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# How to improve CX for digital adapters spawned by pandemic

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## Executive Summary



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*In the changed environment wrought by the COVID-19 pandemic, some consumers who had never previously used a financial institution’s digital channel have been forced to become digital adapters. With customers migrating from in-person to digital channels, financial institutions are well advised to better tailor their digital channels’ CX to customers’ attributes.*



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### Pandemic has turned a bunch of financial institutions’ customers into digital adapters

The COVID-19 pandemic has spurred rapid growth in use of digital technologies like online shopping and streaming media in everyday life. This trend extends to financial services also. An NRI survey<sup>1)</sup> conducted in July 2020 found that some Japanese consumers have been forced to start using financial institutions’ digital channels<sup>2)</sup> out of an increased need to obtain advice about and/or transact in financial products and services digitally in the changed economic environment wrought by the pandemic. We call such consumers digital adapters.

We define digital adapters as people who, having never previously used a bank or brokerage’s digital channel, first did so in 2020 to obtain advice about or transact in a financial product or service, after the COVID-19 outbreak had erupted. Digital adapters accounted for 29% of survey respondents who sought advice from or transacted with a bank or brokerage in the first six months of 2020, driving rapid

**NOTE**

1) It was an online survey of people aged 20-79 throughout Japan who had consulted about or transacted in financial products or services with a bank or brokerage during the first six months of 2020. The survey yielded 6,007 valid responses.

2) Financial institutions’ “digital channels” means their websites (including login-required sites like online banking and online trading platforms), mobile apps and videoconferencing, chat, text messaging and email between customers and sales reps.

**Exhibit 1: Channel usage for seeking advice from or transacting with banks/brokerages (respondents who did so in Jan-Jun 2020)**

Pre-2020		Jan-Jun 2020		Digital channel users: 71%
Never used digital channel to seek advice/transact	58%	Did not use digital channel (used in-person or phone channel; "Digital channel non-user")	29%	
		Used digital channel ("Digital adapters")	29%	
Used digital channel to seek advice/transact	42%	Uses digital channel as first choice ("Digital-first customers")	27%	
		Uses non-digital channel (in-person/ phone) as first choice ("Non-digital-first customers")	15%	

Source: NRI

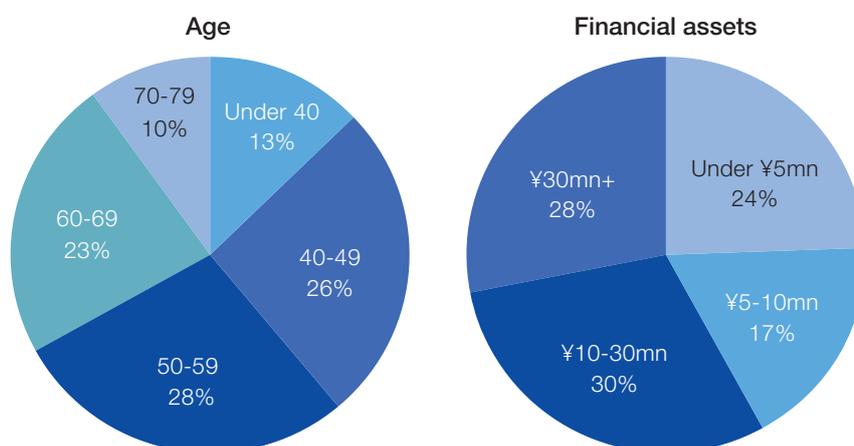
growth in digital channel usership (Exhibit 1). Given such migration of customers from in-person to digital channels, financial institutions are well advised to promptly improve customer experience (CX) in their digital channels.

### Digital adapters' attributes

Age-wise, 77% of the digital adapters in our survey sample were between 40 and 69 while only 13% were younger than 40. Fifty-eight percent have financial asset holdings of at least ¥10 million (Exhibit 2).

**Exhibit 2: Digital adapters' composition by age and financial asset holdings**

3) Co-developed by NRI and Hitotsubashi University Professor Kazuo Ichijo, the CX Index measures financial institutions' customer loyalty.



Source: NRI

With no end to the pandemic in sight, digital adapters will presumably continue to increase in number. Some 37% of digital adapters are willing to switch from their current financial institution to another one. Among those with little loyalty to their financial institution (as measured by the CX Index<sup>3)</sup>), over 70% are willing to switch. Some financial institutions could consequently lose quite a few customers if they fail to meet digital adapters' expectations.

To avoid such a fate, financial institutions should place particular priority on meeting customers' advisory needs through digital channels. In comparison to survey respondents who prefer digital over non-digital channels since before 2020 ("digital-first customers"), a smaller share of digital adapters use digital channels for checking balances or looking up information, transferring or remitting funds, and transacting in financial products or services (Exhibit 3). Meanwhile, a larger share of digital adapters than digital-first customers use digital channels to get

**Exhibit 3: Digital channel use cases**

	Check balances, look up info	Transfer/remit funds	Financial products/services	
			Transactions	Advice
Digital channel non-users	0%	0%	0%	0%
Digital adapters	82%	71%	47%	18%
Digital-first customers	90%	82%	71%	14%
Non-digital-first customers	74%	66%	51%	26%

Note: Data for respondents who have been using either digital or non-digital channels to seek advice and/or transact since before 2020.

Source: NRI

advice on financial products or services. These data imply that digital adapters have a greater need for advice. In the future, the percentage of digital adapters who seek advice via digital channels may increase to approximate parity with that of customers who prefer non-digital over digital channels (26%).

**Improving digital adapters' CX**

Merely making advisory services available through a digital channel is not enough to improve digital adapters' CX. Our survey found that digital adapters generally have lower financial and IT literacy than the respondents who have been using digital channels since before 2020 (Exhibit 4). Even highly IT-literate digital adapters able to navigate digital channels with ease may strongly seek support from sales reps with respect to financial knowledge. Such customers require CX upgrades that compensate for low financial literacy, such as access to advice from

**Exhibit 4: Comparison of financial and IT literacy**

		Digital adapters				Digital channel users since before 2020			
		IT literacy				IT literacy			
		Low	Med.	High	Total	Low	Med.	High	Total
Financial literacy	Low	4%	7%	11%	22%	1%	3%	9%	13%
	Med.	3%	11%	15%	29%	1%	7%	17%	26%
	High	3%	18%	28%	49%	1%	18%	42%	61%
	Total	10%	36%	53%	100%	3%	28%	68%	100%

Source: NRI

sales reps through digital channels on a par with in-person channels.

Conversely, highly financially literate digital adapters with low IT literacy are likely to have difficulty navigating unfamiliar digital channels and to be apprehensive about security also, though they possess sufficient financial knowledge to transact on their own. What these customers need in terms of CX might include human IT support and the ability to access digital channels without having to install any extra software.

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