KPMG

The customer in uncertain times

2022 Nigeria Banking Industry Customer Experience Survey

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Foreword

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The banking industry in Nigeria has remained resilient amidst a challenging macroeconomic environment and there is not much to suggest that the outlook is any different – at least in the short term. 85% of CEOs in our 2022 Global Banking CEO Outlook believe that there will be a recession in the next 12 months and majority reckon that this would upend anticipated growth over the next 3 years. But if there is anything we have learnt from the recent pandemic, it is that organisational resilience is crucial to success in today's increasingly volatile and uncertain environment.

Customers are the key to long-term commercial resilience. As the way they think, behave and experience the world continues to evolve, their service providers must continue to prioritise listening and acting on their sentiments and feedback.

In this year's research, we heard from many customers who acknowledged the progress their banks are making. They also shared valuable insights on areas where more needs to be done to meet or surpass their expectations. This report is a summary of a much deeper and more extensive bank of resources for executives, leaders and customer experience professionals.

I encourage you to go through the findings in this report and contact us to find out more.

In this year's research, the 16th consecutive edition of the annual banking customer experience survey, we surveyed over 29,000 customers across the retail, SME and corporate banking segments. This year's research also covers leading fintechs given their growing significance in the banking industry.

We find customers and banks alike having to navigate uncertainties and a challenging operating environment. High inflation and significant depreciation of the currency against the dollar are increasing the cost of living and the cost of doing business.

Amidst these, we were keen to discover whether the high digital adoption the industry witnessed over the last two years would persist. The answer is yes; digital adoption has held up as more customers seek flexibility and easier access to financial services. This is in spite of the wider trend of individuals returning to brick-and-mortar offices and engagements. We expect a further increase in adoption levels as a result of regulatory activity and as more banks move away from the traditional banking business models.

A key consideration for future success though, is the quality of payments experience. In this report, we discuss feedback from customers – their pain points such as network downtimes, unconfirmed transactions, untimely reversals etc. – and explore key considerations for addressing payments reliability.

Getting the customer experience right is also a key enabler for the platform and ecosystem strategies a number of banking players are now pursuing as part of their growth agenda. As they onboard more partners and diversify their array of propositions to customers, it becomes even more imperative to deliver an orchestrated customer experience. This goes beyond merely capturing or migrating customers to their platforms or ecosystems and requires answers to questions such as – How well do I understand my customers, their behaviours and preferences? What will my future customer look like and what will their needs be? How should I orchestrate my resources and capabilities to ensure delivery of superior and differentiated experiences to my customers?

We attempt to answer some of these questions in the report and hope that you find the insights useful.

We look forward to connecting further on the topics discussed.

Ngozi Chidozie
Partner and Lead
Strategy & Customer Solutions
KPMG in Nigeria

Wale Abioye
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The customer in uncertain times

It has been about three years since the onset of the pandemic and many of us hoped that its aftermath would bring about a significant economic rebound, but this has not occurred. Instead, Nigeria, like much of the rest of the world, is facing higher living costs and rising inflation – 21.47% as at November 2022[1]. Food, utilities and transport price inflation have recorded some of the highest increases over the past 18 months.

A weaker customer profile
The World Bank estimates that high inflation has pushed as many as five million more Nigerians into poverty since the start of 2022[2]. Rising consumer price inflation, currency depreciation, high unemployment rate are factors affecting all consumer segments as purchasing power diminishes.

Today's average Nigerian banking customer is less affluent than they were three years ago. Real income is weaker; Nigeria's GDP per capita as of 2021 stood at USD2,066 compared to USD2,204 in 2019[3]. Euromonitor estimates that about six in ten Nigerians earn less than 1.2 million naira (USD2,500) annually[4,5].

Businesses and corporate organisations are also saddled with increasing operating costs arising from inflation, supply chain disruptions, FX scarcity and exchange rate fluctuations etc. Four in ten SMEs also say that multiple taxation remains a top challenge for businesses and desire a better enabling environment.

Top challenges faced by SMEs

39% Multiple taxes and levies

36% Pressure on cashflow

35% Lack of access to information/ Inconsistent government policies

Source: 2022 KPMG Nigeria Banking Industry Customer Experience Survey

Impact on consumer behaviour

We noted in our last research that consumers were cutting back on discretionary spending and companies can expect this trend to persist as we all head into an uncertain macroeconomic outlook. Particularly, consumer expenditure is expected to remain weak in Q1'23 with the general elections in the horizon.

Rising consumer price inflation has been a key contributor to eroding purchasing power and increasing consumer spending. With the increase in price of food and other essential commodities, customers are spending a larger percentage of their income on these items. Seven in ten people say they spend the most of their income on food and household bills. Education, airtime/data and transport are the next items accounting for a high portion of spending across different consumer categories.

Consumers have become increasingly price sensitive and hesitant to purchase products and services beyond basic amenities due to lower purchasing power and rising prices. Consumers have reduced their spending on discretionary items such as vacation, personal care etc,; only 20% of consumers say that they spend a substantial part of their income on personal care, lower than about 25% in 2021. Consumers are more likely to purchase cheaper alternatives of products to save costs.

An analysis of the savings pattern of our respondents shows that about 72% of people save at least 5% of their monthly income. This represents a three percentage point decline from last year. However, the percentage of people that do not save any part of their income improved to 10% from 12% in the previous year.

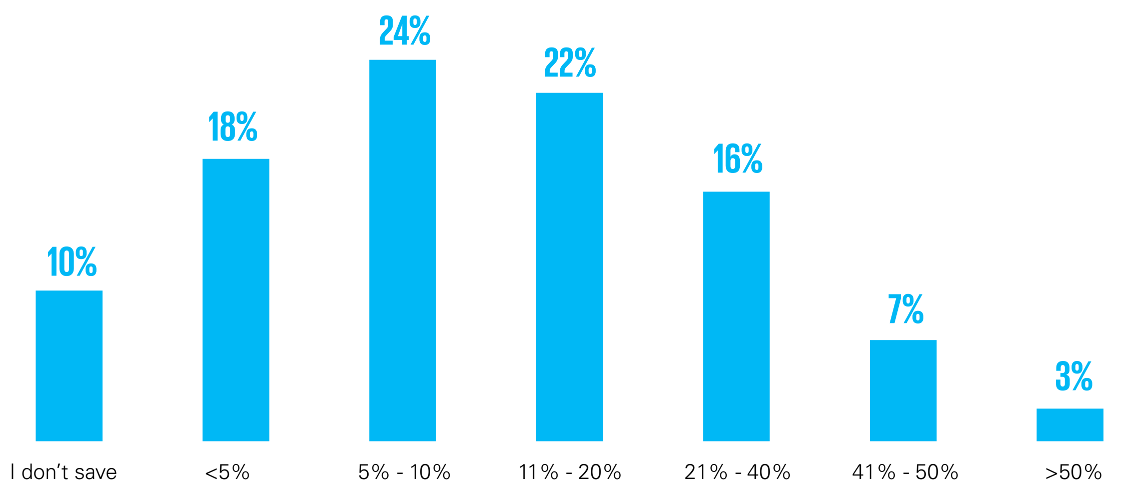
With an increase in spending and decline in purchasing power, comes an increased need for credit facilities to meet basic needs. The importance of accessing credit easily has been on the rise since the onset of the COVID-19 pandemic. This year, 72% of the respondents say accessing loans easily is extremely important to them, compared to 56% in 2020.

However, only 15% of respondents have applied for loans and about 68% of them were successful in their credit applications. High interest rates and onerous borrowing requirements are sometimes cited as reasons for not approaching formal lenders for credit. Banks remain the most popular source of credit, as 39% of customers access credit from commercial banks, 19% from microfinance banks and 16% from pure play digital lenders.

