

Baringa retail banking survey:

Legacy tech, lost loyalty





Executive summary

Are banks delivering digital experiences that customers want and need? Our research suggests that they aren't – and technology is a large part of what's holding them back.

Traditional banks are failing to meet customer digital expectations, with technology constraints undermining transformation efforts. Baringa's survey of 4,000 banking customers and 400 executives across the UK and US reveals a critical disconnect between customers' needs and operational capabilities.

More than one-third of customers switched banks in the last five years – prioritizing better digital experiences rather than competitive rates – while 68% of banking executives admit their technology architecture actively hinders them from serving customers effectively.

Banks are investing heavily in digital transformation and personalization initiatives, yet legacy technology systems continue to sabotage these efforts. Our research shows that the gap between customer expectations and banks' operational capabilities is widening. This creates significant competitive vulnerability as digital-native competitors reshape customer expectations and threaten traditional banks' market position.

The stakes couldn't be higher. Banks face a stark choice: transform their technological foundations or watch customer loyalty erode. Our research suggests three critical steps to help banks regain a winning position with customers and reclaim leadership in a rapidly-evolving market.

More than
1/3

customers switched
banks in the last
five years

Loyalty matters more than ever, but it's getting harder to win

Customers are having increasingly transactional interactions with their banks. People use their debit cards, pay bills, and check account balances without feeling the slightest emotional connection to the brand behind these services. The less engaged customers feel, the more interchangeable banks become. It's left institutions vulnerable in an age where changing banking providers is as simple as a few taps on a smartphone.

Banks must make a fundamental shift, from serving customers to genuinely engaging them. True customer loyalty manifests in meaningful interactions that go beyond the obligatory monthly account check. When customers regularly engage with a bank's platforms – because they want to, not because they have to – firms have unlocked the secret to sustainable growth. In other words:

- **Loyalty pays.** It costs more to acquire new customers than it does to retain current ones. On average, it costs retail banks \$200-300 to acquire a single new customer, while retention efforts cost just \$25-35 per customer annually.¹ Loyal customers also tend to stay with a bank longer and spend more overtime, boosting customer lifetime value.
- **Loyalty is a differentiator.** Offering seamless experiences can make your brand stand out, encourage customers to use more of your products and services, and in turn drive financial success. Banks excelling in personalized digital experiences see up to 25% higher customer retention rates and a 20% increase in cross-selling success for digital offerings.²

Deep customer engagement creates a powerful flywheel effect

Loyalty

Every meaningful digital touchpoint generates valuable data and insights

Interaction

Insights enable hyper-personalized experiences aligned with customers' financial journeys



Connection

Authentic connection drives retention, cross-selling opportunities, and passionate brand advocacy

Understanding

Customers feel genuinely understood and valued, not treated as anonymous account numbers

Banks do understand the compounding value of customer engagement, but their execution isn't moving the needle. Despite investment in the right strategic priorities, customers are still underserved. In our view, digital and core banking infrastructure is the bottleneck preventing banks from delivering the seamless experiences that drive customer lifetime value and sustainable competitive advantage.



Customers have high expectations, and banks are falling short

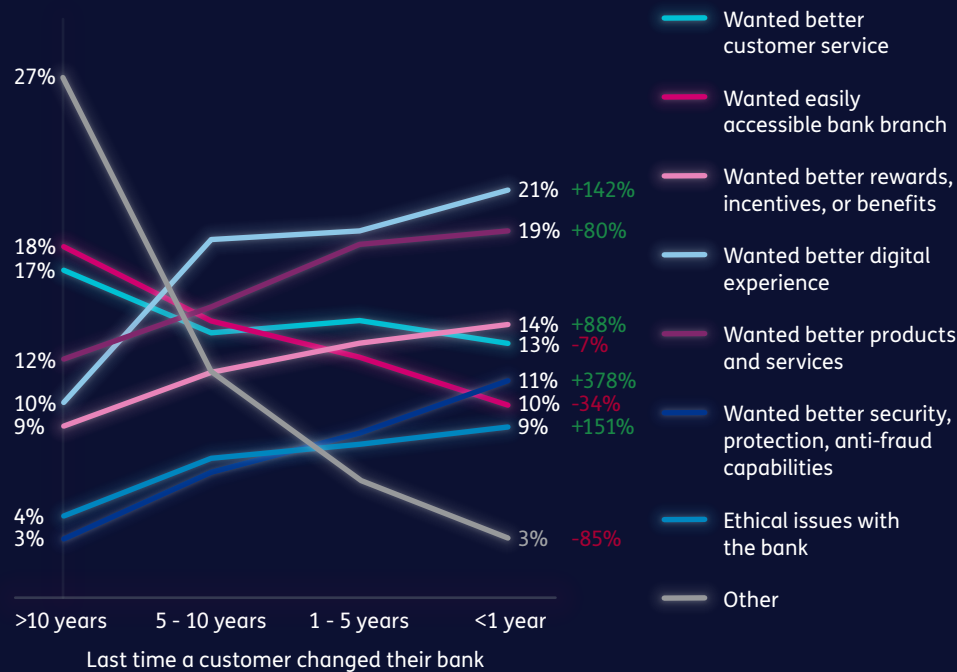
Today's customers want it all – great products, rewards, digital experiences, service, and security. Given the high switching rate, it's clear that banks aren't living up to these expectations.

Our survey showed that over one-third of respondents changed their banking providers in the last five years. What's motivating customers to make these moves? While the reasons for changing banks vary from customer to customer, some common threads emerge from the data – which also reveal a shift in customer needs and values over the years.

Among customers who last changed banks more than 10 years ago, 34% cited access to branches and customer service as their top reasons for switching. In contrast, 39% of respondents who switched banks in the last year were in search of better digital experiences and product or service offerings. Additionally, security and ethical practices have rapidly climbed the rankings as key considerations for choosing a new bank.

