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BAI Banking Outlook Special Report: The Top Banking Trends and Challenges for 2022



We recently conducted research to better understand the trends and challenges facing financial services organizations in 2022 and beyond. We questioned both financial services leaders and their customers, including different customer generations.

Those questions included:

- ☑ Are customers open to new banking players?
- ☑ How are channel preferences shifting and what is the impact on the branch network?
- ☑ What key investments should financial service organizations be making to improve CX in 2022?
- ☑ How are customers attitudes about banking relationships changing?

The Customer Landscape

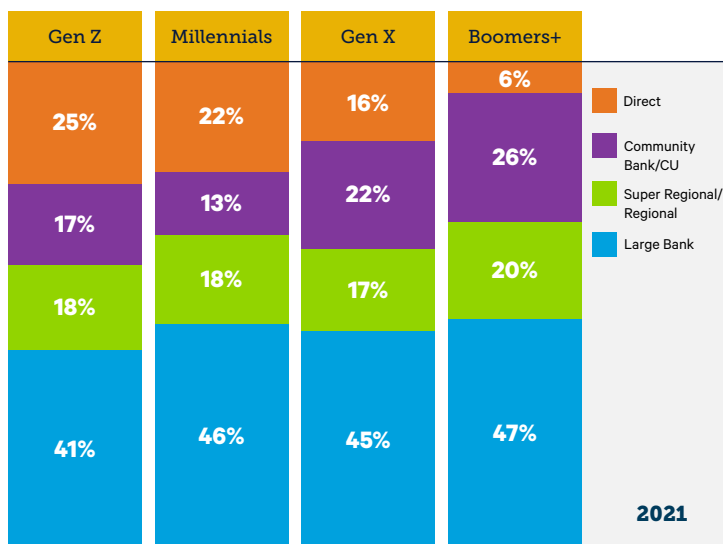
To better understand the landscape facing financial services leaders, we took a look at the current customer landscape. Customer habits, attitudes and actions all differ by age group.

Growing Competition

While large banks are still preferred across all age groups, Gen Z and Millennials are much more likely to consider a direct bank. They are also more likely to have their money with multiple financial services organizations. Traditional financial services organizations need to be prepared for this growing competition.

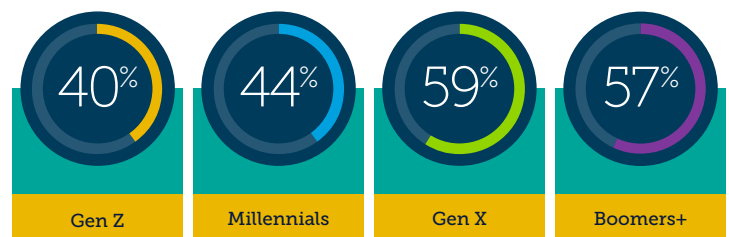
We asked customers

Who is your primary financial services organization?



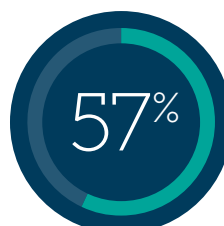
We asked customers

Do you bank with only one financial services organization?



We asked customers

Would you consider banking with a nontraditional financial services organization?



of consumers would consider banking with Amazon, Apple, PayPal or another nontraditional organization.

Low Fees Rule

Customers of all generations look for the lowest fees when choosing a financial services organization. Secondary reasons varied by age group, with answers ranging from cash incentives to branch location.

We asked customers

Why would you choose a new primary financial services organization?