While it may seem like we've been here before, many of the economic variables are different this time. Navigating the year ahead will mean more disciplined planning and execution by businesses to optimise costs, enhance efficiency and deliver value to customers. Businesses should also resist the urge not to invest due to the uncertainty but rather invest wisely in a downturn. This will position them for an upside when the waves rise again.

Segun Sowande
Partner and Head
Management Consulting
KPMG in Nigeria

Savings as a proportion of monthly income



Source: 2022 KPMG Nigeria Banking Industry Customer Experience Survey

Implications for financial services providers

Marked changes to customer incomes and purchasing power across the market should be a trigger for banks to revisit their segmentation models to ensure these models are reflective of the attributes of the customers they serve. While overall consumer confidence may be under pressure, we know that consumers respond differently to macroeconomic challenges with nuances along age groups and income levels. Hence, companies should continue to listen to and analyse consumer feedback and sentiments to shape their propositions, communications and customer journeys.

Banks and other financial services providers can provide products or instruments that help customers manage risks associated with increase in prices. Customers will benefit from financial planning, practical and timely help with problem resolution and guidance on how to grow and protect their money. 43% of retail customers say that they would like their banks to provide financial planning solutions to them. 37% of respondents also said they were most interested in entrepreneurship content as a value-added service from their banks. This is consistent with research from last year where customers across age groups identified starting a business as their next major life goal.

Banks will also need to ensure that services continue to support inclusion, cultivate trust and reliability. For example, timely reversals and resolution of low-value payment transaction failures can make a significant difference for low-income customers.

The financial services sector faces a more complex environment than ever before. Nevertheless, financial inclusion and protection of vulnerable customers and businesses should remain a collective priority for all stakeholders in the sector. This is crucial for long-term economic growth and recovery.

Olumide Olayinka
Partner and Head
Advisory
KPMG in Nigeria

The Six Pillars

Thirteen years of KPMG research have shown that every outstanding customer relationship has a universal set of qualities – they are The Six Pillars of experience excellence.

The Pillars are inextricably inter-twined and, in combination, provide a powerful mechanism to help or-ganisations understand how well their customer experience is deliv-ered across channels, industries and company types. Leading organisa-tions demonstrate mastery of these pillars and are outstanding at all of them.

Integrity

Corporate integrity and its outcome, trust, continue to be a focus for the leading companies. Re-engaging with purpose, validation of values and moving CSR to the forefront of the brand have become key areas for organisations.

The rapid uptake in digital channels across all age groups has also brought data security, privacy and cybercrime front of mind for both organisations and their customers. Firms are having to take a forensic view on how they capture, manage, protect and update data that is increasingly used to fuel customer engagement programmes.

Environmental, social, and governance (ESG) is becoming a preoccupation as firms seek to address the rapidly growing desire amongst consumers to know the provenance of what they buy, the way in which the supply chain is managed for sustainability and how employees are treated before making purchasing decisions. The brand is now firmly based on corporate behaviour – it is what customers say it is and not what marketing teams seek to communicate.

Resolution

Customer problem solving has moved beyond just fixing problems that a firm may cause for its customers into a focus on customer lifetime problems, both as a source of innovation, but also a mechanism for extending a trusted relationship.

Companies are looking at pain points in a customer's life as well as pain points in their internal processes, and how both impact the resulting customer journeys.

Businesses are deploying digital solutions and applications to solve customer problems, at scale, using intelligent bots. These digital solutions are able to address vastly more customer inquiries than through conventional means. In a world of social media and review-driven purchases, "heroic" customer recovery is no longer a nice to have; it is now essential to a company's reputation.

Expectations

We have observed a trend of "expectations transfer" as customers expect their best experience with a company to be replicated elsewhere. This has become even more evident recently, as customers embrace a raft of new technologies.

Firms are having to rapidly increase the pace of innovation and development to keep up and this is driving an improvement across all aspects of business. Newer technologies such as Artificial Intelligence (AI) and machine learning are pushing the boundaries of what is possible which, in turn, is leading to an escalation in customer expectations.

The first stage in meeting or exceeding customer expectations is to know what they are and monitor how they are changing over time. Customer feedback has become an essential barometer, both of customer perceptions of how experiences are meeting their expectations, and also how those expectations are changing based on their experiences with competitors. More than ever, consumers now expect connected journeys, seamless transitions across channels, and end-to-end experiences that are tailored to their circumstances.

Empathy

Organisations are beginning to operationalise empathy. It is becoming a core competence when it comes to user experience design and improvement. More widely, anthropology and ethnography techniques are informing experience designers.

Only by really standing in your customers' shoes, experiencing their lives as they experience them, can organisations really hope to engage successfully with the rapidly changing consumer. Customers want to deal with companies that show they care, that tangibly demonstrate that their customers are important to them, that they understand their lives and challenges, and have sensitive solutions to their problems.

Customers seek not just simplicity of transactions and physical ease, but also the psychological satisfaction of a human connection. Knowing when a customer needs human to human interaction and making it immediately available is the difference between an anodyne (but potentially effective) experience and one that connects emotionally and drives future behaviour.

Personalisation

Advances in technology, data and analytics are enabling companies to create much more personal and "human" experiences across moments, channels and buying stages.

However, personalisation is so much more than just technology. Whilst tech is undoubtedly an enabler, true personalisation is how the customer is left feeling about themselves after an interaction. Do they feel better equipped to tackle whatever comes next? More in control? More able to be successful?

Many industry leaders define their business in contributing to the success of their customers, not just selling products or even solutions, but improving the quality of their customers' lives. This requires a deep and profound understanding of the customer, being able to track patterns and able to infer when an intervention will make the most positive difference. Increasingly, the role of technology is helping to equip customers to be better versions of themselves.

Time and Effort

Effort and loyalty are inextricably connected. The easier an experience is, the less physical, emotional, and cognitive effort it takes, and the more likely a customer is to continue purchasing. We are seeing a significant rise in the usage and popularity of delivery services. E-commerce has become a way of life for some, and next-day, or even same-day, delivery has become widespread.

However, fastest isn't always best. It is how time and effort are expended that is important. The increasing fusion of online and offline experiences is taking account of the fact that sometimes consumers want to browse, to evaluate, and to be inspired and stimulated.

Several leading companies have found ways of making this happen. They've reimagined the nature of physical spaces to become places of education, showrooms, or centres of excellence in utilising a particular product, coupled with exciting digital experiences that promise rapid delivery in a "have it now" world.

State of play

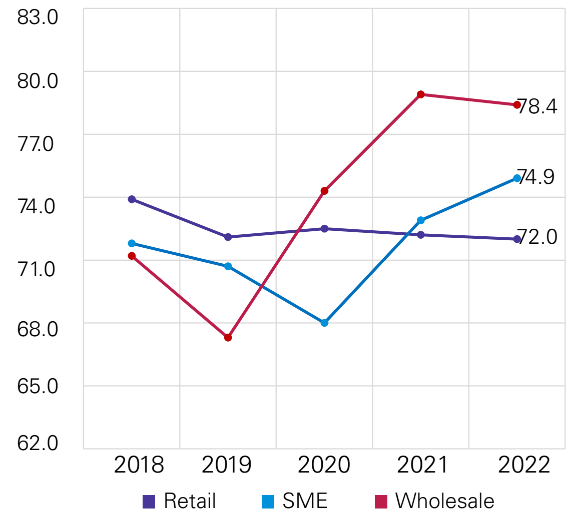
Customer experience scores in the retail and corporate segments did not improve in the last year, with slight declines from 2021 scores. The SME segment was this year's exception with a nearly two percentage point increase over last year's score. Nevertheless, there is intense competition amongst banks, particularly in the retail segment where the gap between the top and lowest rated banks was four percentage points (compared to twelve percentage points a decade ago).

