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The Next Wave of
Digital Transformation
in Banking

How Banks and Credit Unions are Using Next-Generation
Technologies to Empower Staff and Deliver Excellent Customer
Experience, Both Online and in Person

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Worldwide Business Research

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Executive
Summary

The study highlights a pivotal shift within the banking and credit union sectors towards accelerated digital transformation to keep pace with burgeoning fintech competition and evolving customer expectations. According to the study, 64.50% of respondents have increased their technology spending in 2024. This underscores the industry's commitment to harnessing advanced technologies like AI and data analytics to enhance digital and in-person service integration.

As institutions prioritize seamless service, upskill their workforce, and act on customer feedback, they position themselves to deliver powerful, consistent, and personalized experiences that match the standards of leading financial giants.

64.5% of respondents have increased their technology spending in 2024.
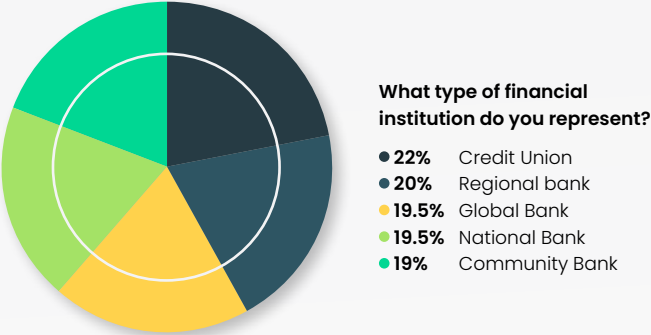
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About the Respondents

The WBR Insights research team surveyed 200 leaders from banks and credit unions with physical branches to generate the results featured in this report.

What type of financial institution do you represent?
- **22%** Credit Union
- **20%** Regional bank
- **19.5%** Global Bank
- **19.5%** National Bank
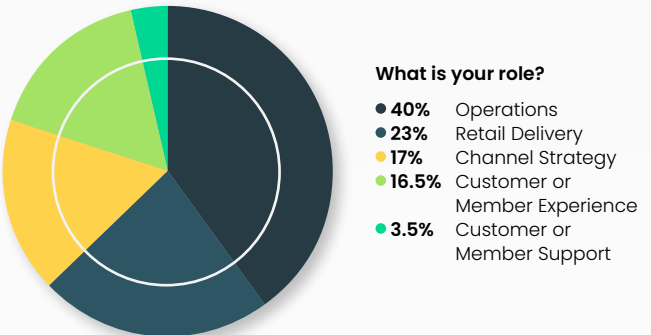- **19%** Community Bank

The respondents are about evenly split in the types of institutions they represent. They represent credit unions (22%), regional banks (20%), global banks (19.50%), national banks (19.50%), and community banks (19%).
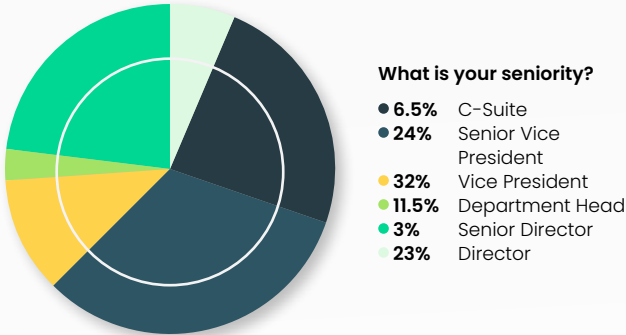
How many physical branch locations do you have in operation?

1 – 50	51 – 500	501 – 1000	1,001 – 2,500	2,501+
49%	31%	4.5%	10%	5.5%
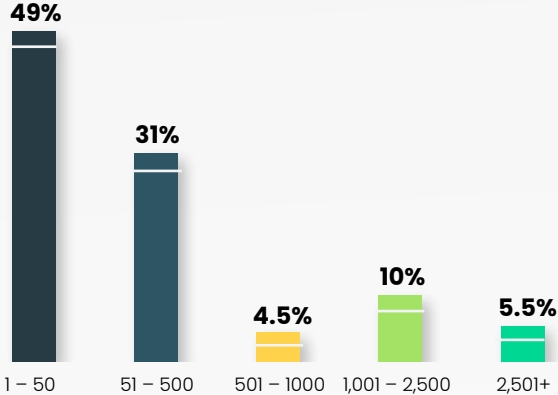
Most of the respondents have either one to 50 branch locations (49%) or 51 to 500 branch locations (31%).

What is your role?
- **40%** Operations
- **23%** Retail Delivery
- **17%** Channel Strategy
- **16.5%** Customer or Member Experience
- **3.5%** Customer or Member Support

The respondents occupy roles in operations (40%), retail delivery (23%), channel strategy (17%), customer or member experience (16.5%), and customer or member support (3.5%).

What is your seniority?
- **6.5%** C-Suite
- **24%** Senior Vice President
- **32%** Vice President
- **11.5%** Department Head
- **3%** Senior Director
- **23%** Director

The respondents are C-Suite Executives (6.5%), Senior Vice Presidents (24%), Vice Presidents (32%), Department Heads (11.5%), Senior Directors (3%), and Directors (23%).