#1 Answer	#2 Answer	#3 Answer
Gen Z		
Lowest Fees 31%	Cash Incentives/ Rewards 31%	Best Rates 26%
Millennials		
Lowest Fees 36%	Best Rates 32%	Cash Incentives/ Rewards 25%
Gen X		
Lowest Fees 38%	Best Rates 31%	Convenient Branch Network 23%
Boomers+		
Lowest Fees 40%	Convenient Branch Network 33%	Best Rates 29%



The Top Business Trends for 2022

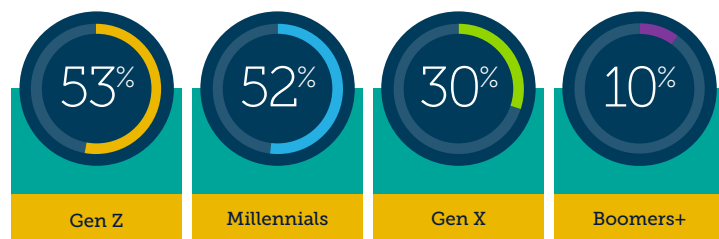
Knowing what is “the next big thing” will help you think, plan and prioritize for the months ahead. Financial services leaders and customers, however, are not always on the same page regarding the top priorities.

Rising Cryptocurrency

Few financial services organizations plan to accept or offer cryptocurrency (bitcoin, dogecoin, etc.), despite more customers investing in it, particularly Gen Z and Millennials.

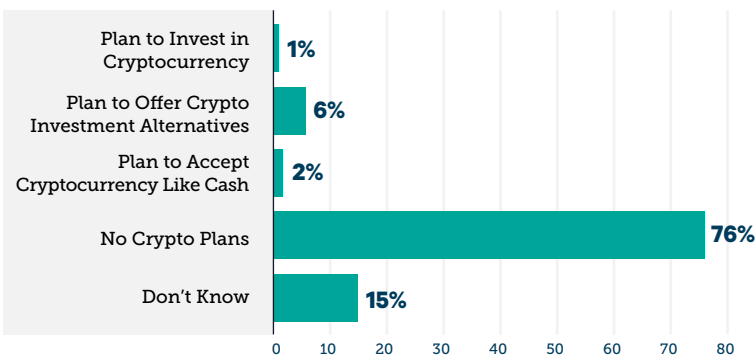
We asked customers

Have you invested directly in cryptocurrencies or funds with exposure to crypto?



We asked financial leaders

What are your organization's cryptocurrency plans?

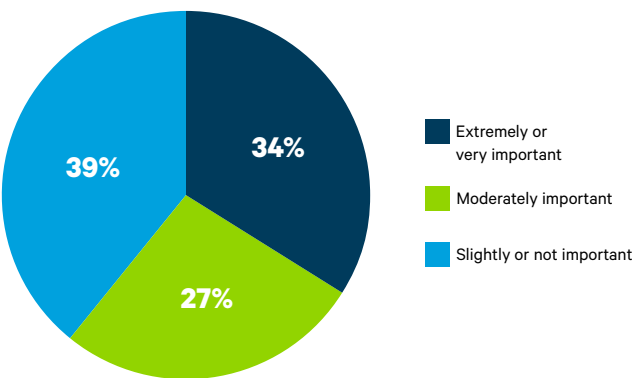


ESG and DEI

Having Environmental, Societal and Governance (ESG) and Diversity, Equity and Inclusion (DEI) strategies are more important than ever. Employees and customers now expect their financial organizations to be committed to these issues, especially Gen Z and Millennials.

We asked financial services leaders

How important is it for your organization to address ESG issues?



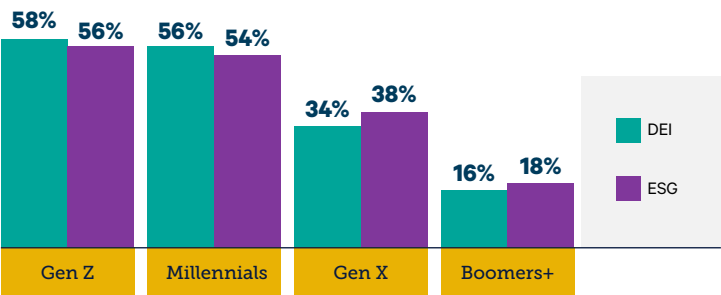
We asked customers

Is your primary financial services organization committed to ESG or DEI issues?