A few of this year's leaders across the segments retained their top five ranking demonstrating that building strong customer relationships and outcomes requires consistent and ongoing effort.

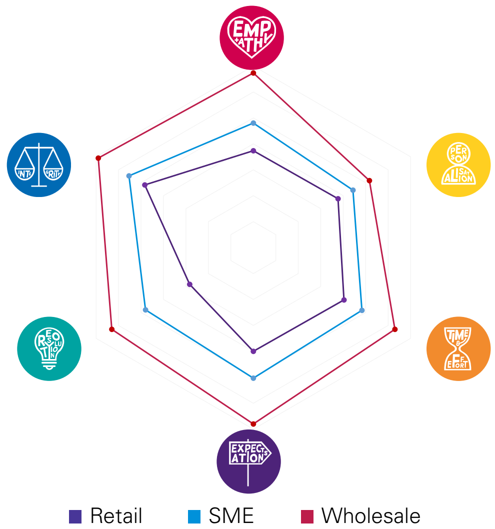
We know that Nigerian banks have significantly amplified and accelerated their digital efforts especially since the onset of the pandemic. However, customers continue to raise the bar as they become more sector agnostic – comparing each new experience they have against their last best experience, regardless of the sector involved.

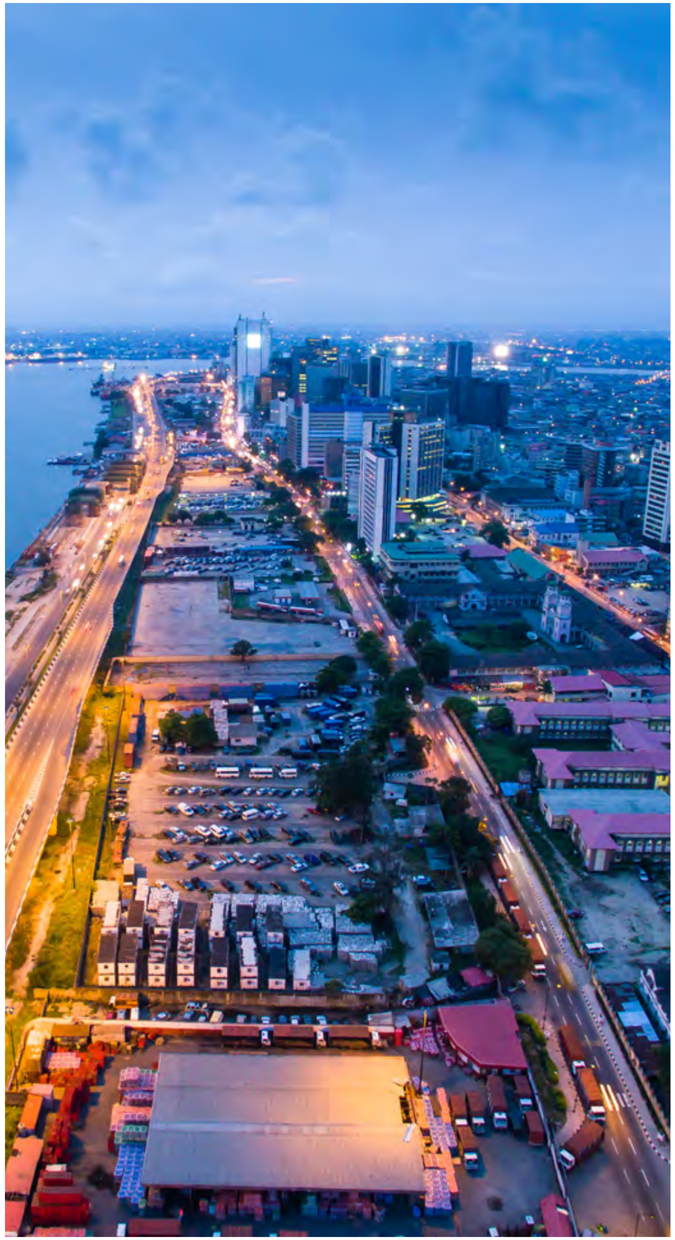
We also note that the league of the top five rated banks in the retail segment has featured a few new entrants than in the past. This may suggest that historical top performing banks who may have rapidly scaled their retail businesses in recent times, in terms of number of customers, may need to double down on investments

Overall customer experience performance



Six Pillars performance across segments





The 2022 CX Leaders

Retail Banking

Rank	Bank	CX Score out of 100	Movement
1	Stanbic IBTC Bank	73.8	No change
1	Wema Bank	73.8	Up 5 places
3	Sterling Bank	73.1	Down 1 place
4	Keystone Bank	72.9	Up 5 places
5	GTBank	72.8	Down 2 places

SME Banking

Rank	Bank	CX Score out of 100	Movement
1	GTBank	77.5	Up 8 places
2	Zenith Bank	76.5	Up 2 places
3	Polaris Bank	75.7	Up 5 places
4	Sterling Bank	75.6	Down 2 places
5	Wema Bank	75.1	Down 2 places

Corporate Banking

Rank	Bank	CX Score out of 100	Movement
1	Stanbic IBTC Bank	80.9	Up 5 places
2	GTBank	80.1	Up 8 places
3	Citibank	79.8	Down 2 places
4	Zenith Bank	79.7	No change
5	First Bank	79.6	Up 2 places

on digitisation and the enabling infrastructure required to support higher transactions volumes and demand as a way to maintain service levels in spite of increased scale and transaction velocity.

One area of competitive pressure for banking customer experience is from fintechs. Customers in this year's research provided very positive feedback for neobanks and fintechs such as PiggyVest, VBank, Kuda Bank and Carbon especially on the quality of digital channels and account onboarding processes.

In the retail segment, Wema Bank, Stanbic IBTC and Sterling Bank occupy the first three positions – the latter two banks appearing in the top three for the second consecutive year. GTBank maintains its top five position and is the only bank to have done so in the last decade.

Performance in the retail segment was driven by the Time & Effort pillar and this is where this year's leaders outperformed their peers. However, we note that the industry continues to struggle with effective resolution as many banks (and fintechs) recorded very low scores in this area.

Wema Bank jointly tops the leaderboard this year in the retail segment after recording marked improvements in its customer experience score over the last three years. Customers say that the bank significantly improved reliability of its digital channels over the last year and ALAT, its mobile app, continues to deliver a delightful user experience.

Stanbic IBTC, this year's joint leader who held top position in the retail and SME segments last year, performed well across key customer journey areas.

> It has been a wonderful six months of banking experience with **Wema Bank** due to fair fees and digital banking which shouldn't be underestimated.
> **Retail CX Survey Respondent**

> I'm able to do a lot using my Stanbic mobile app and the customer service is great too and accessible remotely. I have only visited the banking hall once since I started using **Stanbic IBTC**.
> **Retail CX Survey Respondent**

Particularly, the bank outperformed its peers in the area of resolution – a key area of improvement for the industry. GTBank's high scores in account onboarding and consistency in payments reliability were key drivers of its customer experience performance.

Polaris Bank is this year's most improved bank, moving up five places to sixth position. In the last year, the Bank has made significant improvements to its mobile banking propositions and customers say that onboarding and the payments experience have also improved. GTBank emerged as the leading bank in the SME segment, moving up eight places. Businesses rated the bank highly for the quality of its payments solutions and importantly, the timeliness of resolving POS related complaints. Polaris Bank (in third place) was the other new entrant in the top five while Sterling Bank, Wema Bank, and Zenith Bank again featured in the top five ranking. POS-related issues such as timeliness of settlements and resolution of disputes were some of the most important measures for SMEs this year.

