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Expectations & Experiences: Channels and New Entrants

December 2016





People Want the Best of All Worlds

From social networks to technology start-ups and retailers, more organizations are offering financial services. The “fintech revolution” of new disruptive technologies has led to predictions of traditional financial services firms being unbundled, piece by piece, as more nimble providers take on payments, lending and even deposit accounts.

When it comes to managing their finances, consumers choose channels that work best based on transaction type.

But consumer interviews and behavior reveal a more nuanced picture. Fiserv research has shown that most consumers trust and prefer financial institutions as their primary financial providers. As digital engagement in financial services intensifies, branches and other traditional channels remain popular, even among millennials. Broadly speaking, consumers choose channels that work best based on transaction type. Rather than demonstrating a bias toward any single way of banking, empowered consumers are choosing all of them.

**Expectations & Experiences:
Channels and New Entrants**
highlights the information financial institutions need to know about where and how to deliver financial services. The results can inform efforts aimed at increasing consumer satisfaction and loyalty.

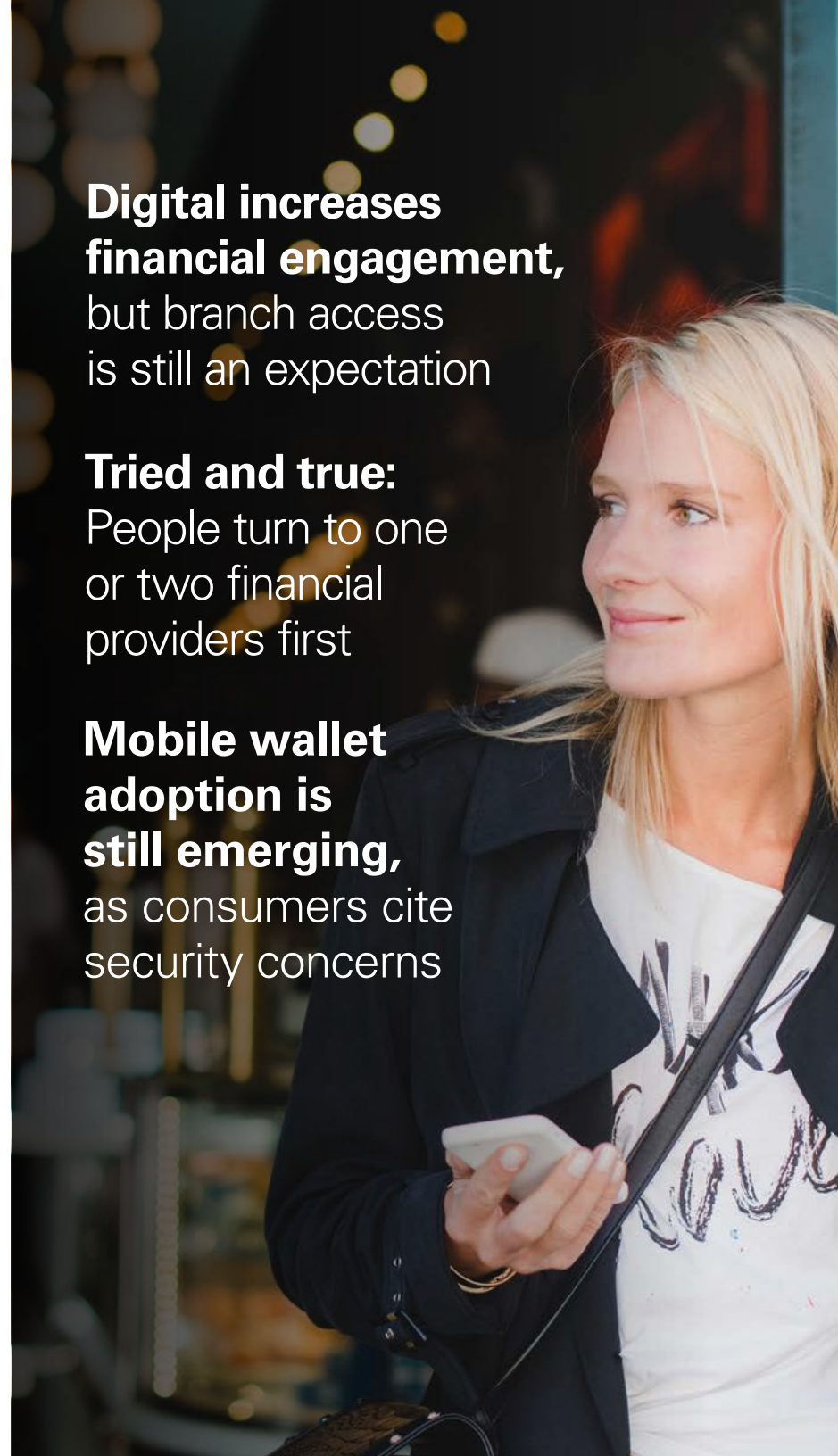
Expectations & Experiences builds on 15 years of Fiserv-sponsored survey data to understand consumer needs and help clients drive customer satisfaction, loyalty and profitability.