	ESG (% Agree)	DEI (% Agree)
Gen Z	49%	56%
Millennials	61%	70%
Gen X	49%	66%
Boomers+	44%	60%

We asked customers

Would you switch financial services organizations for a higher commitment to DEI or ESG?

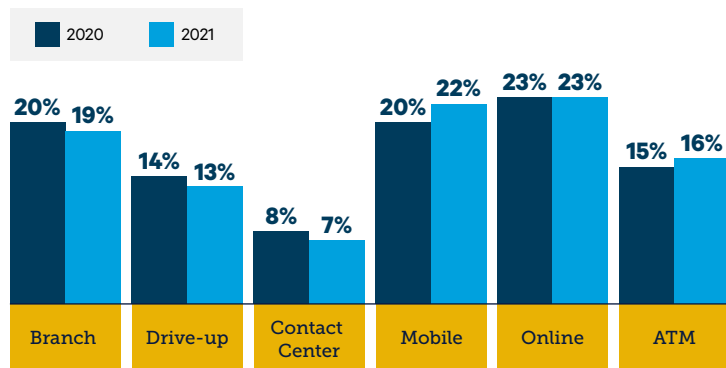


Channel Transformations

Branch and drive-up (human assisted) is predicted to decline as mobile and ATM usage increases. As a result, financial services organizations are adapting their services to better meet customer demand and digital expectations.

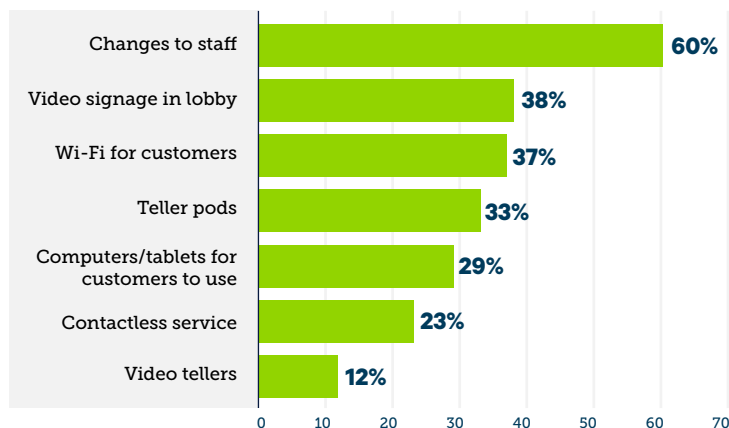
We asked customers

What is your projected channel usage 3 years from now?



We asked financial services leaders

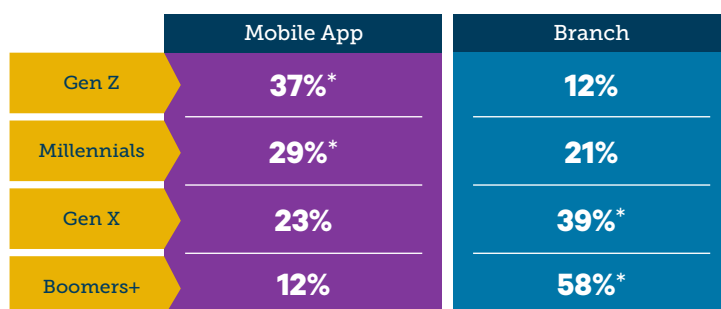
What branch changes is your organization making?



Older generations are much more likely to open an account at the branch, while Gen Z and Millennials prefer opening one from their mobile app.

We asked customers

How do you prefer to open a deposit account?



*Most popular option for that age group



The Top Business Challenges for 2022

Improving the customer digital experience is the top business challenge for financial services organizations, and their top investment priority, too.

We asked financial services leaders

What's your organization's top business challenge for 2022?