After last year's all time CX score high in the wholesale banking segment, the industry experienced a modest decline this year, albeit still higher than at any other point in the last five years. Value for money, effective payment services and strong relationship management still remain important for corporates. Many CFOs and treasurers continue to highlight their foreign exchange needs and challenges but a common sentiment was that banks were seen to be doing a lot to support businesses. Interestingly, FX support was not in the top ten most important experience measures for corporates.

> Ours is a partnership with Stanbic IBTC. Our ERP is integrated with their banking platform which minimises human intervention. It makes transactions easier and faster, and ensures information is largely the same on both sides.
> **Finance Head, FMCG**

> With GTB, we are able to [seamlessly] do bulk payment processing and FX transactions digitally unlike some other banks where we are limited to local transactions. GTB has incorporated many of these features ahead of our other banks.
> **Trade Finance Lead, Oil & Gas**

Stanbic IBTC emerged as this year's leader in the corporate segment and received very good feedback on the depth of their relationship managers' knowledge in key sectors. Stanbic IBTC also successfully closed the gap on GTBank and Citibank in the area of digital banking. GTBank came in second place while Citibank, the leader for the last four consecutive years, came in third place. First Bank and UBA were the other notable improvements as they came in fifth and sixth positions respectively.

Customer journey stage	Points of interaction	Top rated banks (Retail)
Discovery	Touchpoints in this journey stage cover content viewed on social media and interactions with bank staff. Good indicators of success include ease of getting information about the bank as well as professional and friendly staff.	Wema Bank, Stanbic IBTC, Keystone Bank
Account opening	Completing the account opening form, submitting supporting documents and getting new cards when establishing a new banking relationship. Top performers provide digital-only options and strive for ease and speed of the onboarding process.	GTBank, Wema Bank, Stanbic IBTC
Transacting	Accessibility, timeliness and quality of service from physical and digital channels define ratings for banks.	Wema Bank, Stanbic IBTC, Sterling Bank
Product purchase	Ease of documentation, timeliness of processing and flexibility of product rates/terms offered are key measures of performance.	Polaris Bank, Heritage Bank, Ecobank
Complaints	Ability and ease of reporting issues and concerns as well as obtaining resolutions. Customers rate banks on timeliness and quality of feedback on issues.	Stanbic IBTC, Wema Bank, Sterling Bank
Account maintenance	This covers requests for account statements, general enquiries and updates to account information. Information provided is tested for its accuracy and completeness.	Unity Bank, Keystone Bank, Stanbic IBTC

44%

of customers maintain their current banking relationship mainly because of the quality of service experience and digital services

8%

of customers are willing to change their banks or plan to in the next three months (compared to 6% in 2021)

40%

of SMEs want an accessible relationship manager but would prefer to handle most of their banking needs digitally

55%

of customers use their bank's mobile app at least once a week (compared to 49% in 2021)

39%

of customers who applied for a loan obtained credit from their banks while 16% of customers obtained a loan from digital lenders

72%

of customers say they save at least 5% of their monthly income, a slight decrease from 74% in 2021

8%

of Gen Z customers say they visit a bank branch at least once a week compared to 18% of Gen X (42-60 year olds)

43%

say that financial planning is the most important value-added service they want from their bank

State of the payments experience

The global pandemic acted as a catalyst for digital adoption and more so, payments, as individuals and businesses embraced digital payments and moved online. Given the pace of innovation and number of new players the payments industry in Nigeria was already attracting prior to the pandemic, many predicted that this would be a permanent acceleration that would continue after the pandemic.

This year's research shows that the trends in digital adoption have held up from last year with about the same number of customers using mobile channels i.e. USSD and mobile banking on a regular basis. However, with the continued paradox of high ATM usage – an indicator that cash is still very much a mainstay of day-to-day transactions – there is clearly a lot of headroom for deepening digital payments adoption. Over half of customers say they use the ATM weekly, principally for cash withdrawals as merchant adoption of digital payments continues to lag retail adoption.

Recent regulatory pronouncements aimed at limiting the volume of cash withdrawals, the Central Bank's introduction of a digital currency (eNaira), continued digitisation of value chains and the growing trend of platformisation should further drive digital payments growth. Over the next few years, we should see payments become more embedded in various digital ecosystems such as logistics, telecoms, ecommerce etc. This is very much in alignment with customers' desire for convenience in the payments journey.

Successful and reliable payments transactions and enhanced customer experiences will be critical to deepening penetration. For retail customers, the success rate of transfers and paying bills was rated one of the top three most important experience drivers – moving up a place from last year. This emphasises the importance of payments in shaping the overall customer experience. And this is where we see the leaders in this year's survey excel.

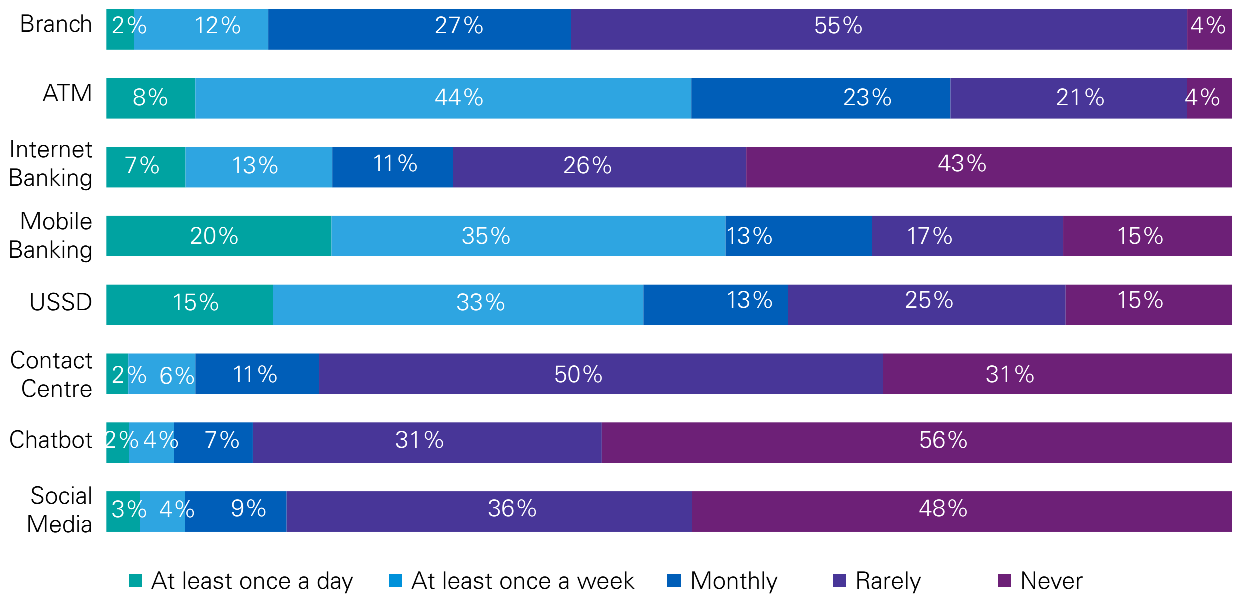
Neobanks such as VBank and Kuda Bank lead the way on retail payments reliability while GTBank, Stanbic IBTC and Wema Bank are the clear leaders amongst traditional banks. Comparatively fewer downtimes and quicker resolution times are some of the positive highlights from the leaders. Notably, user experience scores for many mobile banking apps tend to be higher than reliability performance.

Embedded payments

Embedded payments refers to the integration of digital payment options within a non-financial company's platforms and apps. This arrangement enhances customer convenience significantly by providing the ability to seamlessly pay for goods without having to leave a company's website or app. Key examples include digital wallets and instant payments.

Embedded payments allow making purchases and completing transactions to be an invisible and non-time-consuming part of any activity, thus reducing time, effort, and manual interventions required today to initiate, authenticate, and complete a transaction.