This paper summarizes key results from an online survey conducted by Harris Poll on behalf of Fiserv of 3,079 U.S. banking consumers. It examines the channels they use for banking and their attitudes toward new financial services entrants.

Digital increases financial engagement,
but branch access is still an expectation

Tried and true:
People turn to one or two financial providers first

Mobile wallet adoption is still emerging,
as consumers cite security concerns

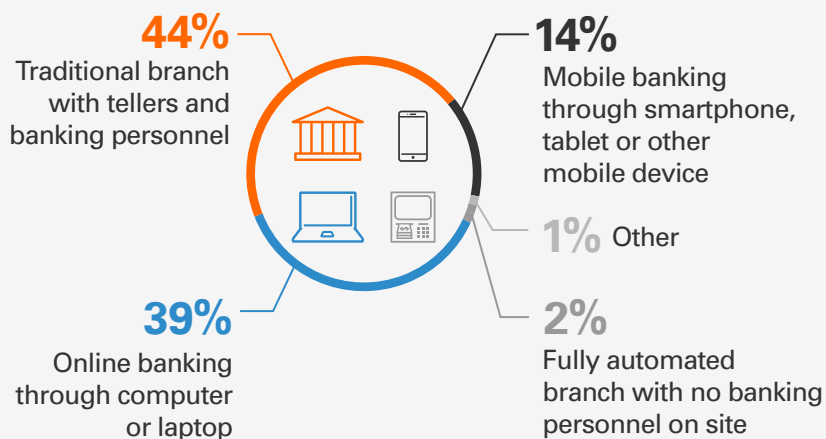


Digital Increases Engagement, but Branch Access Remains Expected – and Even Preferred

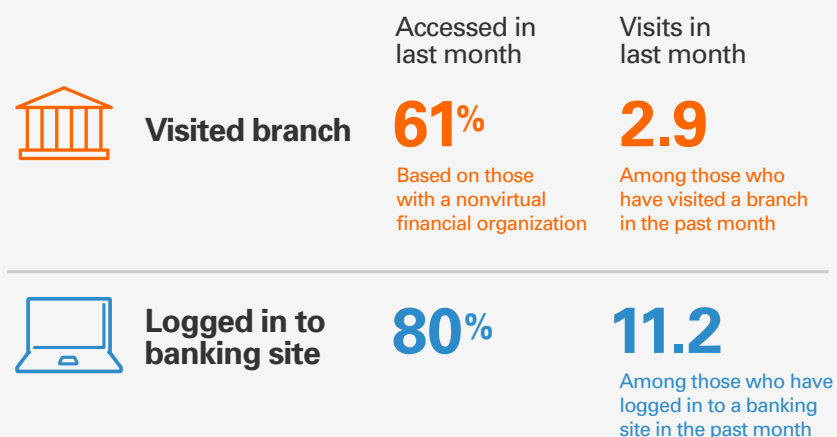
As with other services in their lives, consumers want financial services on demand and on their terms. Although those terms often mean always-on access through digital channels, the branch remains surprisingly resilient in terms of consumer preference and access. When asked how they prefer to interact with a primary financial organization for standard daily transactions, overall consumer preference is split: Forty-four percent prefer to interact with bank personnel and 39 percent prefer to bank online.

Of course, stated preference doesn't tell the entire story: While more than 60 percent of people visited a branch at least once in the last month, online banking is far more frequently accessed for day-to-day interactions.

Most Preferred Channel for Standard Daily Transactions



Channel Access



Although the branch versus digital aligns to some predictable assumptions such as a higher percentage of seniors visiting the branch within the past month, generational generalizations aren't always accurate. For instance, late millennials reported visiting a branch 4.6 times in the last month – higher than all generations.