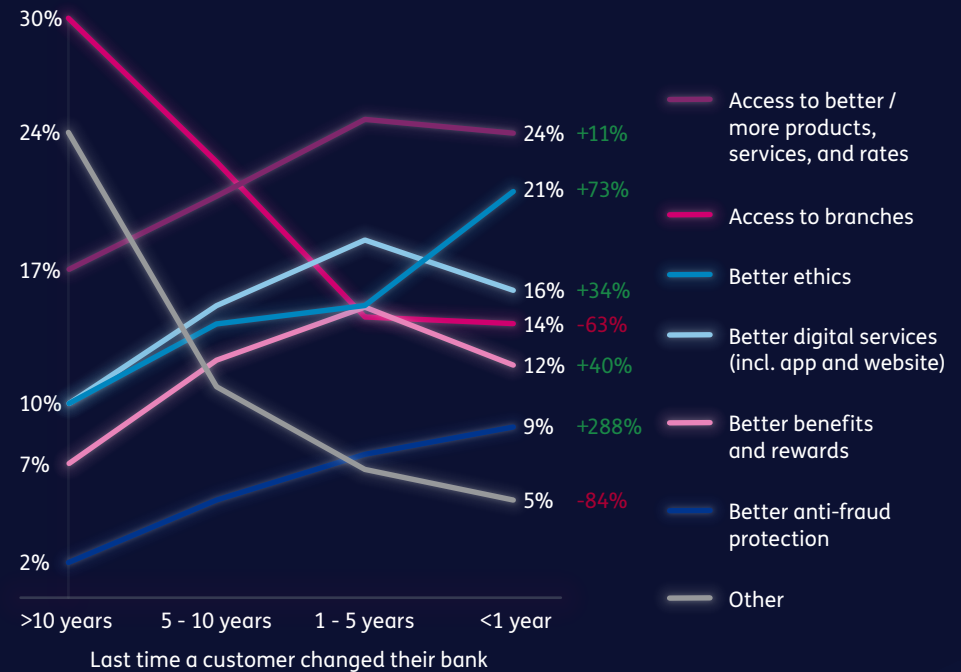
When, if ever, was the last time you changed the bank your main salary is paid in to?

Thinking of the last time you changed, why did you leave your old bank?



Banks' security (+378%), ethics (+151%), and digital experience (+142%) saw the greatest growth as key reasons for changing banks in the last 10 years.

What was the main reason you chose your new bank?



Banks' security (+288%) and ethics (+73%) are gaining in priority as key reasons for choosing a bank in the last 10 years.

Reasons for choosing and changing one's bank have evolved in the last 10 years with security, ethics, and digital experiences seeing the most growth overall.

These findings reflect a fundamental shift in banking customer priorities, which are driven by five converging trends.

1. Accelerated digitalization

During the pandemic, in-person branch interactions were rapidly replaced with digital transactions through online and mobile channels, while banks increased focus on digitalization across their operations.

2. Generational change

Customers who last switched banks 10+ years ago made decisions during an era of limited digital banking offerings. Today's bank switchers include digital natives and digitally-adapted customers who expect seamless online and mobile experiences.

3. Expanding digital capabilities

Many customers now prioritize digital solutions when selecting a bank. Growing preference for digital channels and self-serve capabilities, over traditional contact methods like in-branch or phone interactions represents a key driver of this shift.

4. Greater security and ethics awareness

High-profile data breaches and bank failures, along with growing awareness of environmental, social and governance (ESG) standards, have made customers more conscious of their banks' security and ethical practices.

5. Convenience economy

Shaped by their experiences with companies like Amazon and Apple, as well as neobanks and fintechs, today's customers expect 24/7 access, instant responses, and personalized service from their banking providers.

These five trends reflect the evolution from banking as a service requiring human intermediation to banking as a digital utility that should be seamlessly integrated into customers' daily lives.

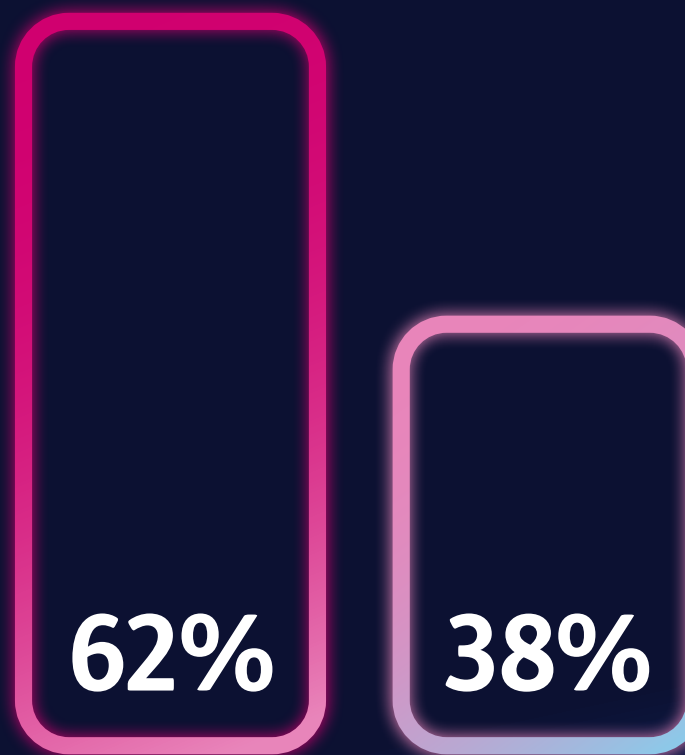
Digital must get personal

Customers want banking services that emulate digital interactions in other parts of their lives. A staggering 62% of customers said that they have changed banks or would consider changing in the future for a better digital experience. Simplicity and speed are paramount – but so too is providing a personalized touch through tailored insights, offers, and recommendations.

In line with changing trends, our research confirms that customers want more personalization from their banking partners, such as smart notifications, customizable security features, personalized rewards, financial insights, and products, which all serve to provide customers with a highly-tailored experience.

If done right, customers are likely to invest more into their banking relationship, maintain loyalty, and expand their product offering, knowing that it would be difficult to receive the same level of personalization with another bank.

Have you ever switched or considered switching banks because your bank's digital products or services are not what you need?