Overall Channel Usage



Source: 2022 KPMG Nigeria Banking Industry Customer Experience Survey

Many mobile apps offered by Nigerian banks already include features such as financial planning dashboards, biometric options and lifestyle propositions and within the context of the market, are now considered table stakes rather than leading edge. Some customers would also like to see their banks offer additional capabilities such as in-app search functions and assistance (via live chat or call) to enhance their experience. As customers continue to set their expectations based on experiences with other leading non-banking apps, banks must continue to invest in simple, intuitive design and navigation across digital platforms.

For businesses, payments are regarded as their lifeblood. Five in ten SMEs say that the timeliness of settling POS transactions is very important to them but this remains a pain point and features significantly in feedback from businesses. Merchants can often be left waiting for days for funds to settle from digital transactions and also complain about difficulties with resolving failed transactions on a timely basis.

Larger corporates appear to have better experiences with nine in ten corporates saying that they are satisfied with the security and reliability of their digital banking services.

Tackling the issue of digital payments reliability in Nigeria

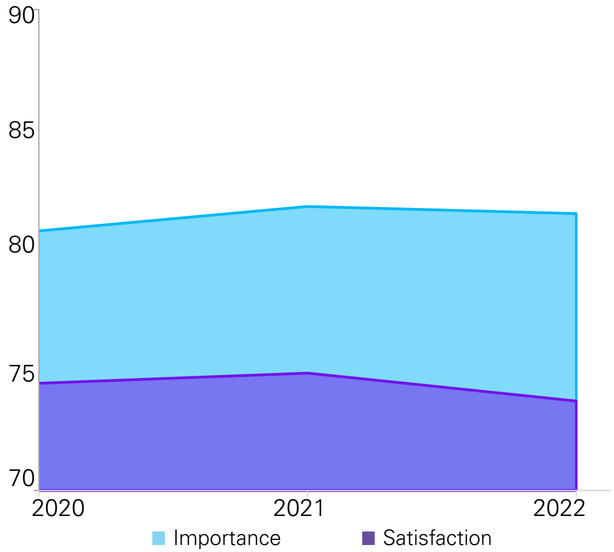
While there has been increasing adoption of electronic payments facilitated by card, web and mobile channels, there are still issues with reliability that need to be addressed in order to build customer confidence, deepen penetration and improve adoption levels across the country.

Transaction failure rates recorded by some banks are estimated to be above 5%which is a relatively high rate given the typical large monthly payment transaction volumes and the potential to negatively impact the general perception of reliability of such payment methods. The value of NIBSS Instant Payments (NIP) from January to November 2022 was N345 trillion, a 43% increase from the same period in 2021[6]. In this year's research, there was a 3-percentage point gap between the top-rated bank on payments reliability and over half of the banks surveyed. This further illustrates the scale of the challenge many players face.

A few factors causing these failures include poor network and communications infrastructure, technology system failures by host or recipient bank, amongst others. When transaction failures occur, customers are often at the receiving end of lengthy resolution processes. This causes undue hardship for customers in the lower income segment and further erodes their confidence in electronic payments. To address these failures, financial institutions and payment service providers need to focus on a few critical areas.

Players need to modernise and re-architect their application, network and infrastructure layers for better resilience and performance. Strategies to consider may include implementation of redundancies and high availability at the various architecture tiers. Also, adoption of microservices architecture where key components of

Success Rate of Payments: Importance vs. Satisfaction



Source: 2022 KPMG Nigeria Banking Industry Customer Experience Survey

the system are developed and deployed independently can improve performance and scalability. Adoption of cloud-based infrastructure can also help improve uptime, performance, and scalability by allowing the organisation to access resources on demand and scale as required during peak demand periods.

For reliability issues relating to poor network and communications infrastructure, banks need to better collaborate with telecommunications service providers to ensure adequate deployment and coverage of network infrastructure especially in rural areas where customers grapple with the impact of poor connectivity. As this issue affects players across the ecosystem, there needs to be a collaborative approach to tackling

Key considerations for addressing payments reliability

- Re-architect applications and infrastructure for better resilience and performance e.g. adoption of microservices and cloud infrastructure to improve performance and scalability.
- Collaborate with relevant stakeholders to ensure adequate coverage of network infrastructure.
- Enhance customer education and awareness on appropriate practices to adopt when using digital payment methods.
- Drive alternative digital payment methods beyond card payments by addressing challenges such as widespread availability and interoperability faced by non-card payment methods.
- Develop and implement robust systems for prompt resolution of customer-related transaction issues.

the challenge with appropriate incentives.

A review of transactions failure data shows a significant proportion of failed transactions relate to insufficient balances in customer accounts. It is therefore imperative to ensure customers are adequately educated on ways to validate the status of their account before embarking on payment transactions. Enhancing customer education and awareness can also help to enlighten vulnerable customers about appropriate practices to adopt for safety and security when using available digital payment methods.

Another factor to consider is the need to drive alternative digital payment methods beyond debit/credit card payments at merchants' points of sale. It is important for customers to have options either as a fallback for when things go wrong or where they simply need to cater to their personal payment preferences. There is no doubt that card payment is the most pervasive and ubiquitous option available across most Nigerian cities today. While other non-card payments options such as digital currency, mobile payment, contactless payment etc., are available, they present challenges that have constrained mass adoption. Such challenges include lack of widespread availability across merchants, poor interoperability between different closed-loop schemes or just the sheer cumbersome payment experience offered e.g. where interbank account transfer is used as an alternative at the point of payment in stores.

Financial institutions need to have a greater focus on resolving these challenges as they develop and promote their non-card payment options.

Finally, it is important for financial institutions to have systems in place to quickly resolve any issues that do arise. This can include having dedicated customer support teams to handle inquiries and complaints, as well as implementing systems to monitor and detect potential issues before they become widespread. In cases where transaction values are also below a certain threshold, banks can implement appropriate policies that prioritise prompt alleviation of the customers pains while back-end issues are resolved. The regulator also has a role to play by enforcing compliance with defined service level standards for prompt resolution of issues relating to failed payments.

Overall, addressing the issue of payments reliability in the Nigerian financial services industry will require a multifaceted approach. By investing in infrastructure modernisation, improving cross-industry collaboration, educating customers, and implementing customer-centric approaches to issue resolution, banks and payment service providers can work towards improving the reliability of digital payments and enhancing the customer experience.

"We expect the post-pandemic trends and recent initiatives of the Central Bank to drive a further surge in the velocity and adoption of electronic payments in the coming years. This is the time for banks to focus on innovating their payment solutions as well as the required investments in payments technology and infrastructure. The winners in the new era of payments will be those that are able to guarantee superior user experience and reliability of services."

Ladi Asuni
Partner and Lead
Analytics & Operations
KPMG in Nigeria

Orchestrated experiences

As the traditional banking model continues to face pressures from thinner margins, competition from new entrants and a more challenging operating environment, incumbents are looking for newer ways to create value by rethinking their business models to meet the needs of today's changing customer expectations and behaviours.

In 2010, the Central Bank of Nigeria revised the banking model by discontinuing the issuance of universal banking licences and prohibiting banks from undertaking non-banking activities[7]. Today, the industry is evolving with more players choosing to adopt the financial services holding company (holdco) model which allows them to undertake a broader set of services beyond banking.

Over the last 18 months, banks such as Access Bank, GTCo and Sterling Bank[8,9,10] amongst others have gone public with their holdco strategies and have followed suit with acquisitions of non-bank entities in pension, insurance and asset management.

At the same time, we are seeing movement in the other direction where non-banking institutions are moving into financial services. Regulators are also creating an environment that encourages the entry of new players through initiatives such as Open Banking and introduction of new licence categories.