Key Insights

Among the Respondents:

77.5%
say personalization will be an active priority over the next 12 months, while 75% say the same about fast and efficient services.

82%
believe their customers or members are very satisfied with their mobile messaging services.

55%
believe their customers or members are very satisfied with their co-browsing services.

60.5%
believe their customers or members are not satisfied with their AI capabilities.

68%
consider their digital experience only somewhat effective at meeting customer or member expectations.

65%
say their digital banking experience is only somewhat effective at supporting more meaningful and loyal customer or member relationships.

61%
can't currently allow customers or members to message bankers or associates at any time, but 60.5% are interested in this capability.

54%
can't provide AI-enabled support for bankers or associates to reveal insights and automate tasks, but they are interested in this capability.

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Key Insights Continued

83%

rate their current AI systems as somewhat effective, while 4% rate them as very effective.

58%

of these respondents say humans and AI handle customer or member interactions at equal levels, but 17% say AI handles most of their customer or member interactions.

74%

of these respondents leverage AI to augment human interactions with customers or members.

9%

rate their current AI systems as not very effective and 0.5% rate them as not effective at all.

80%

of these respondents say their systems have an inaccurate understanding of customer member inquiries.

60%

of these respondents say their AI systems can't handle complex tasks.

55%

of these respondents say their AI systems have limited ability to provide personalized recommendations.

57.5%

say digital customers or members have equal product penetration to in-person customers or members.
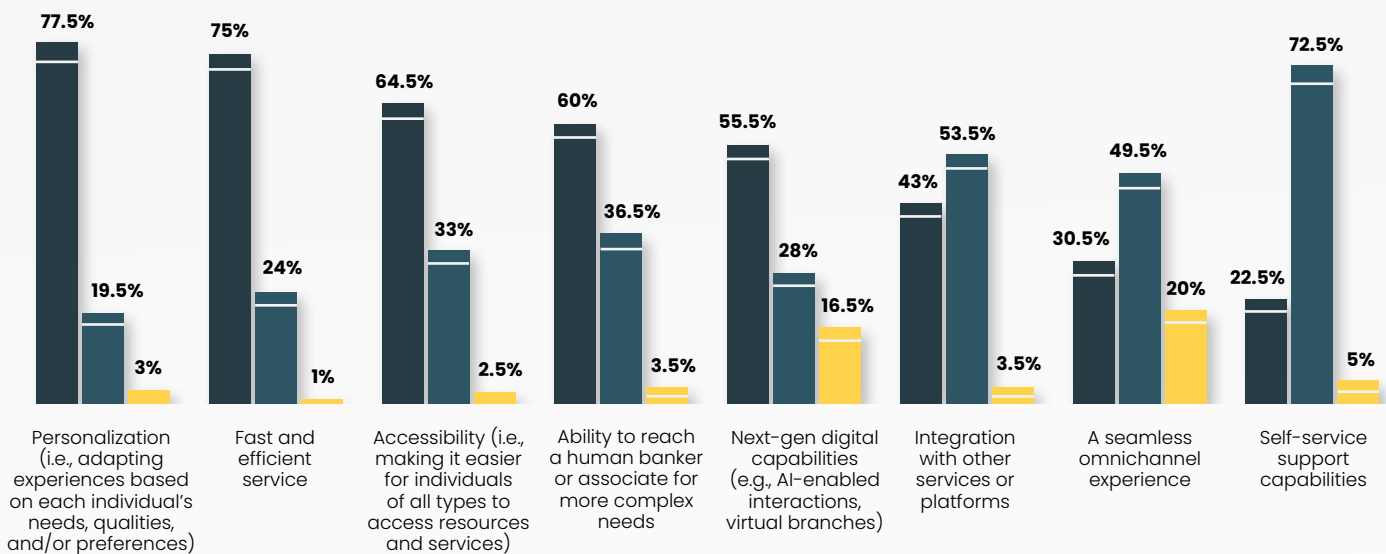
64.5%

have increased their technology spending somewhat.

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Institutions Will Use Technology to Foster Deeper Relationships with Customers and Members

In an increasingly digital financial landscape, banks and credit unions are striving to elevate their digital banking experiences to meet evolving customer needs. By addressing gaps in their capabilities, financial institutions aim to foster deeper customer relationships and enhance overall satisfaction.

Which of the following aspects of the digital banking experience for your customers or members will be active priorities at your organization over the next 12 months?

- This is already an active priority.
- This will be an active priority over the next 12 months.
- This will not be an active priority over the next 12 months.

