2022 Update

Banks, Customers and Fees

An In-Depth Look for Bank Marketers

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Contents

EXECUTIVE SUMMARY

Customers still don't like fees. And they don't see value behind them.

Our inaugural 2021 report uncovered something unexpected: many bank customers take a dim view of service fees in part because some don't see banking as a service. This attitude has not shifted measurably in our 2022 survey, and it reflects an ongoing challenge for bank marketers: how best to communicate to customers the value they receive in exchange for the fees they are charged.

Also, how do banks strike an optimal balance between fees customers deem "more fair" (penalty fees like late charges and overdraft penalties) and those they see as "less fair" (service fees for tellers and mobile banking).

McGuffin Creative Group's 2022 banking fees report is our second annual survey of banking customer sentiment about the money they're charged for the products and services they receive.

Methodology:

This year's **survey of 2,000 U.S. adults** with a bank account posed a series of questions to gauge respondents' attitudes toward a range of different bank fees, how well their bank communicates their fees and how they view their banking relationship as compared with other common service relationships, from cable and internet companies to utilities.

Banking fees have a big impact on customers' relationships with their banks.

- Only half of customers view banking as a service.
- Customers' perceptions of fees vary, with some fee types considered fairer than others.
- Nearly one in three customers report considering changing banks due to fees.
- Just because a type of fee is infrequent, doesn't mean it's invisible — customers notice.
- Customers 55+ generally viewed fees less favorably than younger customers.
- When it comes to choosing a fee to eliminate, customers choose fees they have recently paid despite their perceptions of whether it's fair or not.
- Nearly half of respondents didn't know if their bank had recently reduced or eliminated fees.
- When customers were aware of favorable changes to fee policies, it changed their perception of their bank for the better.

With nearly a third of customers saying fees made them consider changing banks and older, more desirable customers holding the most negative view of fees, bank marketers need to think differently about how, when and where they communicate fees.

> “Never thought of a bank account as a service, more of a necessity.”

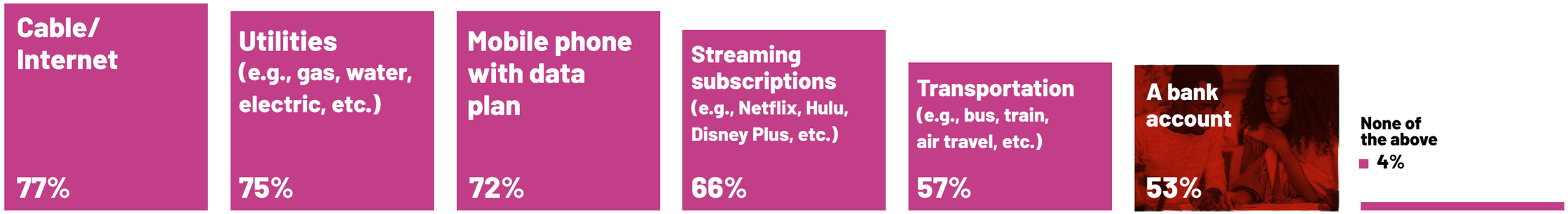
> “I feel like I am a customer of the bank, and my money is processed through them so in a way I am providing a service to them.”

HOW CUSTOMERS VIEW BANKING

Customers do not view banking as a "service."

A key finding undergirding all our research is that, to a surprising extent, **banking is not seen as a service** — at least not to the same extent as consumers' other business relationships like cable and internet providers, cell phone plans and utilities. While 77% of customers surveyed consider cable and internet a service, just 53% perceive banking that way.

WHICH, IF ANY, do you consider a service?



> "I am letting the bank use my money. They're not giving me much return as far as interest goes so I don't see where they are providing a service."

> "Service is helping or doing work for someone. RARELY does a bank help me or act like they work for me."

Source: McGuffin/YouGov Banks, Customers and Fees survey, 2022

Customers' trust in their bank remains tenuous.