At the heart of this evolution is the emergence of two new business models as digitalisation alters the relationship between service providers and consumers: two-sided platforms and orchestrated ecosystems of partners.

Although platforms and ecosystems are not mutually exclusive, they are distinct. Platforms reduce market friction by connecting suppliers with consumers, while ecosystems orchestrate complementary value propositions focused on a pattern of customer needs.

By adopting these innovative business model options, banks can complement their basic banking model (deposits, loans, transactions) and market strengths (e.g., scale of customer franchise, valuable banking licences, strength of balance sheet) with new value propositions to help differentiate and deepen customer relationships.

For example, UK-based Starling Bank, through its platform (via APIs) allows other fintechs and application creators to provide more functionalities to their customers, while the bank takes on responsibility for regulatory activities, including KYC and anti-money laundering requirements.

In like manner, DBS Singapore has built DBS Marketplace to orchestrate ecosystems of partnerships

Platforms and Ecosystems Schematic of Relationships

	Platforms *Reduce market friction by efficiently connecting suppliers and consumers*	**Ecosystems** *Orchestrate complementary value propositions focused on a pattern of customer needs*
Consumers	• Engage with platforms to solve a specific problem • Interact with a platform as a market-place, typically with filterable choice • Consumers can sometimes also be suppliers	• Engage with an orchestrated ecosys-tem across a distinguishable lifecycle of need (e.g. buying a house) • Interact with curated products and services, with tightly focused op-tions for each stage of need
Suppliers	• Typically offer products and services within the platform as a marketplace • Compete with other suppliers also using the platform • May be subject to non-financial incentives such as quality feedback	• Offers products and services as part of a coherent ecosystem value proposition • Participate within the ecosystem as a partner with the orchestrator • Coordinates for shared value with the rest of the ecosystem, while benefiting individually
Information Sharing & Technology	• Limited information shared between consumers and suppliers within the context of a transaction • Proprietary technology orchestrates consumer/supplier matching and may profile some preferences	• Data is shared across participants to continuously improve ecosystem's proposition • Digital capabilities to enable integrat-ed customer experiences (e.g. APIs, standardised data, CX standards)

Source: KPMG analysis[11]

offering value propositions shaped to address specific lifecycle needs expressed by their customers, such as car ownership. This ecosystem model deepens the bank's relationship with their customers and keeps value circulating within the ecosystem.

Nigerian banks are also embracing ecosystem and platform banking, with several examples of partnerships with leading payment fintechs, to offer customers a range of digital payment options. Beyond banking, Union Bank has identified the education ecosystem as an area of focus and offers a variety of banking and non-banking propositions in this area. Sterling Bank has also been targeting digital innovations across five key sectors – Healthcare, Education, Agriculture, Renewables and Transportation.

As Nigerian banks progress their ecosystem and platform strategies, there is need for new thinking around delivering superior customer experience especially as many players are not structured or organised to act flexibly and adapt to rapidly changing circumstances.

Within each bank today, the customer's experience spans multiple channels such as social media, email, live chat, and surveys, and the number of channels is only going to grow, as these financial services groups take on more businesses. This will increase the challenges of developing a seamless and connected omnichannel experience.

Our research finds some anticipation and concerns from customers on how these new business models might play out and their implications for the customer.

What this means for customer experience
Designing and delivering compelling customer experiences requires a high degree of orchestration across functions, businesses and partners. This orchestration requires breaking down complexity and aligning the business around the customer, all based on a deep emotional understanding of customer needs, the marketplace, and the organisation itself. Only by starting with this can banks and other platform players exploit the opportunity this new business model presents.

Focus on clear customer outcomes
Leading companies demonstrate that they start with the customer and work back. Success is predicated on holistic thinking and being clear on how everything connects across the end-to-end customer journey. In the race to build platforms and ecosystems, it is important to be clear on the target outcomes for the customer. The temptation to target the 'wealth' of the company's array of businesses and propositions at customers must be overcome by a deliberate effort to define what the customer story is and what the company is seeking to achieve for the customer.

Leverage and deliver data-driven insights
Insightful and real-time customer data is critical to enriching the personalisation and relevance of customer experiences as well as predicting and anticipating customer behaviours. Voice of the customer insights, propensity modelling and recommendation engines can help uncover unarticulated needs of customers. This ensures that propositions are relevant to each customer interacting with the platform or ecosystem.

Firms such as Amazon and Netflix are able to deliver personalised insights at scale to customers using AI and machine learning, thus enabling them to orchestrate customer behaviours.

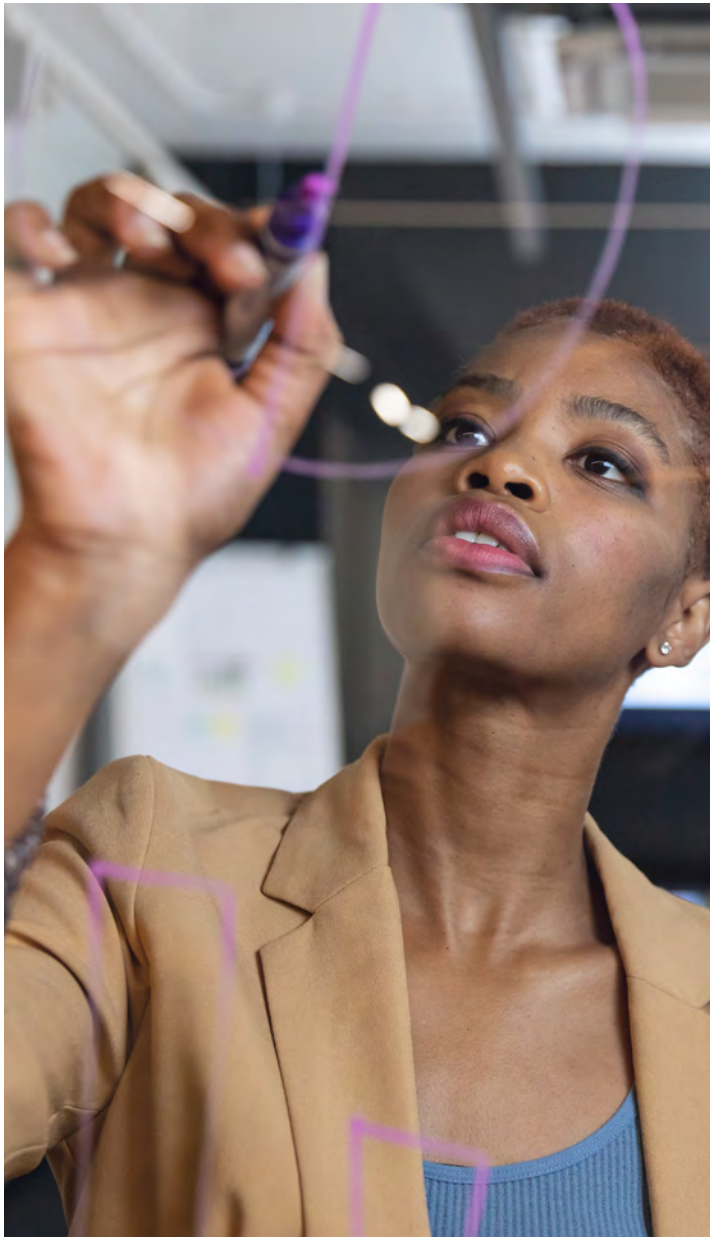
Whilst for many financial services providers, the data challenge must first be overcome, whether via abstraction layers of masterdata platforms, the ultimate goal must be to codify journey management as a series of algorithms that guide customer and automate cross-functional actions. Once narrowly seen as "next best actions", this has evolved into the pivotal discipline of "journey orchestration."