Category	Already an active priority	Active priority over next 12 months	Not an active priority
Personalization (i.e., adapting experiences based on each individual's needs, qualities, and/or preferences)	77.5%	19.5%	3%
Fast and efficient service	75%	24%	1%
Accessibility (i.e., making it easier for individuals of all types to access resources and services)	64.5%	33%	2.5%
Ability to reach a human banker or associate for more complex needs	60%	36.5%	3.5%
Next-gen digital capabilities (e.g., AI-enabled interactions, virtual branches)	55.5%	28%	16.5%
Integration with other services or platforms	43%	53.5%	3.5%
A seamless omnichannel experience	30.5%	49.5%	20%
Self-service support capabilities	22.5%	72.5%	5%

Respondents were asked to identify which aspects of the customer or member digital banking experience will be active priorities at their organizations over the next 12 months. In each case, at least three-quarters of respondents identified personalization (77.5%) — that is, adapting experiences based on individual needs, qualities, and/or preferences — and fast and efficient service (75%) as existing active priorities.
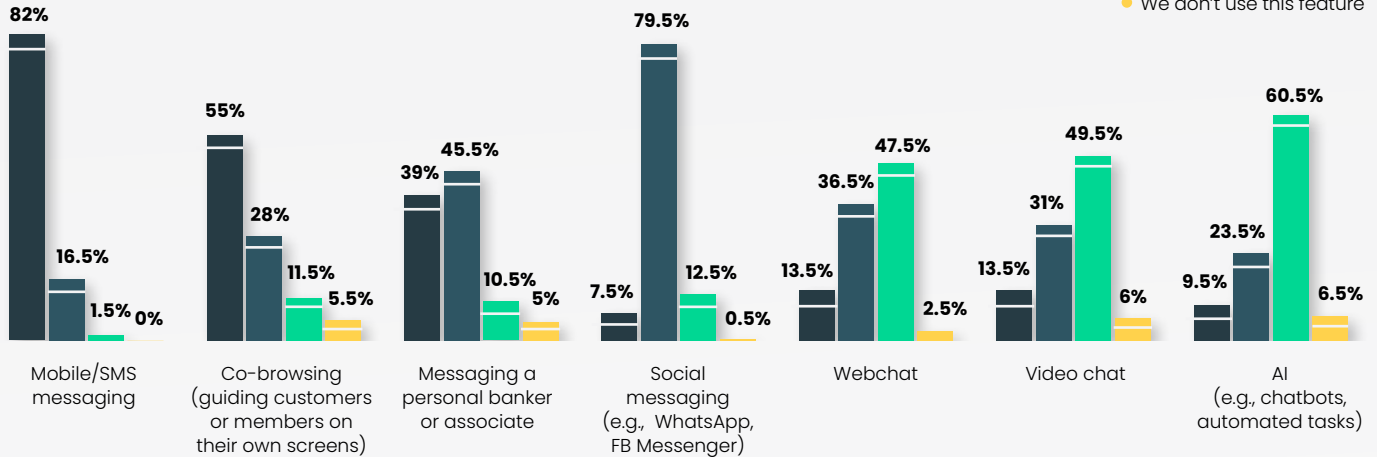
It is important here to make a distinction between personalized and personal marketing. Personal marketing relies on building unique, human connections with customers. Personalized marketing, on the other hand, uses data and algorithms to tailor services and products to individual customers.

While personalized marketing can feel efficient and specific, it often lacks the genuine relationship-building that personal marketing offers. Personal marketing fosters deeper customer loyalty and satisfaction by treating each customer as a distinct individual rather than a data point.

The findings highlight a significant focus on enhancing personalization and service efficiency within digital banking environments. Leaders at banks and credit unions must leverage technology to meet the evolving expectations of customers. Investing in advanced analytics and artificial intelligence can help institutions

From your perspective, how satisfied are your customers or members with the following features of your digital experience?

- Very satisfied
- Somewhat satisfied
- Not satisfied
- We don't use this feature

Mobile/SMS messaging: 82%, 16.5%, 1.5%, 0%

Co-browsing (guiding customers or members on their own screens): 55%, 28%, 11.5%, 5.5%

Messaging a personal banker or associate: 39%, 45.5%, 10.5%, 5%

Social messaging (e.g., WhatsApp, FB Messenger): 79.5%, 7.5%, 12.5%, 0.5%

Webchat: 13.5%, 36.5%, 47.5%, 2.5%

Video chat: 13.5%, 31%, 49.5%, 6%

AI (e.g., chatbots, automated tasks): 9.5%, 23.5%, 60.5%, 6.5%

tailor customer experiences, while streamlined processes and robust digital infrastructures can improve service speed and reliability, ultimately driving customer satisfaction and loyalty.

Similarly, 64.5% say accessibility is an active priority and 60% say giving customers the ability to reach an associate for more complex needs is an active priority. This indicates a growing awareness of the importance of accessibility and human interaction in digital banking. Despite advancements in technology, customers still value the ability to speak with a real person for more complex inquiries or issues. As such, institutions must ensure their digital platforms have seamless integration with customer service channels, allowing for both self-service options and easy access to live assistance.

Respondents were asked how satisfied their customers or members are with several features of their digital experiences.

Most respondents claim customers are very satisfied with their mobile or SMS messaging (82%). In this context, mobile and SMS messaging refers to automated, compliant messages sent through established digital platforms and customer interfaces.

However, most respondents claim their customers and members are not satisfied with their video chat (49.5%) and AI capabilities (60.5%).

In your view, how effective is your bank's digital experience at meeting customer or member expectations overall?