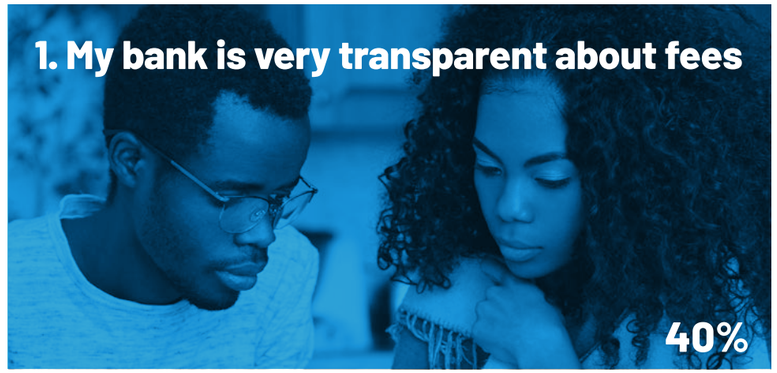
According to **EY's 2021 NextWave Financial Services Survey,** consumers aged 65 and over are the only age demographic left that trusts traditional banks more than fintechs. That's a reflection of the move away from high-touch, in-person transactions and service toward digital relationships, which, while convenient, can make a customer's connection to their bank (especially an incumbent one) seem remote.

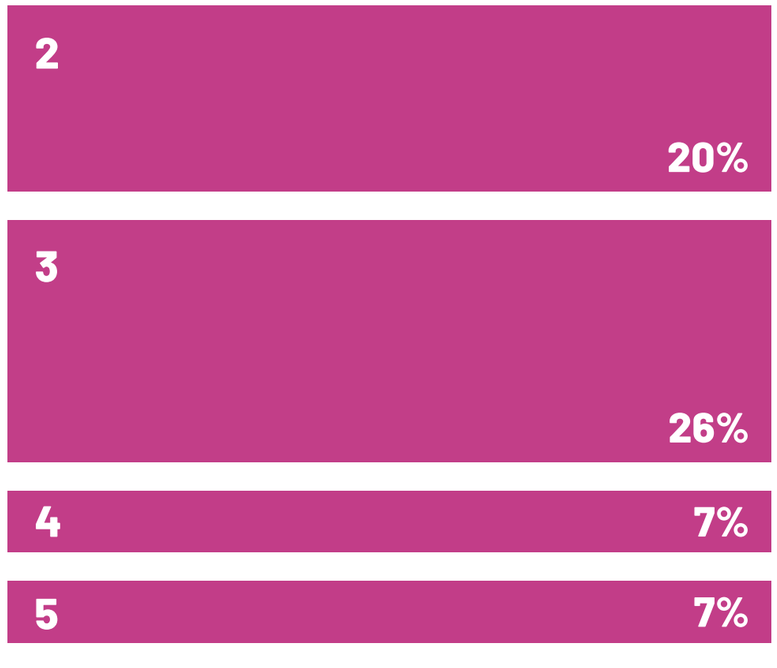
That remoteness can leave customers feeling like their bank is less than transparent, especially regarding fees.

Plus, combined with years of promoting savings and discounts over service and value, incumbent institutions are seeing consumer perception dim regarding the real value they provide their customers and members — value that is funded by fees that customers increasingly find opaque or unnecessary.

While 40% of those surveyed said they thought their bank WAS transparent about the fees they charge, another 40% said they felt they WERE NOT. This leaves a lot of room for banks to improve in the area of open, honest communication about how and why they charge fees.

ON A SCALE OF 1 TO 5, where 1 indicates you feel like your bank is *very transparent* about fees and 5 indicates you feel like your bank *hides fees* — how well do you feel your bank communicates its fees?





Source: McGuffin/YouGov Banks, Customers and Fees survey, 2022

“I feel most of the time they [banks] are not transparent when you open the account or if you incur certain fees each month, they don’t give you options to rectify the situation. They also don’t remind you what costs fees. There are programs they could suggest or come up with for users who struggle with this.”