Deliver connected, powered and trusted experiences
Today, many interactions with banks and other financial services providers are merely a series of linear journeys that often don't build on each other. It is not uncommon for customers to interact with different teams who are not sharing information. For companies pursuing platform and ecosystem strategies, the goal has to be to deliver experiences that are connected, powered and trusted.

Connected means seamless end-to-end customer journeys across channels (online and offline) that minimise friction when dealing with the company or partners within the ecosystem. It requires a shift in organisation design to one that can be moulded around customer journeys. Linking front, middle and back office to drive synergies and improvements across the journey, and a focus on journey designs that reflect customer life missions, intentions and goals rather than product processes.

The experiences are powered by converged operating models that harness new technologies to foster better customer relationships by enhancing query handling and issue resolution, with the two objectives of lowering costs and increasing customer satisfaction.

Finally, customers are looking for trusted experiences. This has stood out as an area of potential concern for customers – the capability to protect their data as their providers partner with third parties within ecosystems. This calls for an intense focus on cyber security, privacy, and protection of customers as well as the organisation and its supplier ecosystem against cybercrime.



The human factor in CX

Human interaction, even when mediated through technology, remains an instrumental part of the customer's experience. As the impact of the 'great migration' or *'japa'* wave continues to unfold, entrenching a customer-centric culture has become even more challenging. With double-digit attrition in Nigeria's banking industry in 2021[12], the industry has become more vulnerable to challenges such as having the right people skills to drive critical enablers for growth and key transformation initiatives. This is consistent with findings from the 2022 KPMG Banking CEO survey where 69% of CEOs say that having the people skills to manage the strategic and operational rollout is the top challenge for banks for an effective digital transformation.

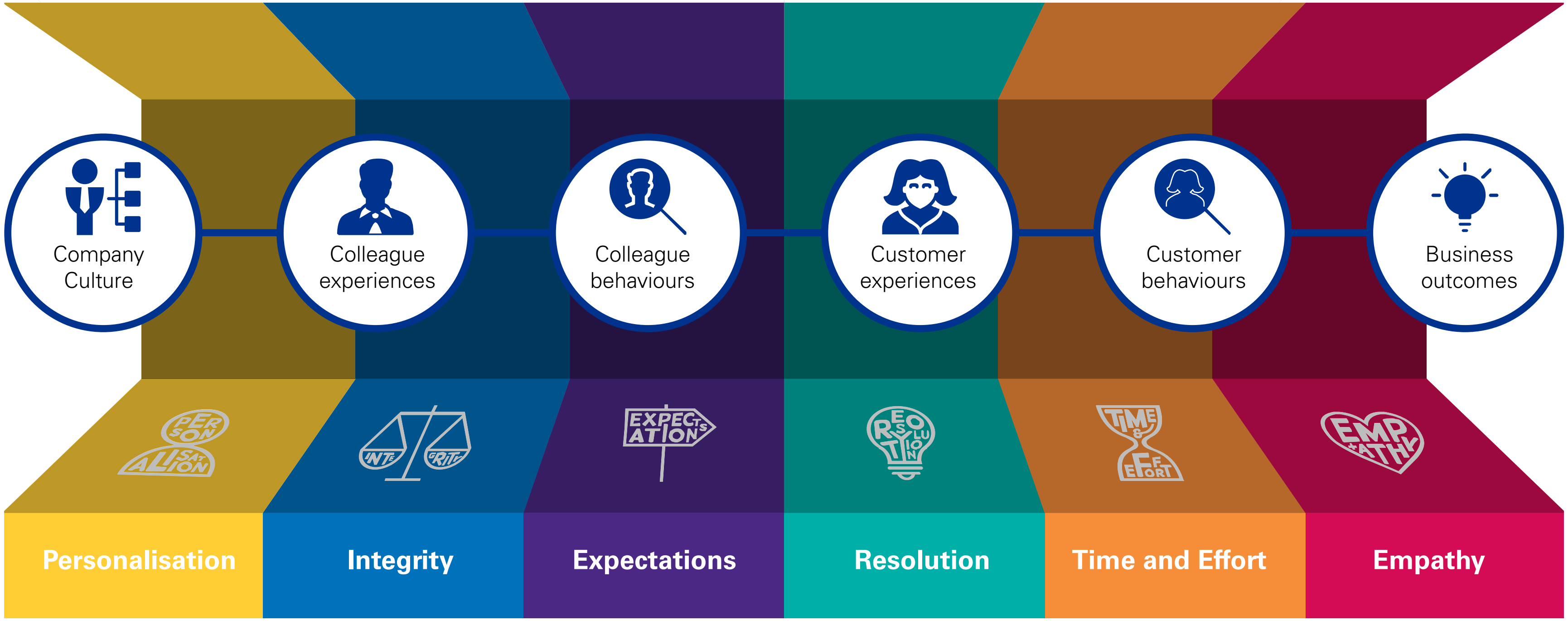
Customer experience has not been immune to these challenges as many teams have had to make do with fewer resources or recruit new team members without relevant customer history or immersion into the organisation's culture. The resulting higher workload is also causing low engagement and burnout which further compounds the attrition challenges.

The impact hasn't been lost on customer experience, especially in the business segments where we saw a decline in satisfaction levels with the quality of relationship management. 62% of corporates compared to 67% in 2021 say that they are very satisfied with the relationship management teams from their banks. Poorly managed relationship manager transition was particularly highlighted as a pain point with some banks.

> The account and lead managers keep changing in the bank such that there is no real connection with them. It is disruptive and it takes a lot for new ones to settle in.
>
> **CFO, Oil & Gas**

> I don't even know who the new relationship manager (RM) is. They did not inform us about the exit of the old RM. It was when we called the old RM that we knew she had left the Bank.
>
> **CFO, Industrial Services**

The "Human Value Chain"



The Six Pillars of experience provide an integrating framework ensuring the employee experience is architected to deliver an excellent customer experience.

A renewed focus on culture
Welcoming many new colleagues from diverse backgrounds within a short period of time is bound to have an impact on organisational culture. It should not be taken for granted that long-held organisational practices will subsist without an intentional approach. This calls for a renewed purposeful approach to empowering people and developing a culture that is obsessed about doing the right thing for customers.

Empirical research suggests that getting culture right can improve employee and customer outcomes. Happy employees are 12% more productive[13] and the most engaged employees are 87% less likely to leave the organisation[14].

The "Human Value Chain" shows the link from culture, to employee experience, to their behaviours, the customer experience and ultimately the customer behaviours that underpin retention, acquisition and lifetime value. Making this value chain work requires emotional connectivity. To ensure this connectivity between customers and employees, the best organisations manage various environmental, leadership and structural factors.

Once the organisation has the right employees, it then needs to ensure that the right environment exists for the employee to deliver their best for the customer. It requires an employee experience that enables The Six Pillars of experience to emerge naturally for customers. When the employee brings emotional intelligence, enthusiasm and energy and the organisation brings empowerment, enablement and engagement, then magic happens for customers.

The radically changing context for the workforce and workplace means that leaders have to rethink their approaches to culture and change management. Employees are digital, more global in orientation and more social media savvy. The current state presents an opportunity for banks to take a critical look at their organisational culture and articulate strategies to improve the employee experience and engagement for long term success.

Yetunde Kanu
Partner and Head
People & Change
KPMG in Nigeria

Employee experience
To become truly customer-centric, organisations must view employees through the same lens as its customers. Employees, like customers, are demanding greater convenience and personalised experiences in the workplace especially as the lines between professional and personal life blurs. As such, transforming the customer experience (CX) requires that banks adopt an equally methodical approach to the employee experience (EX). This spans segmentation, propositions, experiences, journeys and personal growth and manifests itself in a customer-obsessed culture.