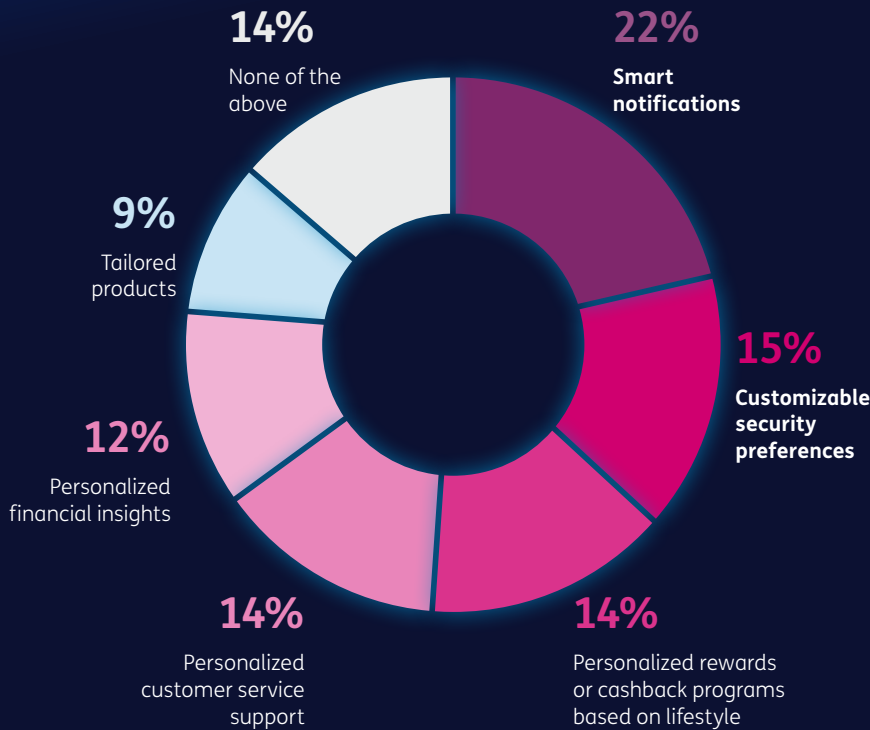


Yes, I have changed or considered changing banks in the future because I need better digital products and services.

No, digital products or services don't affect my choice of bank.

Which of the following personalized services, if any, have you used or noticed from your bank?

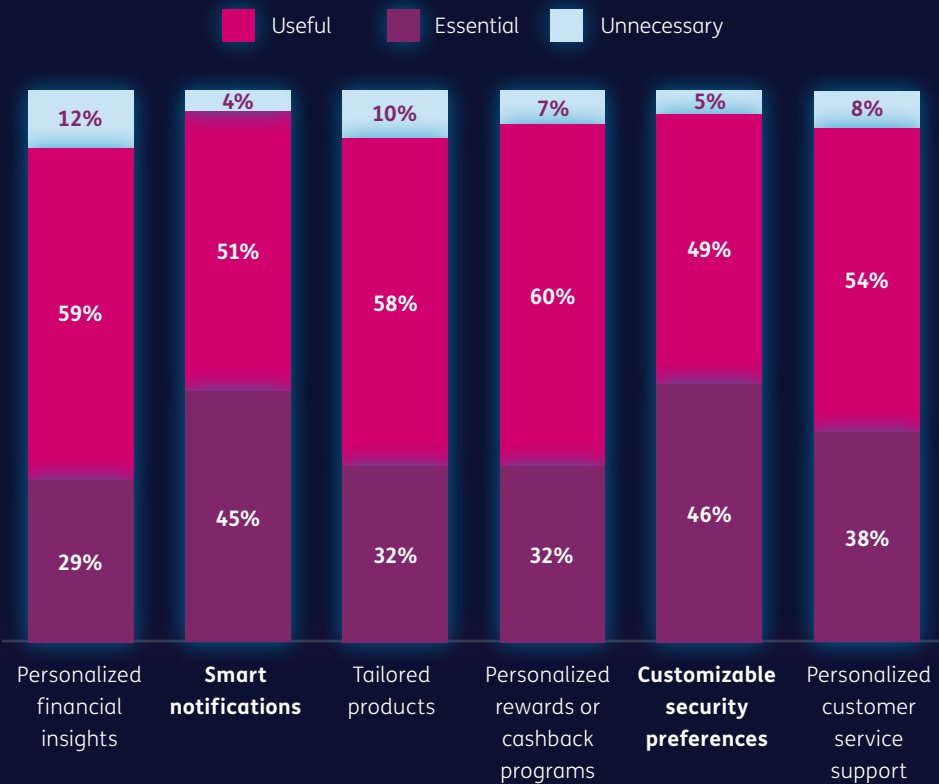
Smart notifications and security features are most used or noticed personalized features.



Customers are increasingly using and requesting more personalized features from their banking partners. Personalization has driven the roaring success of digital challengers such as Chase, Ally Financial, Revolut and Nubank. Their retail banking apps have common features like daily digital suggestions, such as payment reminders or new product offerings based on individual user behavior to help personalize finance management, as well as authentication methods, such as biometric authentication. In the case of Nubank, a strong focus on personalization

How useful do you find the following personalized banking features?

Customizable security features and smart notifications top as most essential personalization features.



has helped drive a 23% year-on-year increase in customer growth. The neobank now serves over 110 million people, cementing its position as the biggest digital bank in the world.³

These challengers have raised the digital bar and reset customer expectations to a new normal. Banks that haven't invested heavily in similar digital features or authentication methods risk appearing outdated to customers.

Mobile is the dominant channel, but there's room for improvement

More and more banking interactions are happening on mobile. 45% of respondents stated that mobile is their main channel for banking. The growing popularity of mobile offers banks an opportunity to unlock greater value. Give customers a convenient mobile experience, and it will pay dividends.