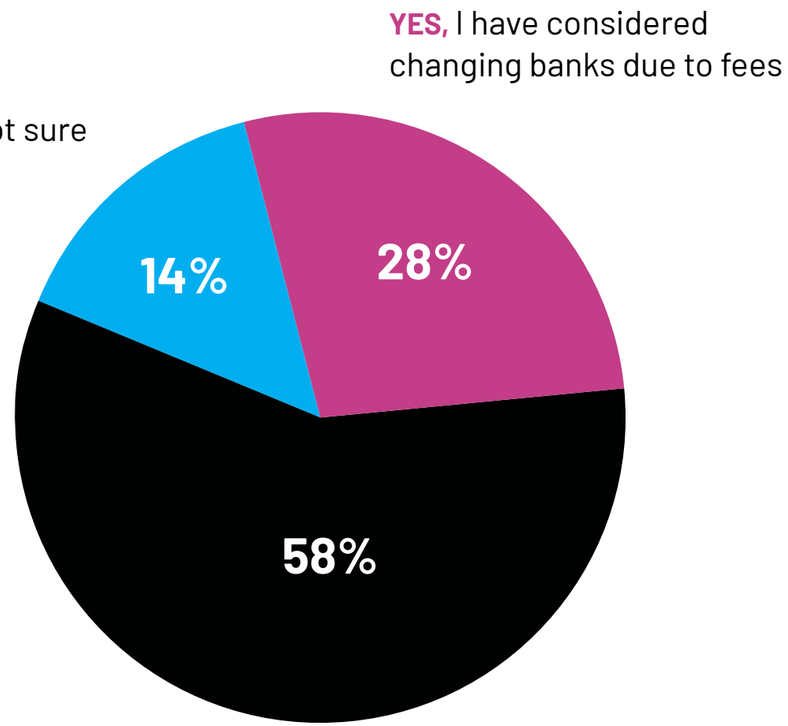
Nearly 1 in 3 customers consider changing banks because of fees.

Nearly 1 in 3 (28%) respondents reported considering changing banks due to fees. While 58% say fees haven't encouraged them to make a move, it's that 28% that represents a concerning response for banks fighting to retain every relationship in an increasingly competitive environment.

Recognizing fees are an essential source of revenue for all service providers, how can banks balance the need for reasonable fee income with customer perceptions that many of these charges are either unfair or even unscrupulous?

A listening program among customers could help dissatisfied customers feel heard and help your bank gather learnings that inform your fee policies and fee communications.

HAVE YOU CONSIDERED changing banks at all due to fees?



