosts lectures, workshops and training on topics relevant to the local businesses—such as how to file accounts, how to identify what tax breaks they are eligible for or how to plan for their pension. To promote connections among the businesses and make the branch into a network hub, the bank has set up a directory that lets the small businesses connect with each other based on skills and needs. Following the success of the early branches, the bank has expanded the concept to 85 branches in eight countries.¹²

Empathetic banking combines the human touch with the reach of digital

Rising levels of customer financial distress combined with old service models becoming ineffective means that banks need to find ways to combine human and digital interactions.



At the core of this is the ability to anticipate customers' needs without asking them. Yet only 32 percent of banks are today very confident in their ability to understand a customer's emotional situation without asking them about it. The leaders of tomorrow are looking at how they can change this picture.

The growing maturity of today's AI solutions, paired with customers' growing willingness to use digital channels even for complex interactions, gives banking leaders the opportunity to not only offer

more personalized services and experiences, but to do so at scale. By accelerating their transition to a single, unified distribution model, these banks will be able to gain a sustainable competitive advantage.

How Accenture can help

Each bank will need a bespoke plan for empathetic banking as it aims to transform how it understands, interacts with and serves customers. At Accenture, we have helped many leading banks leverage intelligent platforms and technologies to build better behavioral insights. We have also worked with them to adapt whole-bank operations in light of their greater and more empathetic understanding of their customers' financial needs and emotions. We help banks to tap into behavioral analytics and leading-edge fintech capabilities to improve customer financial health, build engagement and create new revenue.

Contact us to learn how we can help you achieve the future vision of empathetic banking.

Contact the authors



Adrien Kirschfink

Managing Director, Strategy & Consulting
adrien.kirschfink@accenture.com



Bruce Holley

Senior Managing Director, Strategy & Consulting
bruce.holley@accenture.com



Edwin Van der Ouderaa

Senior Managing Director, Strategy & Consulting
edwin.vanderouderaa@accenture.com



Anne Bertelsen

Managing Director, Interactive
anne.bertelsen@accenture.com

Contributors

Luca Gagliardi

Director, Accenture Research

Nanna Svahn

Manager, Accenture Research

Konrad Suchecki

Manager, Accenture Research

Stefano Braschi

Associate Manager, Accenture Research

Alex Secchi

Offering Development Lead, Growth & Strategy

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About the Research

Accenture surveyed 125 senior banking executives—including directors, C-suite executives, presidents and vice-presidents—to understand the extent to which banking enterprises prioritize customer empathy in their service model. We looked at their plans to increase their ability to offer more empathetic experiences, and the performance of their investments in empathetic banking. The executives represent the top five banks by revenue in each of 21 markets across North America, Europe and growth markets.

We also conducted a cluster analysis to identify Empathetic Banking Leaders, Contenders and Laggards among the banks we surveyed, based on how they self-reported that the pandemic had affected them. For this we used six different non-financial performance metrics:

- Level of customer loyalty
- Number of newly acquired customers
- Customer trust in the bank
- Employee engagement scores
- Employee productivity
- Customer cost-to-serve

Banks could report a score between 0 and 5 on each metric, yielding a maximum total score of 30 for the most Empathetic bank/s.

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