- 1 Improving the customer digital experience
- 2 Loan growth
- 3 New customer acquisition

We asked financial services leaders

What is your organizations top investment priority for 2022?

- 1 Improving the customer digital experience
- 2 Technology integration and platforms
- 3 Brand awareness and advertising



Improving the Customer Experience

Organizations are continually evaluating ways to enhance the customer experience, both in person and online, but their efforts do not always match customer needs. The biggest gaps may also be the biggest opportunities.

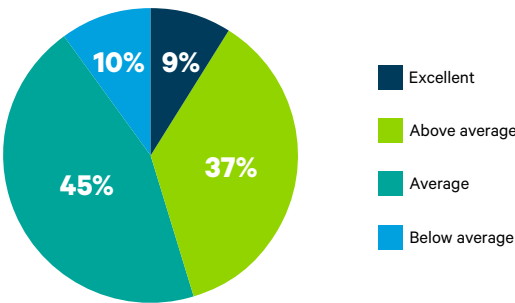
We asked financial services leaders and customers

What’s the best way to improve CX?

Bankers	Consumers
1 Make better use of data for products/service recommendations	Improve the omnichannel experience
2 Improve the omnichannel experience	Give me tools/options to customize my own solutions
3 Enhance the mobile channel	Improve branches for better in-person experience

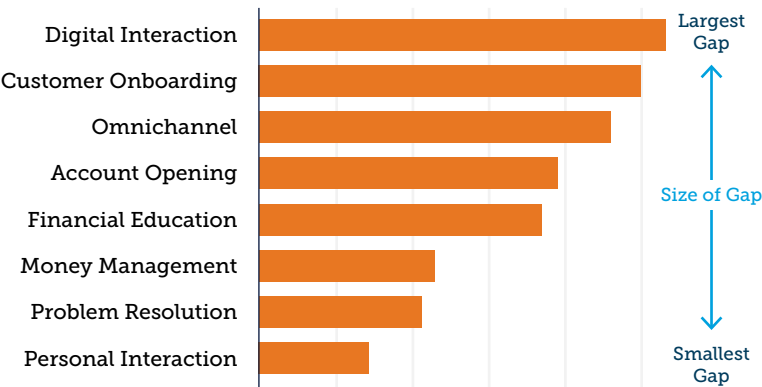
We asked financial services leaders

How would you rate the customer experience your organization delivers digitally?



We asked financial services leaders

What are the biggest gaps in the customer experience?

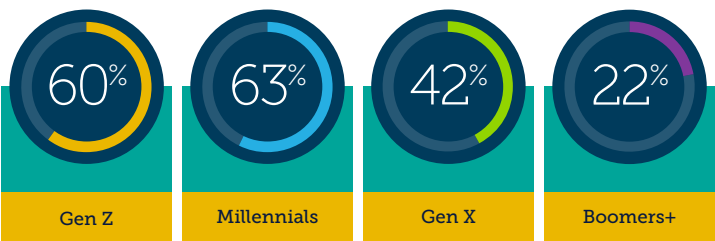


Meeting Customer Expectations

Customer expectations are always shifting, and financial services organizations must change their services to better meet consumer demand, and keep new threats from growing.