Source: McGuffin/YouGov Banks, Customers and Fees survey, 2022

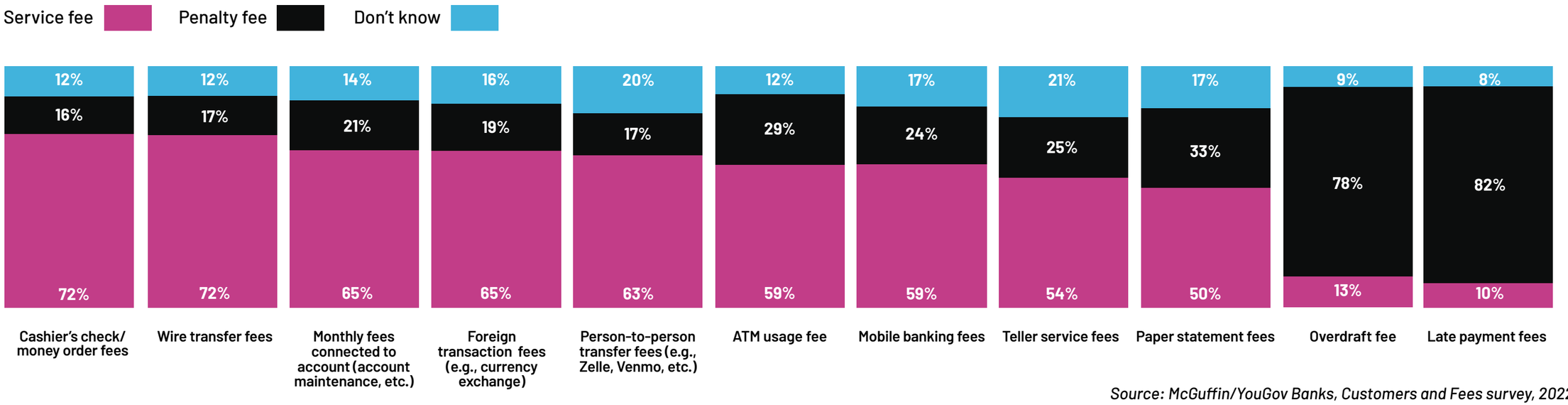
PERCEPTION OF FEES

Not all fees are viewed equally.

We asked customers to label types of common fees as convenience/service fees or penalty fees. Many financial consumers are accustomed to paying fees. However, different types of fees are perceived differently.

According to the research, most banking customers view charges for overdraft and late payments as "penalty" fees. On the other hand, charges for account maintenance, wire transfers, person-to-person (P2P) payment transfers and mobile banking are all understood as "service" fees.

PLEASE INDICATE HOW YOU WOULD CLASSIFY EACH OF THE FOLLOWING TYPES OF BANK FEES:



Source: McGuffin/YouGov Banks, Customers and Fees survey, 2022

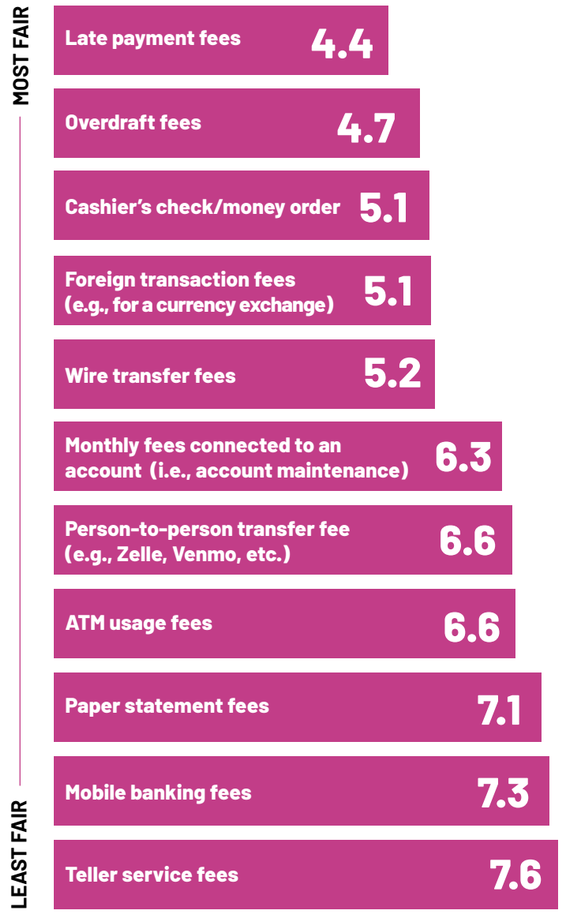
Fees viewed as "penalties" are deemed fairer.

Respondents considered those fees that are assessed in response to a customer's action (or inaction), such as overdrawing an account or being late on a loan payment, along with fees for occasional transactions (such as wire transfers, cashier's checks and foreign transaction fees) as fairer than those fees associated with regular account usage/service (such as ATM, monthly maintenance and teller usage fees).

> "Late payment fees are penalties for not following the agreed upon terms. You only have to pay them if you didn't hold up your end of the agreement."

> "How else can you get some cash except go to a teller or to be charged at the ATM? Unconscionable to be charged fees to gain access to your own money."

PLEASE RANK EACH OF THE FOLLOWING, where 1 indicates the ***most fair fee*** a bank can charge and 11 indicates the ***least fair fee*** a bank can charge.



Source: McGuffin/YouGov Banks, Customers and Fees survey, 2022

Fee favorability varies by age.