As with customers, employees will benefit a great deal from personalised and targeted experiences. This requires a better understanding of the workforce beyond basic demographic or departmental segmentation. Organisations must seek to understand what motivates employees, their needs, preferences and how they connect with information and other people, using similar analytical techniques relied upon for customer experience. This can inform the design of experiences that drive engagement. These experiences are delivered leveraging technologies that support use cases such as collaboration, personalised learning, AI-based coaching and just-in-time contextual help and guidance.

Our research shows that successful organisations think more and more about end-to-end transformations that focus on internal customers – their employees – as well as external ones to gain a sustainable competitive edge. They invest in aligning customer journeys to employee journeys with a good understanding of the moments of truth/moments that matter to employees – either on a day-to-day basis or across their broader career journey with the organisation.

Companies are designing them to align with the priorities and differentiators of their brands. For example, if a company wants its brand to be known for automation and speed, then the employees' workplace environment, benefits, performance reviews etc. should be technology-enabled and fast. If personalisation and care is what distinguishes a brand, then the employee experience at that company should deliver on those values.

New and existing colleagues need to be empowered with the right tools and knowledge to deliver great service. Banks need to invest in codifying customer experience and other culture trainings. A company in another KPMG research linked trainings to compensation to incentivise its employees which led to an increase in productivity rates and a gradual reduction in staff turnover[15].

Ultimately, the quality of human interactions go a long way in shaping the employee experience especially as we have a strong urge to belong. An HBR study found that 39% of respondents feel the greatest sense of belonging when their colleagues check in with them, both personally and professionally[16]. The ways in which leaders speak, act and operate go a long way in shaping the employee experience and culture. Organisations that will emerge as winners will be those that can humanise these experiences.

Employee experience excellence

Central to the alignment of employee and customer experience is the need for a common language, a framework that establishes the critical links between the two, and ensures that the employee experience is rooted in the experience the organisation wants to deliver to the customer.

Delivering employee experience excellence requires high performance in each of The Six Pillars.

Empathy

- I am able to bond and affiliate with my colleagues
- Issues are dealt with sensitively and with emotional intelligence
- Leaders react positively and in line with our values when under pressure

Expectations

- The organisation has stretching objectives
- Leaders are clear on their expectations
- Leaders provide helpful and constructive feedback

Personalisation

- Help me develop as an individual - be the best I can be
- A job role that enables me to utilise my unique talents
- An environment that promotes continuous learning and improvement

Resolution

- Personal concerns are dealt with, with urgency
- I am able to participate in decisions that affect me and my team
- I am supported by leaders to learn from mistakes without blame

Time and Effort

- My time and extra effort are recog-nised and appropriately rewarded
- Employee journeys to achieve a personal objective are clear and straightforward
- Leaders and managers show respect for my time

Integrity

- The business has a higher purpose than just making money
- Interpersonal relationships are based on trust
- Communications are consistent, open and explanatory

About this research

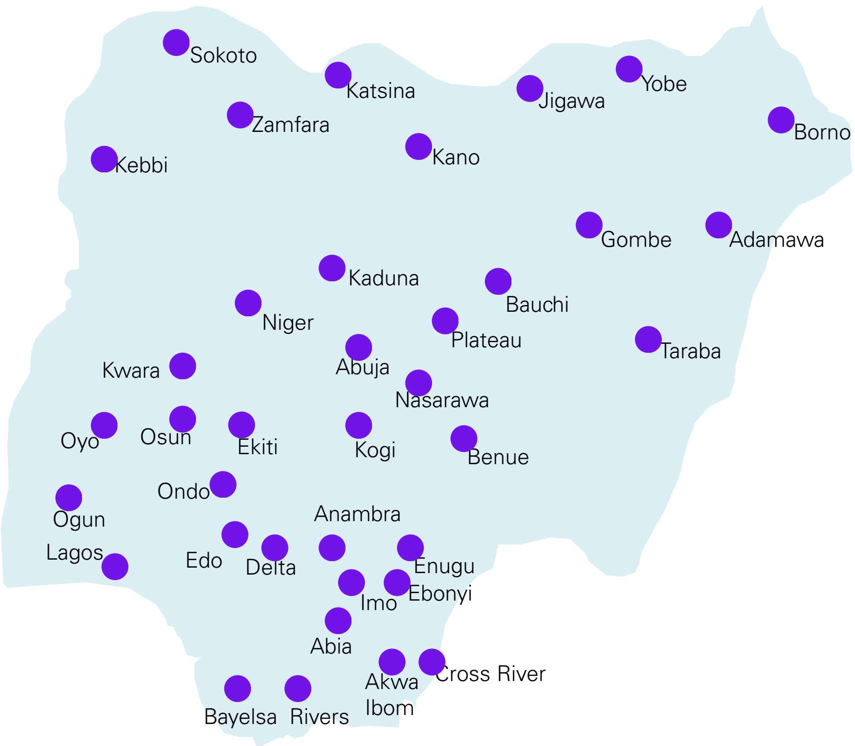
Since 2007, KPMG in Nigeria has been asking customers across segments about their individual experiences with their banks. Over this period, more than 250,000 customers have been interviewed across the country.

This year's research covered 25,710 retail customers, 3,113 SMEs and 470 commercial/corporate organisations.

The research for this report was completed across Q3 and Q4 2022. To participate in the research and to be able to respond to questions on a specific bank, respondents must have interacted with that bank in the last six months.

In reading this report, you should bear in mind the following considerations:

- This survey focuses on the perceived quality of customer experience delivery by banks from the customer's perspective across the Retail, Corporate/Commercial (wholesale) and Small & Medium Sized Enterprises (SME) segments.
- This survey does not represent the opinion of KPMG on the skills, capabilities or performance of any of the banks covered.
- KPMG is responsible for defining the survey questionnaire administered to the respondents.
- KPMG conducts the survey, but findings represent the opinions of the customers of each bank.
- This survey does not seek to establish any absolute facts, but it reports the feelings and broader perceptions of customers with respect to services provided by their banks. The rankings are solely based on the customers' feedback received from the survey.
- Customer feedback and perception can be subjective; as a result, they may not be balanced or fair.
- Banks rated in the survey vary by size, service offerings and customer profile. However, the minimum number of respondents required for each bank in the survey guarantees that the results reflect the opinion of a representative customer group in each segment.
- This implies that banks with respondents below the minimum threshold will not be rated in that segment.
- The rankings in each segment are based on the Customer Experience Score (CX Score) of each bank.
- The CX Score is a composite of the satisfaction rating and corresponding importance rating for each experience measure as determined by each customer.
- The experience measures used in each segment are reflective of key aspects of the customer journey and are mapped to the Six Pillars discussed earlier in the report.



How KPMG can help

Connecting the enterprise to the customer

Customer strategy
Using innovative approaches to product development and new business models, KPMG helps clients focus on their customer strategy. KPMG's network of strategic alliance partners brings innovation and mastery of new digital technology to help build strategies that respond to digital disruption.

Customer experience
We help to define winning customer experience strategies, help clients redesign customer journeys which improve customer loyalty and help maximise customer lifetime value.

Marketing, sales and service transformation
KPMG consultants can help you to digitally enable and transform the effectiveness of your marketing, sales and service functions to create a connected enterprise – integrating front, middle and back-office operations to enable a more agile and responsive business.

Employee experience
Helping clients to empower employees and improve the employee experience with engaging digital solutions.

Customer data, analytics and insights
KPMG customer analytics solutions and decision engines can help harness insights to power improvements in customer experience and customer lifetime value.

Digital transformation
KPMG digital specialists can help you to succeed in the digital world. From strategy to technology enablement to cultural change, our multi-disciplinary teams take a holistic view of how processes, platforms and behaviours across the front, middle and back offices need to evolve – and offer clear methodologies for executing that transformation.

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