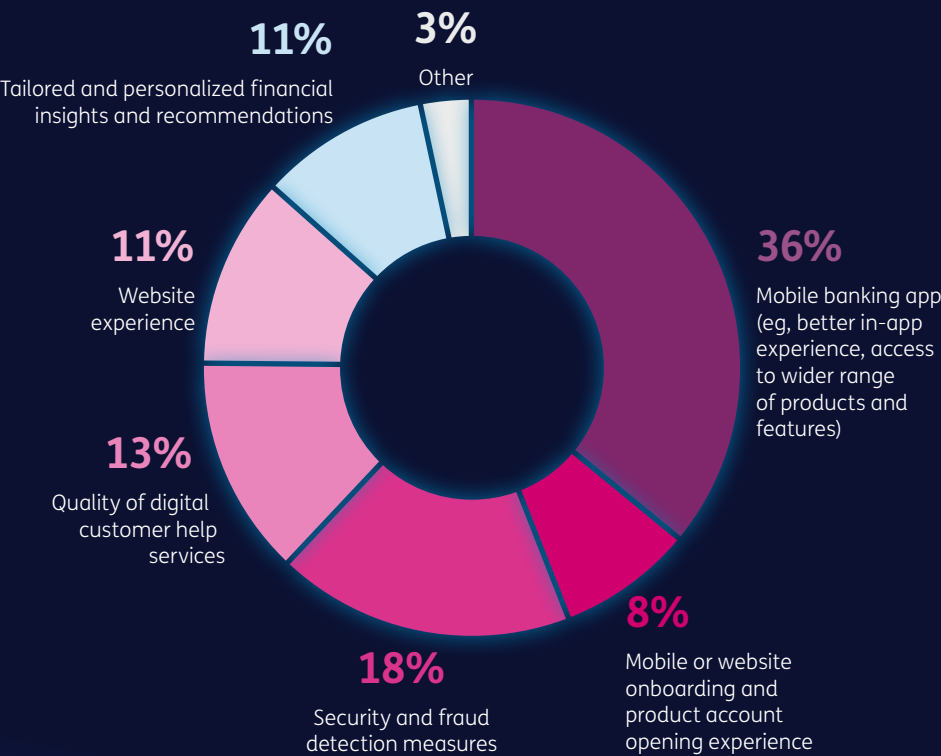
- Banks with superior mobile experiences show **12% higher return on equity** ⁴
- Banks with top-rated mobile apps experienced **36% higher deposit growth** over a three-year period ⁵

As more customers make use of mobile apps, their expectations are rising too. 44% of customers want a better mobile banking experience, making it their most-requested technology improvement. What are mobile users looking for? Better interface design, seamless onboarding, smart notifications, secure transactions, and broader product access.



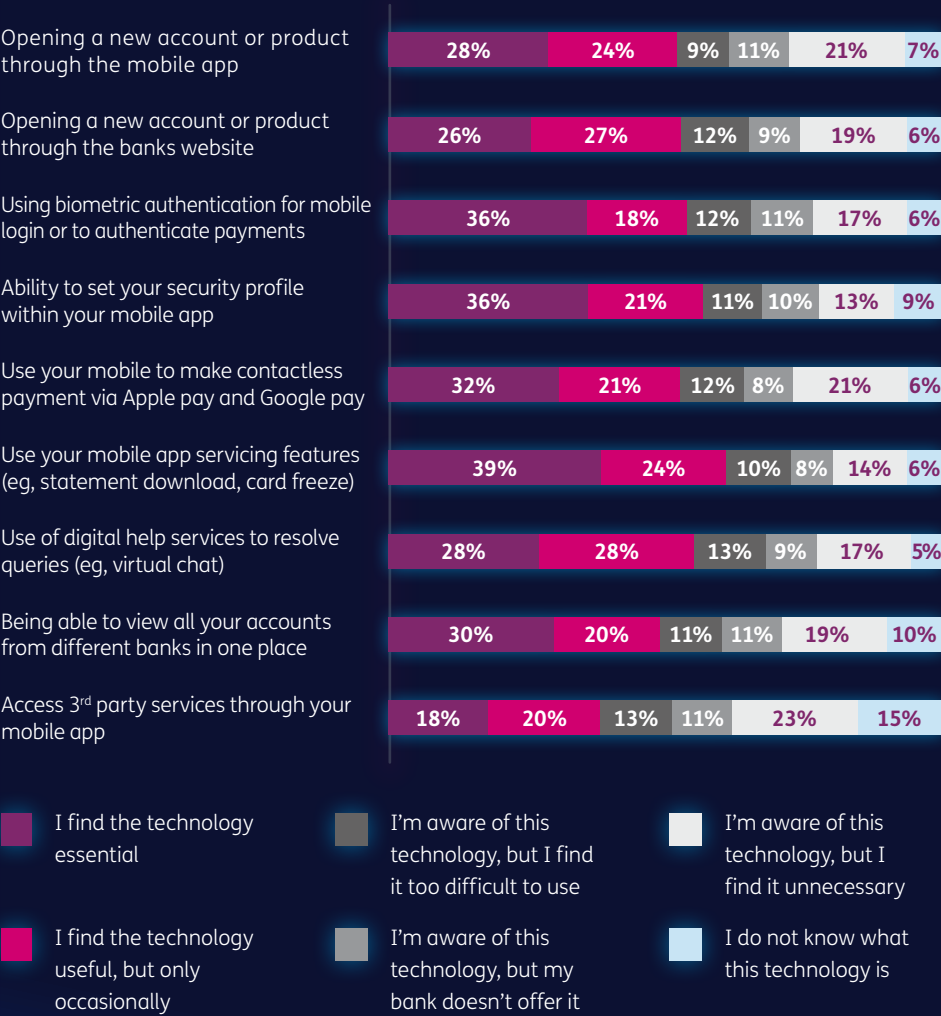
If your bank could improve one digital product or service feature, what would it be?

Mobile banking app experience is the most requested technology improvement.



What best describes your use of the following banking digital services?

Mobile app servicing and security features top as most useful digital features.



Mind the generation gap

What customers value most from a bank also depends on their age. Looking more closely at the reasons why customers switch banks, we see a generational divide.

- Customers under 55 that switch banks are mainly looking for better products, rates, and rewards, and better digital experiences; they also cited ethics as a key factor in switching.
- Customers over 55 tend to leave if a bank doesn't have a solid branch presence or strong customer service, showing that they value having personal interactions over digital with their bank.

The difference between these customer segments reflects the digital revolution in banking. A decade ago, physical branches were still central to most banking

relationships, and customers valued human-based branch interactions. Over time, customers have grown more accustomed to digital-first banking, seamless digital journeys, and are drawn more to value based financial products and incentives, in line with digital banking innovation and increased living costs over this same period.

However, while technology provides convenience, it's still people who facilitate all-important customer and societal connections – a reality recognized by both banks and regulators.

Our view is that retail banks need to find balance in their channel strategy, prioritizing digital channels (particularly mobile experiences) and right sizing the branch footprint, while exploring branch alternatives that support the community, so that choice and human interaction remain available to the end customer.