Younger customers have less trust that their bank is transparent about fees.
70% of respondents 55+ say their bank is transparent about fees (net) vs. **44%** of 18-34 year olds.

In general, how people viewed fees varied by age group.

Older customers are more averse to fees.
Respondents 55+ are more likely to choose "I hate paying these fees" for all fee types. Here's how that group responded versus a younger demographic when asked about their distaste for certain fees:

ON A SCALE OF 1 TO 5, where 1 indicates you don't mind paying these fees and 5 indicates you hate paying these fees... How do you feel about paying a fee for each of the following?

% of people who selected 5 - "I hate paying this fee"	55+ y/os		18-34 y/os
Teller service fees	**81%**	vs.	**44%**
ATM fees	**80%**	vs.	**57%**
Paper statement fees	**78%**	vs.	**48%**
Mobile banking fees	**77%**	vs.	**51%**
Monthly service fees	**71%**	vs.	**52%**

FEE FAIRNESS VS. FEE FREQUENCY

Just because a fee is infrequent doesn't mean it escapes customers' notice.

There's somewhat of a disconnect between fees respondents reported paying frequently and those they labeled unfair. For example, mobile banking and teller service fees rank low in frequency while they rank high among fees customers consider unfair, while more common overdraft fees rank better in their fairness perception.

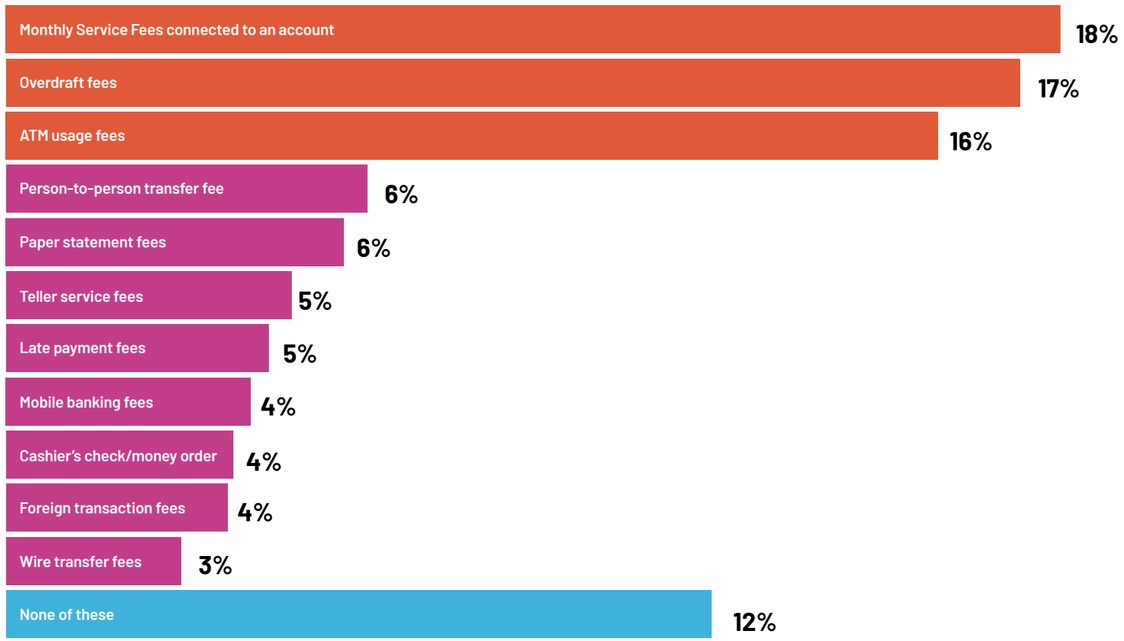
An example: **74% of customers said they'd never paid a mobile banking fee. Yet 69% of customers reported "hating" paying mobile banking fees.** Again, this suggests customers are less inclined to dislike fees caused by their own behavior compared to fees charged by the bank without seeming cause.