Visited a Branch in Past Month

38%

Early millennials
18-24

55%

Late millennials
25-35

53%

Gen X
36-50

67%

Early boomers
51-61

68%

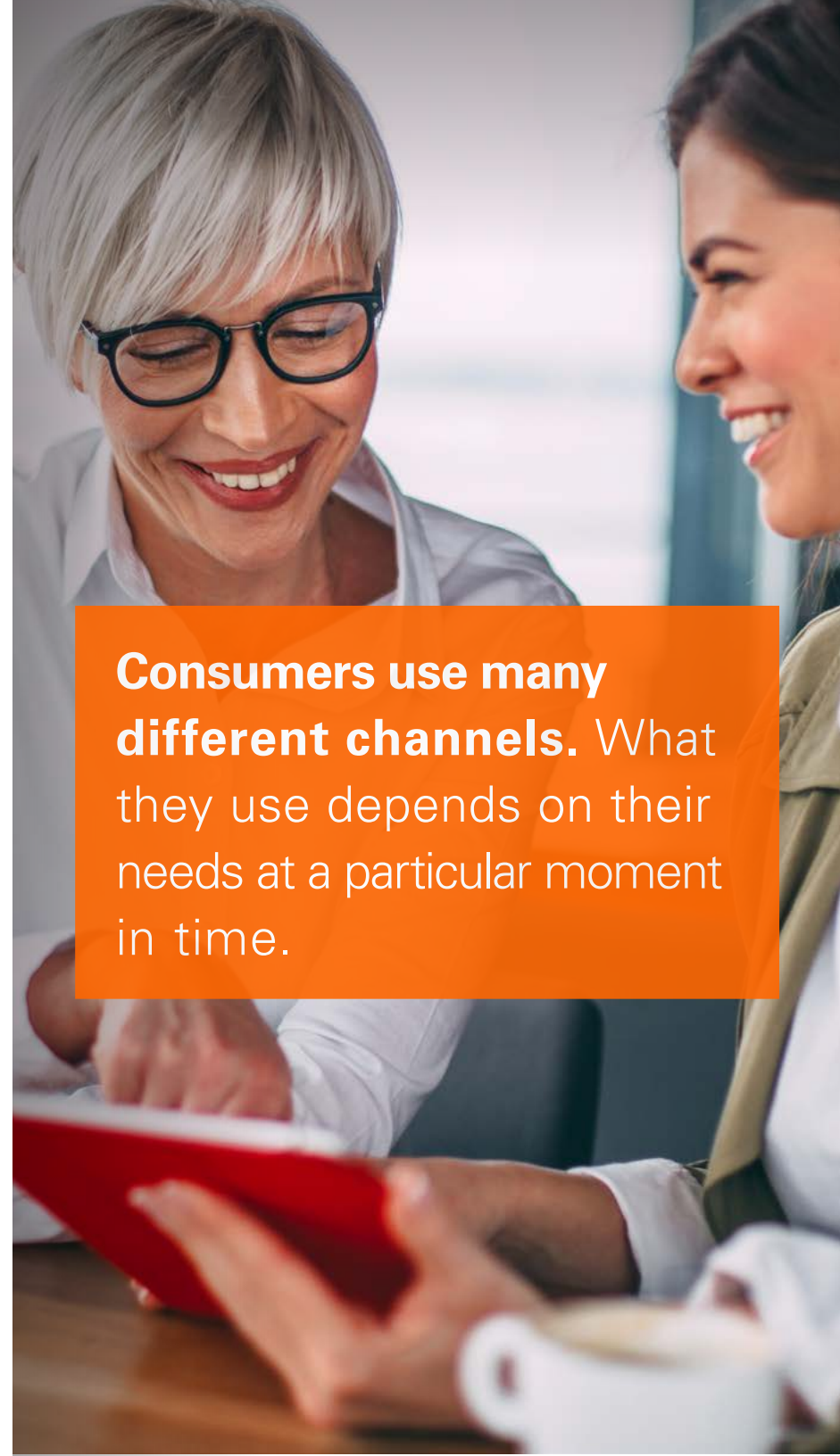
Late boomers
62-69

79%

Seniors
70+

Those who visited a branch in the past month did so to deposit checks (68 percent), withdraw cash (51 percent) and speak to representatives (22 percent). Those who used online banking in the past month checked balances (79 percent), paid bills (47 percent) and transferred money (41 percent). Even as digital engagement matures with services such as mobile check deposit, we all experience scenarios in which in-branch interaction is required, such as depositing a check that exceeds deposit limits or dealing with a service issue related to a transaction.