More banks are experimenting with new in-person concepts to attract customers and nurture loyalty

JPMorgan Chase is set to unveil 30 new-format branches across the US by the end of 2026.⁶ Designed with a high-end look and feel, these locations are exclusively targeted at more affluent clients.

Capital One, which first launched as a digital-only bank, has opened a string of “coffee shop banks” across some of the largest cities in the US, complete with fee-free ATMs, access to financial experts, and of course, a cup of joe.⁷

Bank of America has announced it is set to open 150 financial centers by the end of 2027, noting that when they open in a new location, not only do they drive branch sales but they see a 50% uptick in digital sales in the area too.⁸

150

financial centers are set to open by Bank of America by the end of 2027

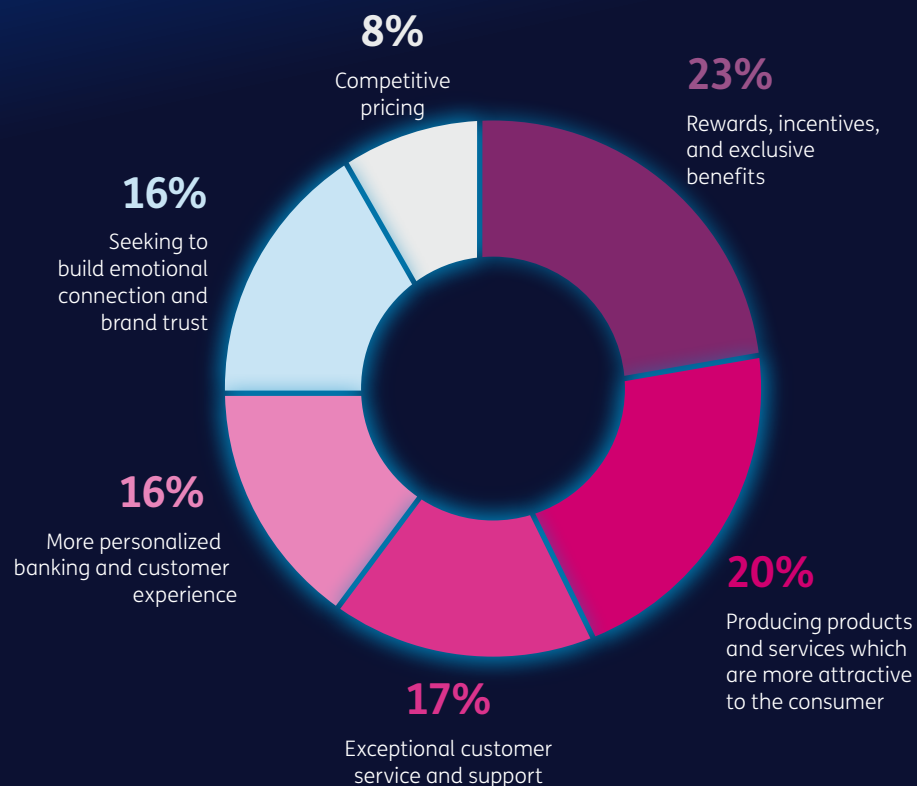


Executives recognize the need for better experiences

Retail banks know that a well-rounded experience leads to more satisfied customers, increased efficiency, accelerated growth, and greater value. The executives we surveyed echoed this sentiment and underscored that they are listening to customer demands.

For 23% of executives, enhancing customer rewards, incentives, and exclusive benefits is the main way they are seeking to lift loyalty. More than 20% are also focusing on producing products and services that customers want. This is an interesting observation, because from our perspective banks are trying to win customer loyalty through compelling propositions and incentives, such as current accounts with additional benefits or lower interest rates. While this may work in the short term, we feel that it only addresses part of the customer loyalty challenge.

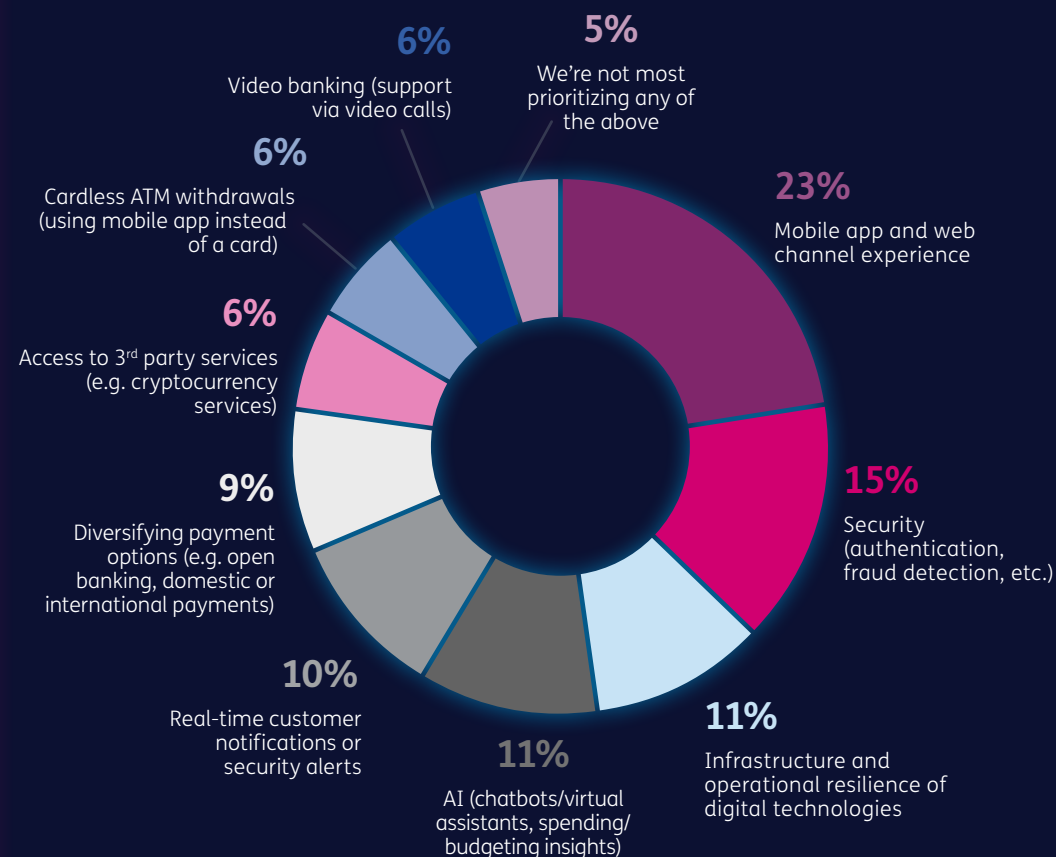
What, if anything, is the main way you are seeking to enhance customer loyalty?