The surprising nuance in customers' distaste for fees — with respondents more accepting of fees they could control, ones they felt were "fairer" — points to the benefit of promoting the value that customers receive in exchange for the fees they pay. That effort could potentially result in higher levels of trust and a more loyal, profitable customer base.

Customers favor eliminating fees they've recently paid.

In contrast to their views of fee fairness, when respondents were asked about a fee they would eliminate, they were most likely to choose those they had recently paid despite their perceptions of whether the fees were fair or not. There seems to be a dislocation between fees respondents dislike in theory and those they dislike in practice.

WHICH ONE, IF ANY, of the following would you like to see eliminated at your bank?



% of customers that have paid fees in the last year

Monthly service fees	**33%**
Overdraft fees	**23%**
ATM fees	**38%**

Source: McGuffin/YouGov Banks, Customers and Fees survey, 2022

The most common fees are those customers most favor eliminating.

WHICH ONE, IF ANY, of the following would you like to see eliminated at your bank?

Customers who paid an overdraft fee within the last year

Overdraft fees	29%
ATM usage fees	15%
Monthly Service Fees connected to an account	13%
Person-to-person transfer fee	8%
Late payment fees	7%
Mobile banking fees	6%
Wire transfer fees	5%
Paper statement fees	4%
Teller service fees	3%
Foreign transaction fees	3%
Cashier's check/ money order	2%
None of these	5%

Customers who paid a monthly service fee within the last year

Monthly Service Fees connected to an account	23%
Overdraft fees	17%
ATM usage fees	16%
Mobile banking fees	7%
Person-to-person transfer fee	6%
Late payment fees	6%
Paper statement fees	5%
Wire transfer fees	4%
Foreign transaction fees	3%
Teller service fees	3%
Cashier's check/ money order	2%
None of these	6%

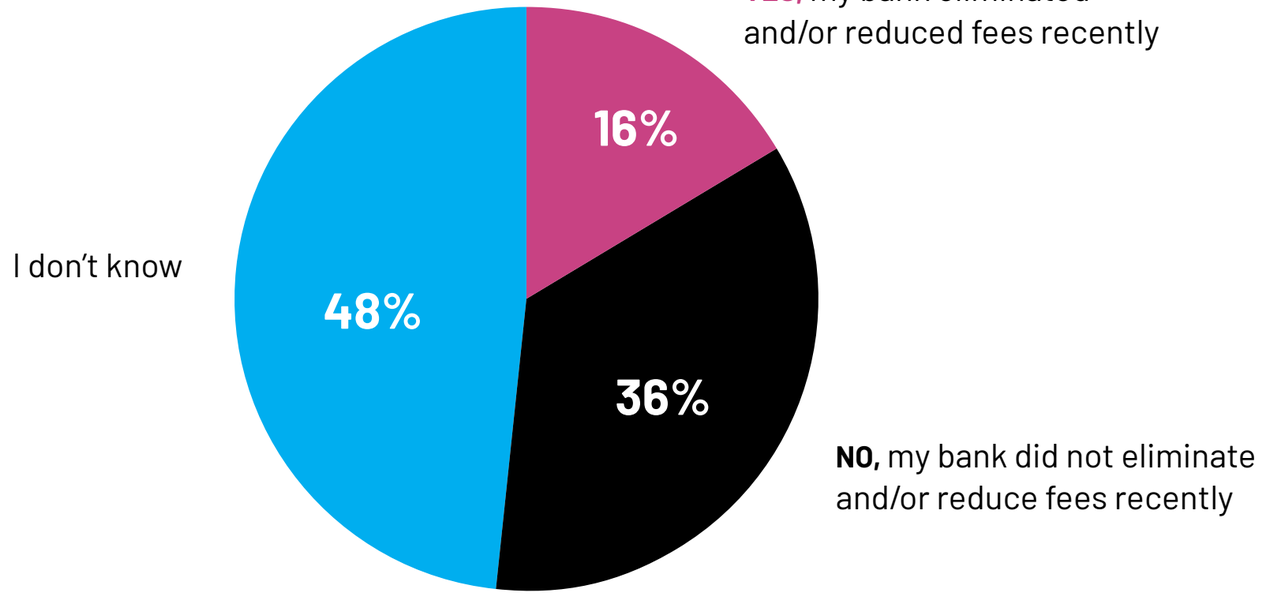
Source: McGuffin/YouGov Banks, Customers and Fees survey, 2022

COMMUNICATING FEES

Customers don’t stay current with fee policies.