- Very effective: 8%
- Somewhat effective: 68%
- Not very effective: 12%
- Not effective at all: 12%
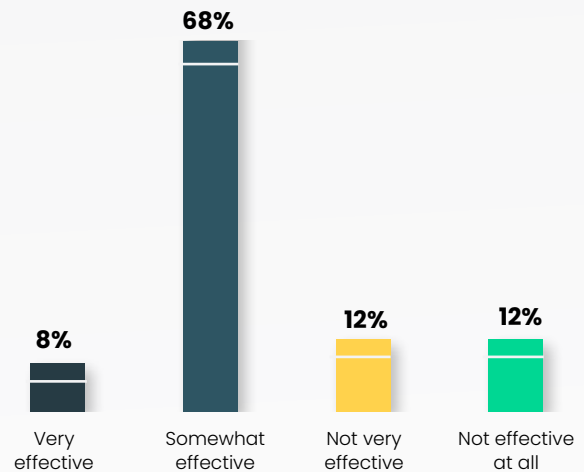
While traditional communication methods like mobile messaging and co-browsing are well-received by customers, video chat and AI are falling short of expectations. This indicates a potential area of improvement for banks and credit unions, highlighting the need to enhance the functionality and user experience of these emerging technologies to better meet customer demands.

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Remote banking is now a key part of the financial industry. Investing in more intuitive and reliable AI interfaces and video chat solutions could significantly elevate the overall digital experience for customers. Most respondents (68%) consider their organizations' digital experience only somewhat effective at meeting customer or member expectations. Meanwhile, 12% claim it is not very effective, and 12% claim it is not effective at all.

With 24% of respondents indicating their digital platforms fall short of effectiveness, it is clear there is substantial room for improvement. Leaders at banks and credit unions should prioritize enhancing their digital interfaces to better align with customer expectations and remain competitive in an increasingly digital marketplace.

How effective is your current digital banking experience at supporting more meaningful and loyal customer or member relationships?

Very effective	Somewhat effective	Not very effective	Not effective at all
12%	65%	12.5%	10.5%
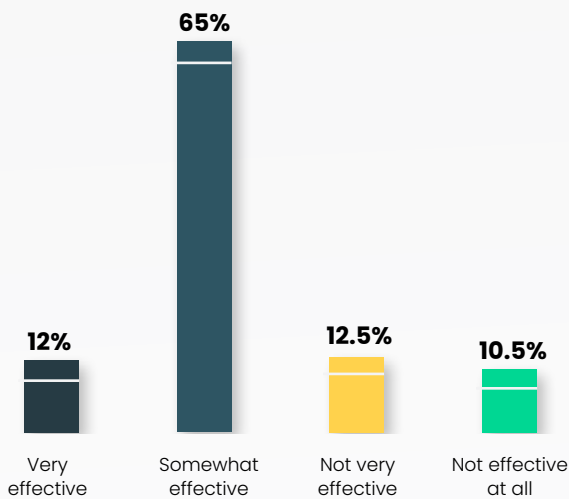
Researchers asked these respondents to identify how they plan to improve their digital experiences moving forward. The results suggest that banks and credit unions plan to enhance their digital experiences by focusing on several key areas.

They aim to make user interfaces more intuitive and aesthetically pleasing to ensure seamless navigation. By integrating AI and advanced data analytics tools, they hope to introduce more personalized services tailored to individual customer needs.

Enhancements will also be made to customer support, including expanded help options and reduced wait times for chat support. Simplifying complex features, improving mobile app responsiveness, and providing real-time information on accounts and financial markets are also priorities.

Security improvements, such as streamlined access through facial recognition, will address customer concerns without compromising safety.

Lastly, they intend to offer more value-added services and convenient registration processes to meet evolving customer expectations effectively.

Most respondents (65%) claim their current digital banking experience is only somewhat effective at supporting more meaningful and loyal customer or member relationships. Furthermore, 12.5% claim it is not very effective, and 10.5% claim it is not effective at all.

With 88% of respondents indicating that their platforms are not fully supportive of strong customer relationships, it's clear that banks and credit unions should prioritize advancements in technology and user experience to foster deeper customer loyalty. These investments could take the form of personalized messaging, streamlined digital applications, and proactive customer service.

88% of respondents indicate that their platforms are not fully supportive of strong customer relationships.

65%

claim their current digital banking experience is only somewhat effective at supporting more meaningful and loyal customer or member relationships.

Furthermore, institutions must empower customers and members with the ability to contact an individual banker or associate directly, so they can rely on this individual for their financial needs and guidance. This strategy is an effective means of supporting strong relationships with customers as it allows for people to build real relationships with members of the institution.

Launching this strategy may require culture change within the organization. However, that change can be supported by new technology investments.

To gain a better understanding of how these investments could play out, researchers asked the respondents to describe what they think should change about their digital banking experiences to improve customer or member relationships.

Banks and credit unions' strategies include leveraging AI and automation to improve service quality and personalization, investing in the latest technologies to streamline functionalities and offer real-time updates, and developing engaging mobile and internet banking features. They also plan to introduce innovative, user-friendly interfaces without frequent disruptive changes, strengthen omnichannel engagement, and provide round-the-clock support.