However, executives do recognize the importance of the digital channel experience and the impact this has on the customer's perception of the bank.

Our survey highlighted that banks are seeking to build better experiences through technology, with 23% of executives confirming that improving the mobile and online experience is their top priority. This comes as no surprise. With the increased competition and innovation in the digital banking space, coupled with the increasing

Which of the following digital technologies are you most prioritizing for your customers?



online connection customers have with their phones through social media interactions, under-investing in your primary customer channel is simply not an option for the retail banking executive team.

Although banking leaders seem to be focusing on the right things, these efforts still aren't having the impact on customer loyalty. So why is this?

Legacy technology holds banks back from delivering what customers want

Over two-thirds of banking executives say that their current technology architecture is impacting their ability to support customer needs.

Among those who manage these systems daily, the numbers are even starker. 91% of COOs and 70% of CTOs stated that their current technology architecture is a hindrance to delivering customer loyalty. When the executives responsible for a bank's technology are pointing fingers at their systems, it's clearly a strategic problem that demands immediate attention.

Many banks are trapped in a technology execution challenge, fueled by three common issues that directly impact performance:

- **Lack of strategic focus.** With limited resources and an ever-growing list of transformation and regulatory initiatives, prioritization must be ruthless.

However, competing departmental objectives and conflicting success metrics often lead to scattered investments across multiple low-impact initiatives.

- **Slow pace and high cost of execution.** Banks struggle to deliver technology initiatives quickly due to talent gaps in critical roles and legacy systems that resist change. While rivals are speeding ahead with tech-first approaches, traditional players find themselves weighed down by inflexible legacy systems, inconsistent data, and outdated processes. Managing infrastructure consumes significant 'run' budgets for organizations, leaving little room for discretionary and transformational spend.
- **Failure to operationalize technology.** All too often, banks invest in shiny new platforms while under-investing in operational integration. If the technology is not properly embedded into the business and technology operations, even the best tech will fail to deliver transformational value.

63%

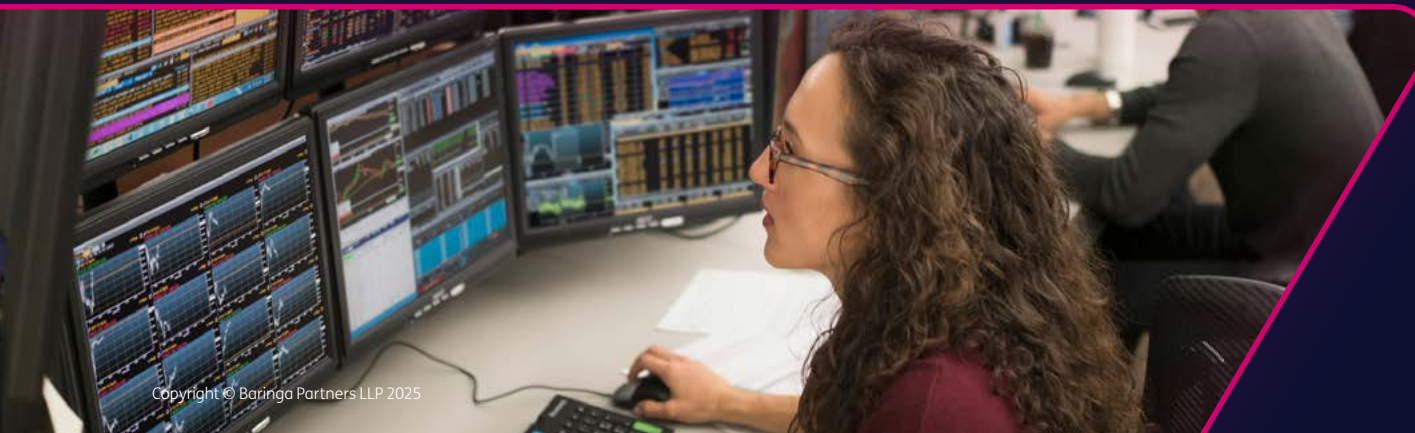
of banks have systems which rely on code written pre-2000s

77%

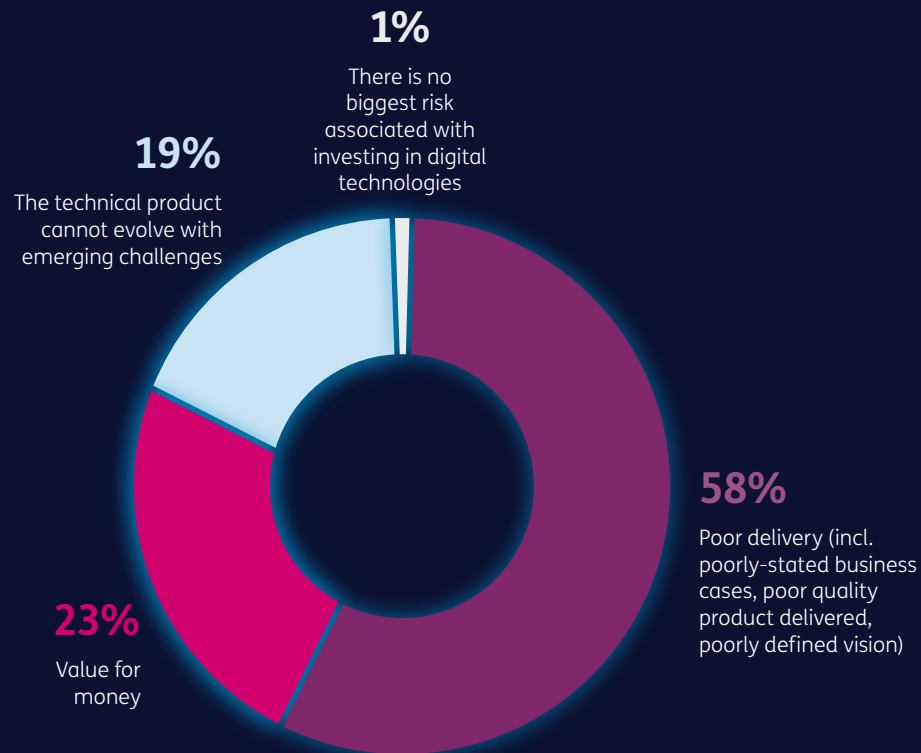
only have 1-2 people who have the skills and experience to operate their oldest systems

67%

think their entire tech stack would fail if the oldest systems stopped working



What, if anything, is the biggest risk associated with investing in digital technologies?

