

Big banks narrow customer satisfaction gap with smaller counterparts

Article

The biggest US banks have reduced the gap between themselves and smaller competitors when it comes to customer satisfaction, [according to](#) J.D. Power's 2021 U.S. Retail Banking

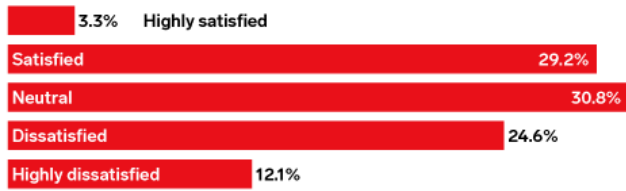
Satisfaction Study. Big banks, which J.D. Power defines as those with domestic deposits above \$260 billion, trail midsize and regional peers by just four points, down significantly from the 17-point gap in the company's 2018 survey; the survey is based on a 1,000-point scale. Big banks were able to boost their customer satisfaction level by making progress in areas including products and fees; assisted online service; problem resolution; and communications and advice. The progress marks yet another year in which J.D. Power reported positive signs for large banks: They **posted** the highest level of digital engagement in the 2020 survey, and the six biggest banks **outperformed** smaller competitors among customers under 40 in the 2019 study for a series of features.

Banks of all sizes made inroads in customer satisfaction due to assistance measures that they offered during the coronavirus pandemic. J.D. Power found that customers gave banks high marks for how they performed during the pandemic, with 63% stating that their own banks “completely supported them.” This satisfaction propelled an 86% boost in respondents' likelihood to continue using their banks. The survey named several measures that banks offered due to the pandemic, including waiving charges/fees; forgiving late payments; offering additional advice/guidance; and providing community support. Even among customers who said their financial situation is worse now than last year—24% replied that their circumstances have deteriorated—there was a 21-point increase in satisfaction.

Big banks have made customer satisfaction gains as digital channel adoption has soared—but smaller peers can fight back by upping their game in technology. J.D. Power found that 41% of retail banking customers are solely using digital channels due to the pandemic, increasing from 30% in 2020. Highly engaged digital users also reported greater satisfaction levels. Regional and midsize banks are expected to try to ward off challenges from bigger peers by continuing to step up their technology offerings—and they have to do so **while** being significantly outspent by bigger banks and facing difficulties in recruiting talent. Smaller players can respond with approaches that include M&A activity—bulking up leads to higher deposit bases, which makes funding upgrades cheaper—or by partnering with companies such as fintechs or software vendors to rapidly deploy digital banking solutions.

Are US Community Banks Satisfied with Their Ability to Roll Out New Products and Services Using Their Current Core Processing Services*?

% of respondents, April-July 2020



Note: n=376; *in-house or through an external provider
Source: Federal Reserve System, Conference of State Bank Supervisors (CSBS), and Federal Deposit Insurance Corporation, "Community Banking in the 21st Century: 2020 Research and Policy Conference," Sep 30, 2020

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