Life stage also plays an important role in channel use. Late millennials, for instance, are the most likely to have applied for a loan (17 percent) or received a loan (18 percent) within the past year. This probably factors into their higher frequency of branch visits. Of course, it's not a mutually exclusive scenario: Sixty-five percent of late millennials used mobile banking within the past year, higher than even early millennials (54 percent). As life stages change, many late millennials' life events require higher levels of engagement in their finances – and they appear to be using all the tools at their disposal.



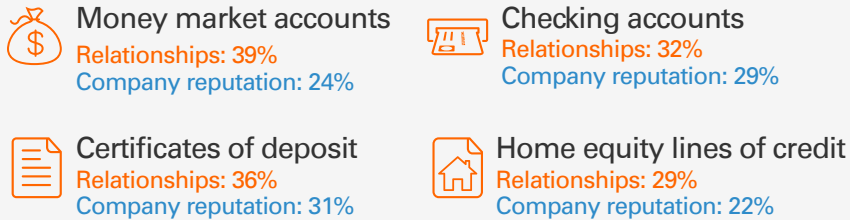
Consumers use many different channels. What they use depends on their needs at a particular moment in time.

Tried and True: People Turn to Their Primary Financial Providers First

A significant share of people (81%) say there are one or two financial institutions they always turn to first. What's more, 41 percent say if their financial institution couldn't extend a loan to them and instead referred them to another organization, they would still return to their primary financial institution for their future loan needs. Only 17 percent would go back to the organization they were referred to.

Relationships and Reputation

Prior relationships and company reputation matter when consumers shop for financial products.



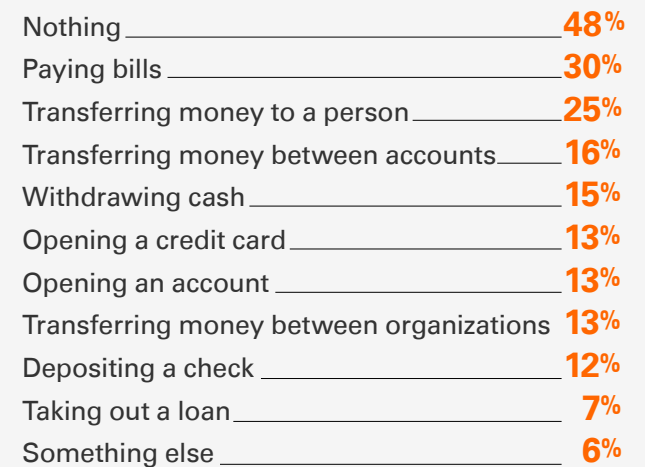
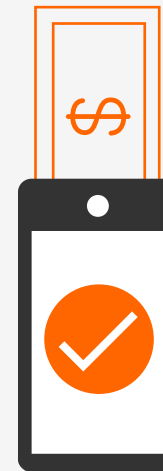
Satisfaction With Financial Institutions High



Consumers Prefer to Use Financial Institutions to Carry Out Financial Transactions

Consumers have varying levels of comfort with financial transactions being provided by nonfinancial organizations. For instance, only 25 percent say they would be comfortable with transferring money to someone via a nonfinancial organization. Millennials and Gen Xers express the most comfort, suggesting financial institutions need to prioritize efforts to build and preserve loyalty among younger consumer segments.

Transactions Consumers Would Feel Comfortable Conducting at Nonfinancial Organizations



Mobile Permeates Life, Mobile Payments Still Emerging

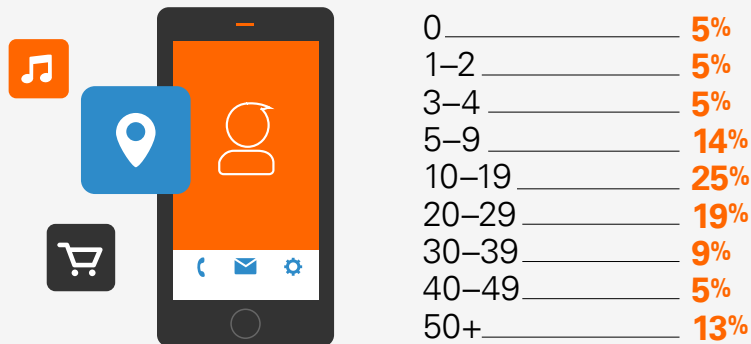
Mobile devices have profoundly influenced the financial services landscape. As new entrants and options come into play, it is essential to understand the extent to which mobile apps and wallets will impact consumers' practices and preferences.