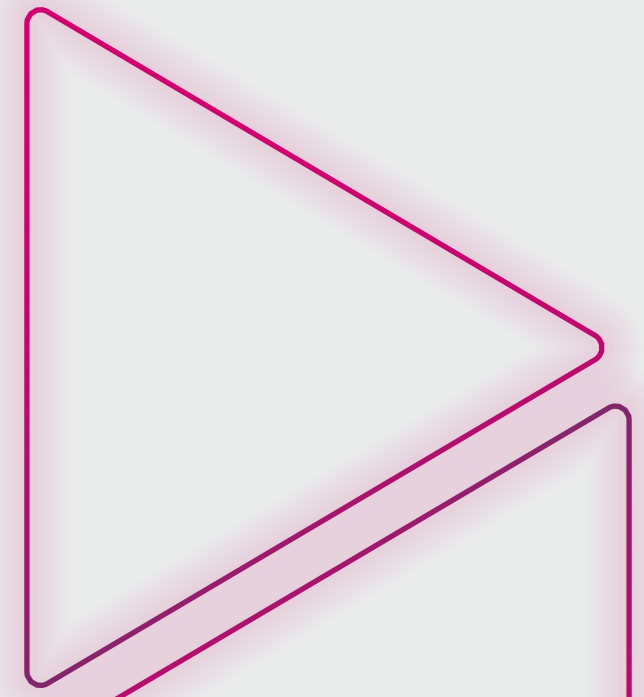


More than half of executives believe poor delivery is the biggest risk associated with investing in new digital technologies. This includes factors such as poorly stated business cases, poor product quality delivered, budget overrun, and poorly defined vision. A further 23% of executives cited value for money as the biggest risk associated with investing in new digital technologies.

Banks still have an opportunity to break free from legacy technology constraints and deliver customer experiences that drive growth and retention. However, this window is closing fast.

Every quarter spent maintaining outdated systems compounds the risk. Customer attrition accelerates. Regulatory scrutiny intensifies. And IT costs increase in line with inflation. For COOs and CIOs, the stakes couldn't be higher, with UK regulators holding SMF24s personally liable for legacy infrastructure failures and operational resilience breaches and US regulators increasingly exploring personal accountability for senior executives in cases of cybersecurity failures and operational resilience.

Success requires a fundamental shift in how banks build and sustain customer loyalty. We've distilled three interconnected steps to guide this transformation.



Three steps to strengthen banking customer connections

1

Clarify your business differential

What is your strategy to retain and delight your customers?

When undertaking digital transformation, organizations often fall into the trap of leading with technology. While the allure of new technologies is compelling, success requires clarity on your fundamental business purpose and what sets your organization apart from the competition.

While firms all have different drivers, they can no longer base differentiation on cost savings or efficiency alone. By focusing on differentiated services and experiences that truly resonate with customers, powered through technology, financial firms can create meaningful relationships that transcend traditional transactional interactions and drive sustainable customer growth and profitability over the long term.

You only have to look at Ally Financial to see this in action. The digital bank has a 95% customer retention rate and continues to grow its customer base, driven by a suite of personalized features.⁹ These include allowing customers to customize how they view their account information in the Ally app and leveraging insights to deliver a more tailored experience. Plans are also underway to gamify certain elements and help customers celebrate financial milestones.¹⁰

The key to making this shift lies in viewing technology and data not as the end goal, but as an enabler of exceptional customer experiences. This isn't a radically new idea – but very few banks are doing it well. Raising the bar requires a delicate balance between operational efficiency and service innovation, ensuring that technology investments directly contribute to building differentiated capabilities that enhance customer value and sustain competitive advantage.



Three steps to strengthen banking customer connections

2

Forge the ultimate digital spine

What technology do you need to enable superior experiences?

If banks want to improve their ability to deliver new products and meet the evolving needs of their customers, they need to reduce their reliance on legacy systems. Not only does legacy technology limit speed and scalability, it also accounts for more than 75% of IT budgets in many financial institutions,¹¹ leaving little room for innovation and new investments.

To build a modern technology architecture that enables unmatched service throughout a customer's financial journey, banks must reimagine how they operate and utilize technology. Only then can they create the ultimate customer experience while focusing on what truly differentiates them.

As a first step, banks should map the critical moments in a customer's financial life, such as opening a current account, obtaining a loan or mortgage, and managing lifetime investments. For each of these moments, banks need to define a core set of products and services, and focus on delivering an exceptional customer journey experience, through efficient, intelligent processes, and a clear technology and data strategy, which is underpinned by three core architectural dimensions.

1. **Build** the core technology and data 'spine' internally for personal differentiation
2. **Buy** external for commodity and repeatable processes
3. **Integrate** with third-party services and financial marketplaces



Three steps to strengthen banking customer connections

2

Forge the ultimate digital spine

Adopting a modern technology spine has several benefits. Banks can take steps to address the digital experience gap and focus on solving poor customer experiences, which are often the result of inflexible legacy systems and poor data management – for example, customers having to re-enter information multiple times or waiting days for processes that should be instant.

Rather than the traditional approach of building everything internally or the risky strategy of outsourcing core capabilities, the build-buy-integrate approach helps drive cost-effective innovation. Banks can maintain control over what makes them unique while benefiting from specialized third-party expertise in non-differentiating areas.