Moreover, leaders are prioritizing initiatives such as personalized marketing, deals, and value-added services to increase customer loyalty and satisfaction.
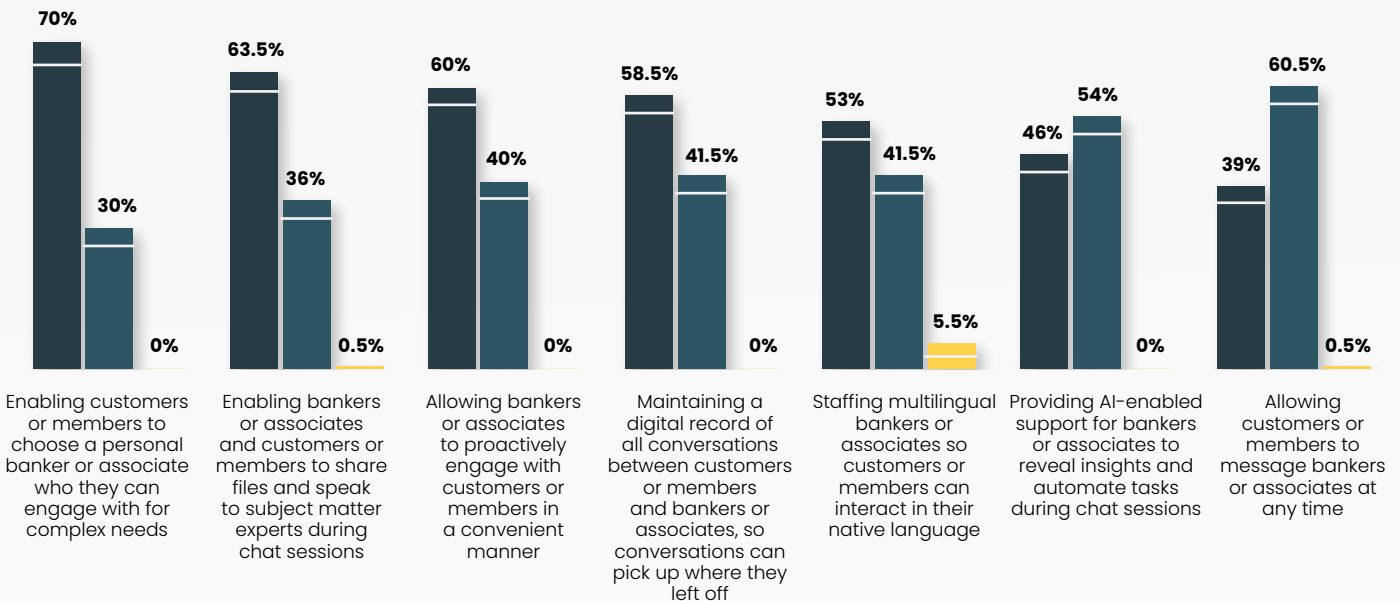
These efforts will be backed by in-depth user research to better understand and address customer pain points.

Financial Industry Leaders Have Bold Aspirations for Their Digital Capabilities

This section of the report sheds light on the significant gaps between current capabilities and aspirations within the banking sector, focusing on AI integration and customer interaction enhancements. Through a detailed examination of respondents' feedback, several critical areas for improvement are identified, highlighting the urgent need for banks and credit unions to evolve technologically.

Do you currently have the following capabilities to help maintain customer or member relationships both during and beyond chat sessions and branch visits?

- Yes
- No, but we are interested in this capability.
- No, and we are not interested in this capability.

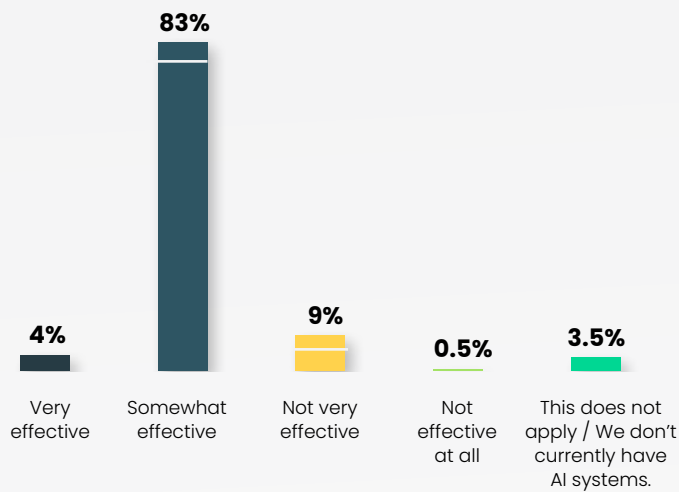| Capability	Yes	No, but interested	No, not interested
Enabling customers or members to choose a personal banker or associate who they can engage with for complex needs	70%	30%	0%
Enabling bankers or associates and customers or members to share files and speak to subject matter experts during chat sessions	63.5%	36%	0.5%
Allowing bankers or associates to proactively engage with customers or members in a convenient manner	60%	40%	0%
Maintaining a digital record of all conversations between customers or members and bankers or associates, so conversations can pick up where they left off	58.5%	41.5%	0%
Staffing multilingual bankers or associates so customers or members can interact in their native language	53%	41.5%	5.5%
Providing AI-enabled support for bankers or associates to reveal insights and automate tasks during chat sessions	46%	54%	0%
Allowing customers or members to message bankers or associates at any time	39%	60.5%	0.5%

Most of the respondents (61%) cannot allow customers or members to message bankers or associates at any time, but 60.5% are interested in this capability. Notably, 60.5% of the respondents say they cannot currently allow customers or members to message bankers or associates at any time, but they are interested in this capability. This suggests that although bankers and associates have means of engaging customers, there are still communication barriers between FIs and their customers or members. Customers and members could be lacking the ability to message and consult with a specific, trusted associate throughout their financial journey.