Half of respondents were in the dark as to whether their bank had made changes to its fee policy or not. But of the 16% who were aware of a change, it had a net-positive response; **73% of customers said their perception of their bank changed for the better.** Customers responded overwhelmingly well to banks that reached out and communicated fee changes clearly.

MANY BANKS ARE MAKING CHANGES when it comes to the fees they have been charging their customers for certain services. For example, some banks are reducing the fees they charge when you overdraw your account. Other banks are eliminating overdraft fees altogether. Has your bank eliminated and/or reduced any fees recently?



> [Banks] change fee structures and make announcements about the changes in lengthy fine print e-mails.

> [Banks] bury the fee schedule for a specific item in the labyrinthian maze of an account booklet.

RECOMMENDATIONS

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Communication builds customer clarity and cohesion.

The survey highlights a gap between the value customers perceive they get out of their banking relationships and the fees they're charged. That gap is defined in part by the fact that few consumers view their banking relationship as a "service," seeing their bank more as simply a parking lot for their funds.

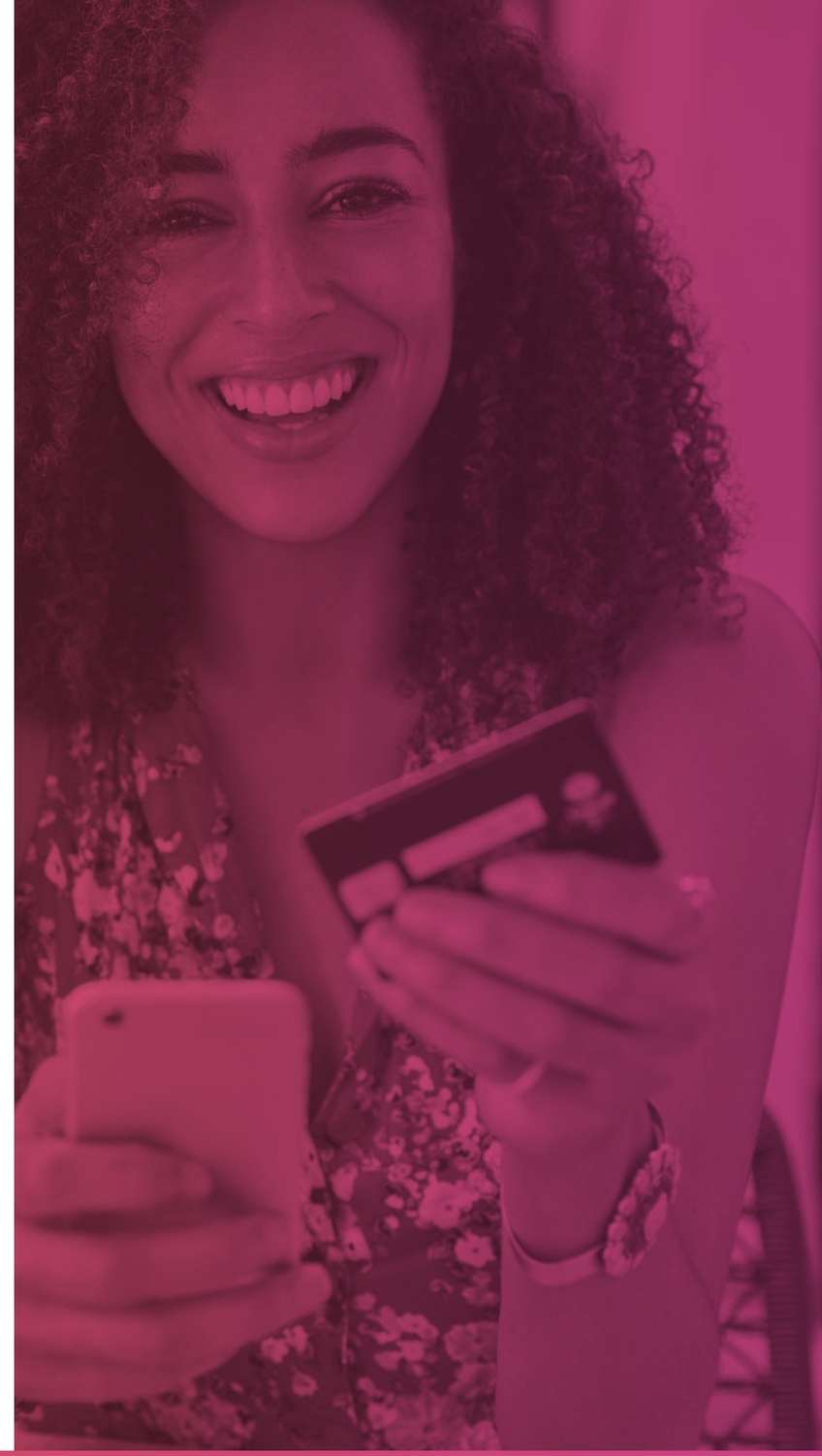
To change this perspective, and engender greater trust industry-wide, banks must focus on providing simple, transparent communication around the fees they will charge, while also clearly explaining the value customers receive from the relationship.