We asked customers

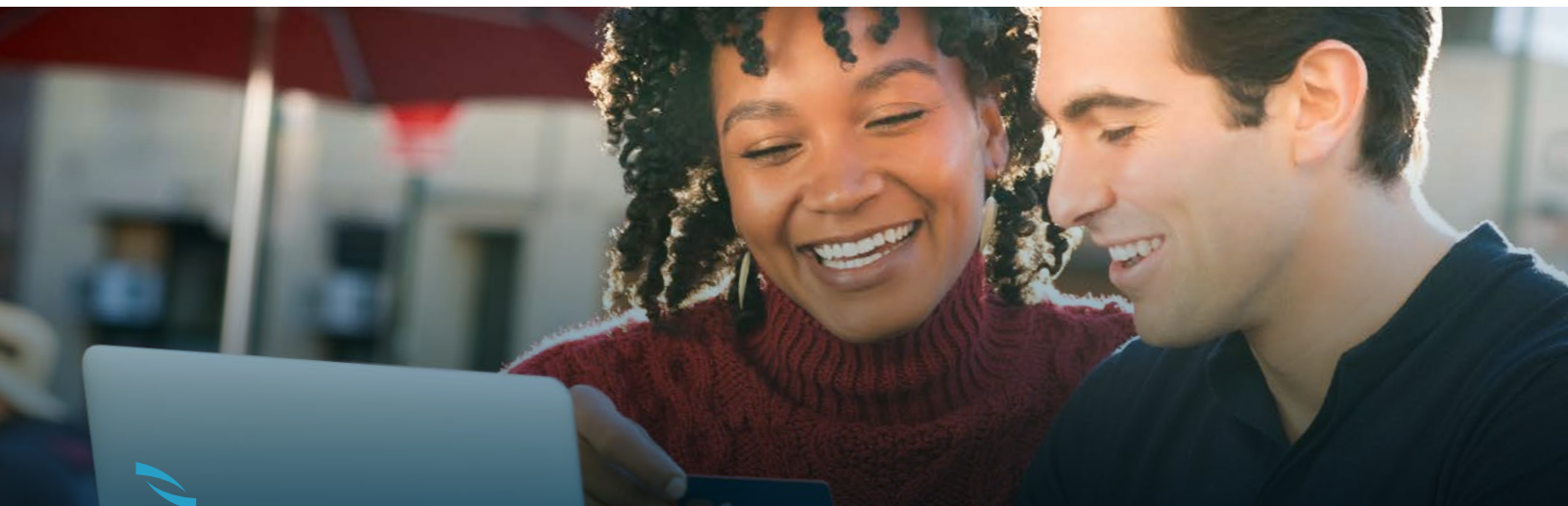
Would you switch your financial services organization for a better mobile app/digital experience?



We asked customers

What are the top ways to improve your financial services organization’s apps/digital capabilities?

	Gen Z	Millennial	Gen X	Boomers+
1	Ability to turn on/off debit and credit cards	24/7 customer service	24/7 customer service	24/7 customer service
2	Online account opening	Quicker money transfers	Ability to turn on/off debit and credit cards	Ability to turn on/off debit and credit cards
3	Faster payments	Clear easy to use app	Quick/easy ways to report expected breach of account	Clear easy to use app



BAI Insights

Our research has identified numerous trends and challenges that will impact financial services organizations in 2022 and beyond, and need the attention of financial services leaders, including:

Figuring Out the New Customer Normal

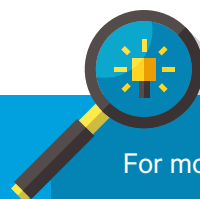
- By 2024, customers expect 61% of their banking business to be digital and 39% human-assisted with the biggest projected increases coming from mobile and ATM
- Gen Z showed the highest preference to open deposit accounts via their mobile phone
- Branches are still critical for many customers today and is the preferred method for opening deposits by Gen X and Boomers+

Increasing Competition

- Generations are changing rapidly, and Gen Z is less likely to use only one financial service organization
- Financial services organizations need to improve their CX and develop relationships rather than transactional business
- Loan growth is a top priority. In fact, our research shows that over half of financial services leaders are facing increased competition in this area.

Anticipation and Preparation

- The biggest business challenges for bankers in 2022 is improving the digital experience and new customer acquisition. Only 9% of bankers describe their digital customer experience as excellent.
- The younger the generation, the more they care about positive reputation, and want to know what their primary financial services organizations are doing in the areas of DEI and ESG
- The majority of Gen Z and Millennials are investing in crypto. Financial services leaders will need to decide if this presents an opportunity for their organizations.



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