Meanwhile, 54% of the respondents cannot provide AI-enabled support for bankers or associates to reveal insights and automate tasks during chat sessions, but all of these respondents are interested in this capability.
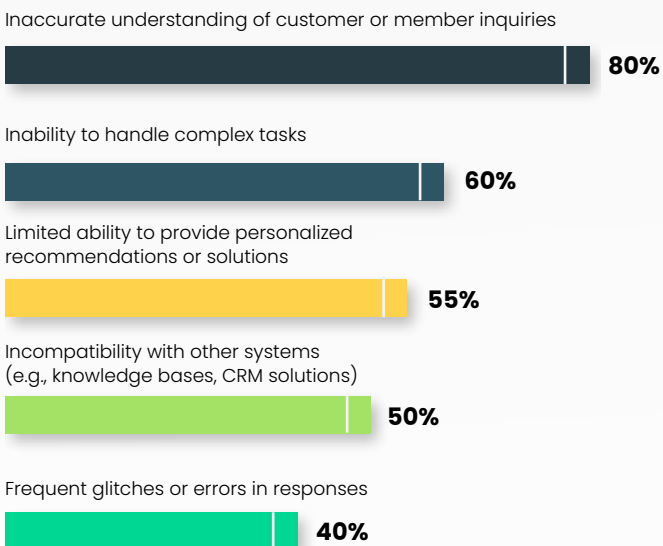
These findings indicate a significant gap between the current capabilities of banks and credit unions and their aspirations for enhanced customer interaction and support. The high level of interest in enabling customer messaging and AI-driven support suggests that financial institutions recognize the importance of improved communication and operational efficiency, while also acknowledging that human connection to a banker is still important.

How would you rate the effectiveness of your current AI systems (such as chatbots, automated recommendations, and insights generation) in understanding and addressing customer or member needs?

|				
4%	83%	9%	0.5%	3.5%
Very effective	Somewhat effective	Not very effective	Not effective at all	This does not apply / We don't currently have AI systems.

Most respondents rate the effectiveness of their current AI systems (such as chatbots, automated recommendations, and insights generation) in understanding and addressing customer or member needs as only somewhat effective (83%), not very effective (9%), or not effective at all (0.5%); only 4% rate their systems as very effective.

Among only those respondents whose current AI systems are not effective at understanding and addressing customer or member needs, the vast majority (80%) claim their systems have an inaccurate understanding of customer or member inquiries. Most of these respondents also say their systems can't handle complex tasks (60%) and have limited ability to provide personalized recommendations or solutions (55%).

As technology continues to evolve, banks and credit unions will likely invest more in these advanced capabilities to meet customer expectations and stay competitive. This shift could lead to more personalized, efficient service, fostering stronger customer relationships and optimizing the performance of banking staff.

For banks and credit unions, these findings suggest a crucial need for enhancement in their AI systems to better meet customer needs. Financial institutions must invest in more advanced AI technologies and refine their existing systems to offer more accurate, personalized, and efficient services. However, they must also invest in training and research to identify use cases for AI that generate value.

Doing so will not only help in addressing current customer demands more effectively but also position these institutions as leaders in innovation within the financial sector.

Since you said your current AI systems are not effective at understanding and addressing customer or member needs, which of the following are problems you've experienced with your systems?

Inaccurate understanding of customer or member inquiries
80%

Inability to handle complex tasks
60%

Limited ability to provide personalized recommendations or solutions
55%

Incompatibility with other systems (e.g., knowledge bases, CRM solutions)
50%

Frequent glitches or errors in responses
40%

How many of your customer or member interactions are handled by AI, and how many are handled by humans?
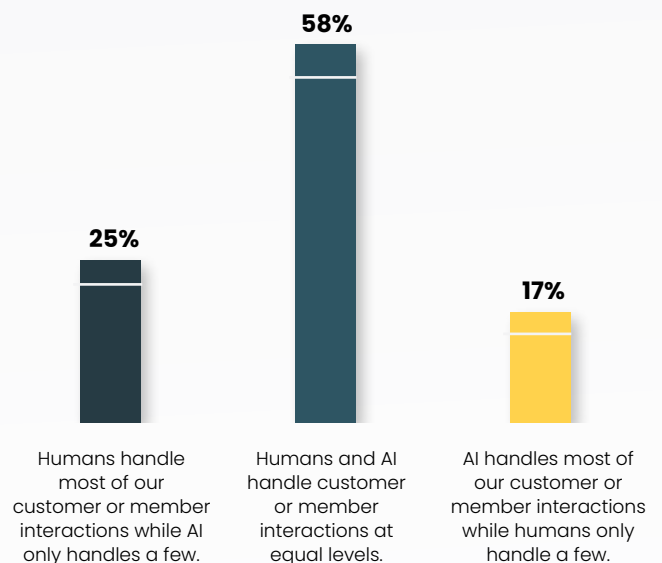
25%	58%	17%
Humans handle most of our customer or member interactions while AI only handles a few.	Humans and AI handle customer or member interactions at equal levels.	AI handles most of our customer or member interactions while humans only handle a few.