Mobile Apps: A Fact of Life

The explosion in smartphone usage and consumers' reliance on mobile apps affects day-to-day life. On average, people report having 24 apps installed on their phones, with 15 percent having 40 or more. And 66 percent use five or more apps daily.

Mobile apps both open up new possibilities for financial institutions and provide opportunities for nonfinancial institutions to enter the financial services market.

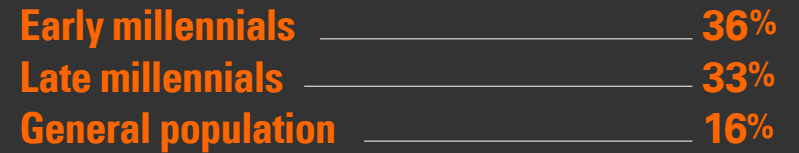
How Many Apps Do People With Mobile Phones Have?



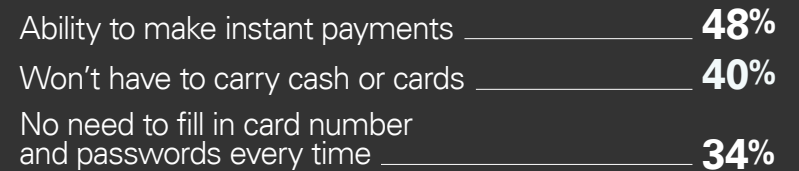
Mobile Wallets: Still Early Days

Despite increased use of mobile devices, mobile wallets are just taking root. Only 16 percent of people have ever used a mobile wallet. Among those who have not used a mobile wallet, over a quarter (26 percent) indicated interest in using one.

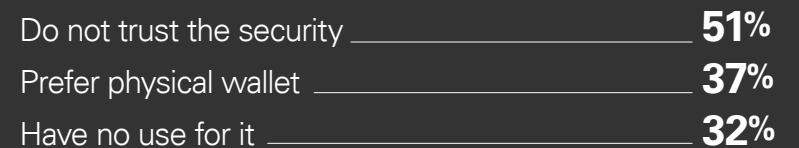
What does a mobile wallet user look like? Currently, they trend male and millennial.



Reasons for Using Mobile Wallets



Reasons for Not Using Mobile Wallets





About the Survey

Expectations & Experiences is a quarterly U.S. consumer trends survey that provides insight into the attitudes, behaviors and habits of financial consumers. Each module focuses on primary issues relevant to how people manage and move money, including preference and adoption of supporting services, channels and technologies.

One of the longest running surveys of its kind, the survey builds on 15 years of longitudinal consumer survey data commissioned by Fiserv and provides financial services institutions with unique insight into consumer needs, enabling them to improve adoption of services that drive customer retention, satisfaction and profitability.

Methodology

The survey was conducted online within the U.S. between March 11–30, 2016, by Harris Poll on behalf of Fiserv, Inc. The survey was conducted among 3,079 U.S. adults ages 18 and older who are part of a household that currently has a checking account with a bank, credit union, brokerage firm or other financial organization, and who have used their checking account to pay a bill or make a purchase in the past month. The data were weighted to ensure that relevant demographic characteristics of the sample matched those of the U.S. general population.

About Fiserv

Fiserv, Inc. (NASDAQ:FISV) enables clients to achieve best-in-class results by driving quality and innovation in payments, processing services, risk and compliance, customer and channel management, and business insights and optimization. For more than 30 years, Fiserv has been a global leader in financial services technology. Fiserv is a FORTUNE 500 company and this year was honored to be named a FORTUNE magazine's World's Most Admired Company for the third consecutive year. In 2015 the company was recognized among Forbes magazine's America's Best Employers. For more information, visit www.fiserv.com.

About Harris Poll

Over the last five decades, Harris Polls have become media staples. With comprehensive experience and precise technique in public opinion polling, along with a proven track record of uncovering consumers' motivations and behaviors, Harris Poll has gained strong brand recognition around the world. Harris Poll offers a diverse portfolio of proprietary client solutions to transform relevant insights into actionable foresight for a wide range of industries including health care, technology, public affairs, energy, telecommunications, financial services, insurance, media, retail, restaurant and consumer packaged goods. Contact us for more information at consumerinsightsnainfo@nielsen.com.



Fiserv, Inc.
255 Fiserv Drive
Brookfield, WI 53045

800-872-7882
262-879-5322
getsolutions@fiserv.com
www.fiserv.com

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