Audit your current program

Do an accounting of all marketing materials that discuss fees and ensure they explain the value behind those services, not simply the terms. And consider consumers' view on fee fairness; structuring your fee schedule to weight fees people consider fair can remove the impression customers are being nickel-and-dimed across their relationship with you.

Sell banking as a service

Think through your institution's value proposition and how it relates to your customer's mindset and sensitivities around money. Be attuned to how they interact with you and the specific value you provide to them.



RECOMMENDATIONS

Overcommunicate any reduction or elimination of fees

Publicize every opportunity for customers to avoid or reduce their fee burden, proactively helping them manage or limit fees. That could include a webpage and/or an email blast highlighting the most commonly paid fees and tips for how to avoid them. Proactively alert customers of upcoming charges, giving customers time to react to and potentially avoid the charge.

Consider a listening program for valuable customers

Implement a customer listening program that includes understanding sentiments around fees, especially among valuable, large-deposit customers who might be an attrition risk. Help your customers feel heard and take the opportunity to improve the perception of your bank.

Focus on trust and service

Consider rebranding the entire concept of a "fee." By reframing (and renaming) the conversation, you can better communicate the outstanding value your bank provides your customers — and reinforce the idea and benefits of banking as a service. At the same time, explain to your clients and prospects the services their fees pay for, such as access to their money through bill pay, debit cards, ATMs, etc., as well as security features like FDIC protection, fraud monitoring, zero liability credit cards and more. Plus, they get in-person tellers and phone representatives. Humanize the support that's included in the service.

METHODOLOGY

Partnering to uncover insights and opportunity.

McGuffin Creative Group partnered with YouGov to conduct a comprehensive survey of banking customer sentiment toward banking fees. The survey consisted of a nationally representative sample of 2,059 U.S. adults (18+) with a checking and/or savings account. Fieldwork was undertaken June 8-15, 2022. The respondents were asked a series of questions to gauge their attitudes toward a range of different bank fees, how well their bank communicates their fees and how they view their banking relationship as compared with other common service relationships, like those with cable and internet companies, streaming services and utilities.

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Talk to us

McGuffin specializes in helping banks communicate complex messages in meaningful ways to customers. We're here to help reposition your banking fees to best retain and grow your customer relationships and bottom line.

Contact us today at **mcguffincg.com/contact** or by emailing **chris.m@mcguffincg.com**

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