Among only those respondents whose current AI systems are somewhat effective or very effective, 58% claim humans and AI handle customer or member interactions at equal levels; 17% claim AI handles most of their customer or member interactions while humans only handle a few.
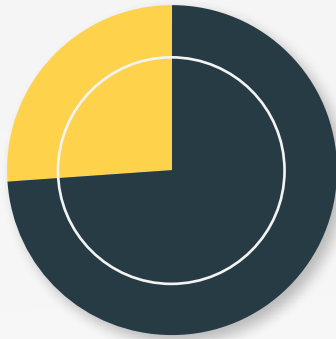
Do you leverage AI to augment human interactions with customers or members? For example, AI could be used to auto-generate responses to customer or member queries, which a human banker or associate could then reference in a conversation with a customer or member.

- **74%** Yes
- **26%** No

In-person customers or members have more product penetration. — **16%**

In-person and digital customers or members have equal product penetration. — **57.5%**

Digital customers or members have more product penetration. — **26.5%**

Many financial institutions are leaning into AI-only interactions to reduce stress on representatives and better serve customers. However, only time will tell how banks and credit unions will use AI for interactions. Many organizations may opt for a hybrid approach, where customers or members can choose to interact with either an AI or a human.

Indeed, among only respondents whose current AI systems are somewhat effective or very effective, 74% already leverage AI to augment human interactions with customers or members. For example, in this context, AI could be used to auto-generate responses to customer or member queries, which a human banker or associate could then reference in a conversation with a customer or member.

These responses suggest that banking continues to shift toward digital, which could have significant implications for product penetration. However, most of the respondents (57.5%) say in-person
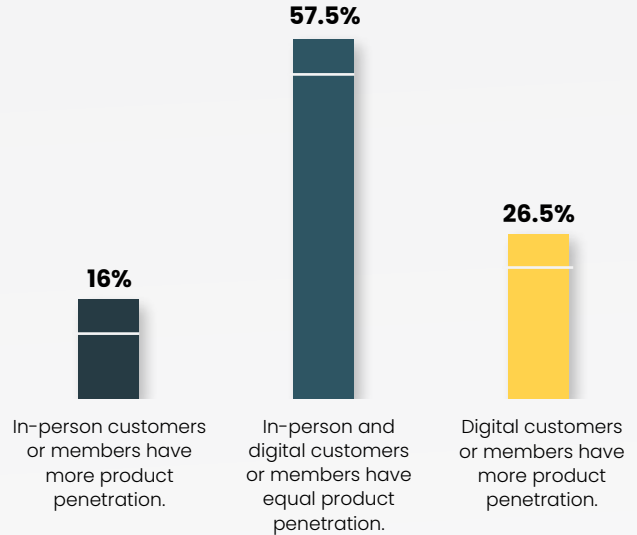
and digital customers or members have equal product penetration. More than one-quarter of the respondents (26.5%) say digital customers have more product penetration.

Moving forward, it will be important for banks and credit unions to focus on leveraging digital channels to drive product penetration among their customer bases. This could involve investing in user-friendly online and mobile banking platforms, as well as developing innovative digital products that cater to the needs of their customers.
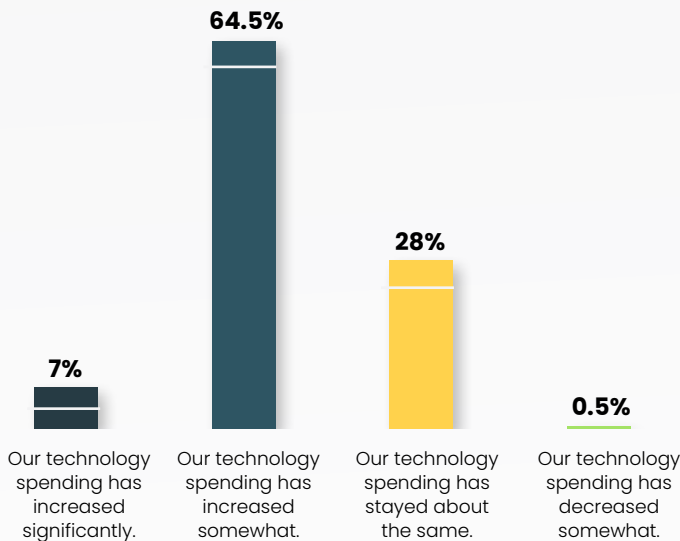
Furthermore, with the rise of fintech companies and non-traditional players entering the market, traditional institutions will need to adapt and innovate to stay competitive. This could mean partnering or collaborating with fintech companies, offering new digital services, or finding other ways to differentiate themselves in the digital space.

74% of respondents already leverage AI to augment human interactions with customers or members.
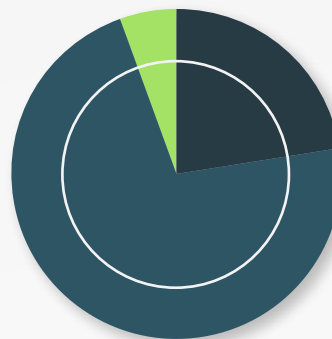
Technology Spending Will Increase to Help Organizations **Meet the Competition**

Banks and credit unions have already invested a significant number of resources into digital transformation. However, the results of the study so far suggest that those investments will need to continue, or potentially increase, for these organizations to unlock the types of capabilities they need to serve customers and members.

How would you rate your organization's digital customer or member experience when compared to the digital experiences of your direct competitors?

- **22.5%** We are ahead of our competitors.
- **72%** We are at parity with our competitors.
- **5.5%** We are behind our competitors.

How have you changed your technology spending in 2024?

- **7%** — Our technology spending has increased significantly.
- **64.5%** — Our technology spending has increased somewhat.
- **28%** — Our technology spending has stayed about the same.
- **0.5%** — Our technology spending has decreased somewhat.

How would you rate your organization's digital customer or member experience when compared to large organizations like Chase, Wells Fargo, and BoA?

- **7%** We are ahead of larger organizations.
- **72.5%** We are at parity with larger organizations.
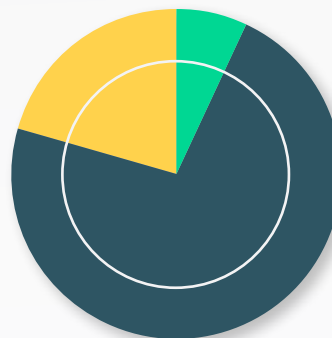- **20.5%** We are behind larger organizations.

Most of the respondents say their technology spending has increased somewhat (64.50%) or significantly (7%) in 2024. This aligns with spending trends in other sectors as technology and the capabilities it provides are now a core competing factor for companies.

Most of the respondents believe their digital or member experiences are at parity with their direct competitors (72%) and with larger organizations like Chase, Wells Fargo, and Bank of America (72.50%). However, only 7% of the respondents believe they are ahead of larger organizations. That's compared to 22.5% who believe they are ahead of their direct competitors.

To maintain a competitive edge, banks and credit unions must prioritize their investments in digital transformation. This includes not only upgrading existing technology but also investing in new technologies such as artificial intelligence, machine learning, and data analytics. These advancements can help organizations better understand customer needs, personalize services, and improve overall customer experience.

In addition to technological investments, banks and credit unions should also focus on upskilling their workforce to be able to effectively utilize new technologies. This not only ensures a smooth transition during digital transformation but also leads to a more efficient and effective workforce. Organizations must invest in training programs and provide opportunities for employees to continuously learn and adapt to the changing technological landscape.

Conclusion: Generating Excellent Experiences Both In-Person and Online

In their final line of questioning, researchers asked the respondents to describe what it would take for their customers or members to feel that they receive the same level of service from their digital experiences when compared to their in-person experiences.

Leaders at banks and credit unions say it is imperative to focus on creating a seamless and consistent service across all platforms. This would involve clearly defining service standards and guidelines, ensuring timely and relevant communication, and providing intuitive navigation and user-friendly interfaces.

Additionally, they plan on incorporating personalized features and options for customer feedback and support, such as live chat or real-time assistance, which would facilitate a smooth and satisfactory user experience. Advanced communication technologies and generative AI tools will also be employed to offer relevant, practical solutions that meet customers' evolving expectations.

Many of the respondents also believe that a holistic approach is necessary. They plan to integrate omnichannel service delivery with a high level of professionalism and accessibility. Efforts will be made to educate customers about digital features through tutorials or advertising campaigns, improving self-help options, and ensuring faster onboarding processes.

Finally, organizations intend to regularly gather and act on customer feedback to help identify areas for improvement and demonstrate that customers' input is valued. Altogether, these efforts will help to create a seamless and consistent digital banking experience that meets customers' needs and expectations.

> **Advanced communication technologies and generative AI tools will also be employed to offer relevant, practical solutions that meet customers' evolving expectations.**

Key Suggestions

1. **Invest in advanced technologies such as AI, machine learning, and data analytics.**

These technologies can help you better understand customer needs, personalize services, and enhance overall customer experience, thereby maintaining a competitive edge.

2. **Enhance and unify digital and in-person service standards.**

AI- and technology-enabled relationships provide personalized and accessible services. However, these must be balanced with active, digitally-enabled, and personal relationships to deliver an excellent experience to customers or members.

3. **Focus on upskilling your workforce to handle new technological advancements.**

A well-trained workforce will ensure a smooth transition during digital transformation and lead to more efficient and effective service delivery.

4. **Incorporate and act on customer feedback continuously.**

Regularly gathering feedback and making improvements based on customer input demonstrates that you value their opinions and are committed to enhancing their experience.

About the **Authors**

Agent IQ

Agent IQ is the pioneer in digital relationship banking, providing personal and persistent customer engagement solutions supported by a powerful built-in AI that supports bankers and strengthens customer relationships. Blending the best of human emotion and empathy with the speed and efficiency of computer intelligence, the Lynq™ platform empowers FIs with the ability to provide proactive support and real-time insights to improve customer satisfaction, enhance service efficiencies, and increase profitability, while reducing the cost of serving.

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