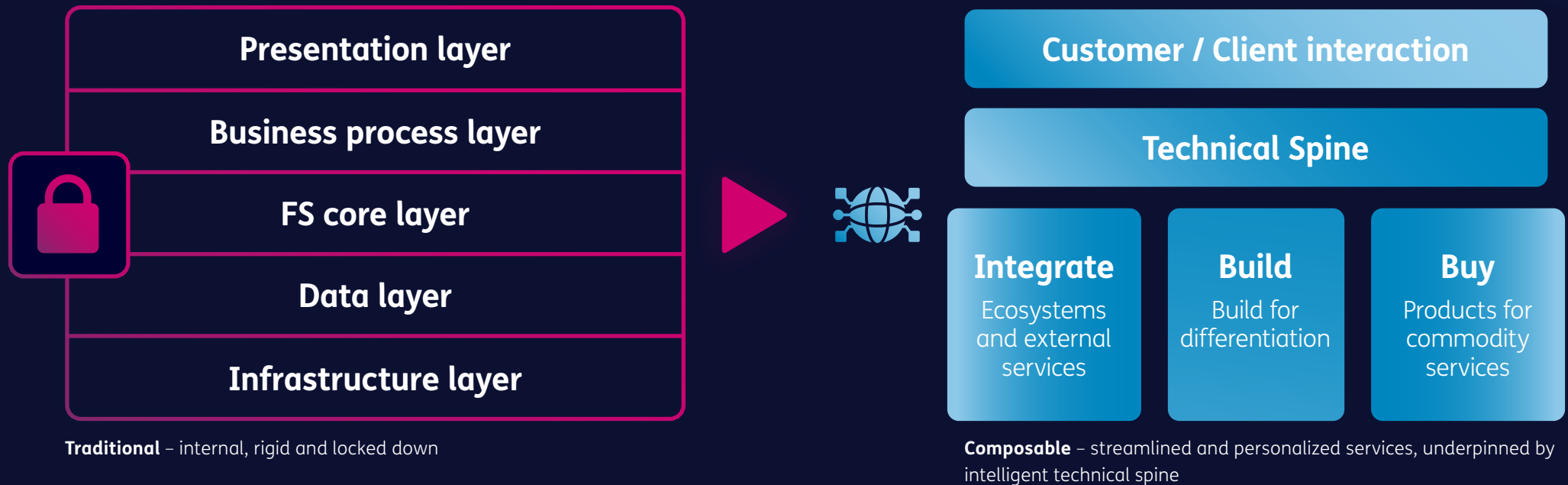
Critical moments like account opening or loan approval are where customer loyalty is won or lost. The build-buy-integrate approach allows banks to rapidly deploy new products by leveraging existing marketplace solutions while maintaining control over differentiating features. This speed is crucial when competing with challenger banks that regularly launch new products in weeks rather than months.

What does it take to build a modern technology architecture that enables unmatched service and lasting customer loyalty? Explore our series on [architecting loyalty in financial services for more details](#).



Three fundamental shifts for financial services institutions (FSIs)

1. Shift to composable FSI



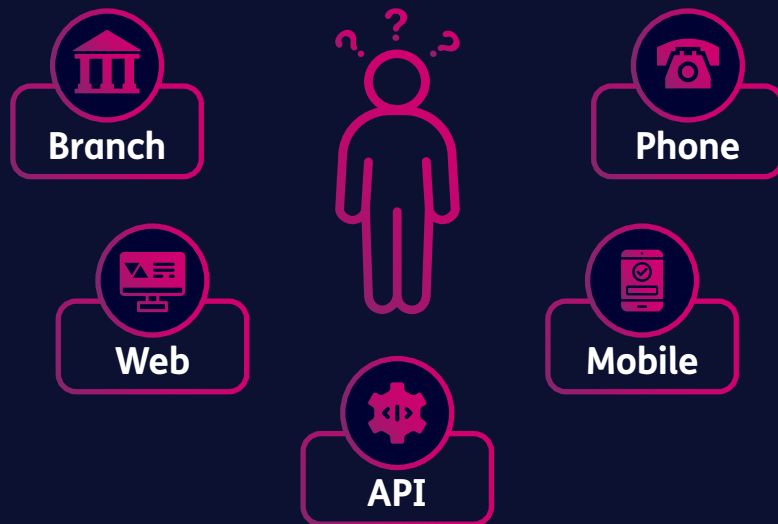
Key principles

FSIs need to define a core set of products and services and focus on delivering these with exceptional customer experience, underpinned by a technology strategy with three architectural pillars:

1. Build the core product and services internally using a technology 'spine' to deliver personal differentiation
2. Buy product and services externally for commodity and repeatable processes
3. Integrate with third-party services creating a financial marketplace

Three fundamental shifts for financial services institutions (FSIs)

2. Shift in channel primacy



Shift in channel primacy between FSI and client



Mobile-first approach, with personalized **customer-centric** services, supported by secondary channels

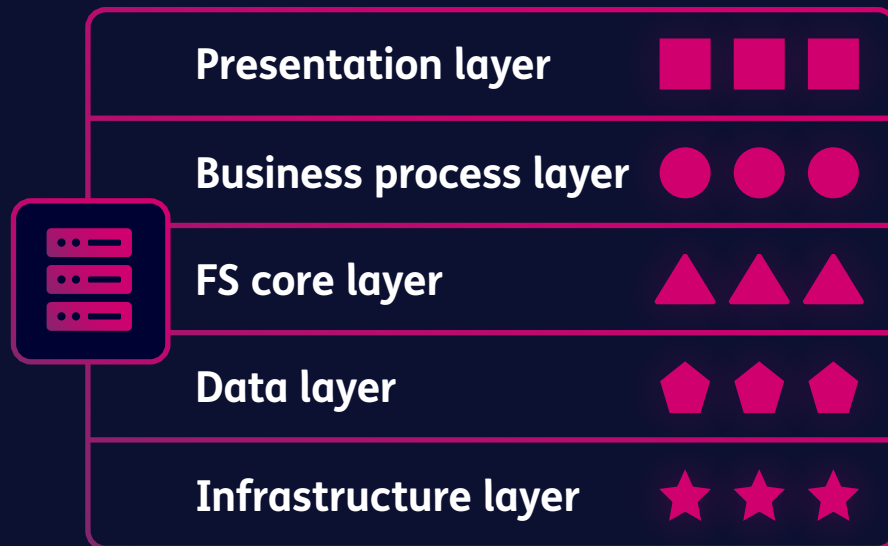
Key principles

1. **New channel primacy** with principle customer interaction through mobile
2. **AI agents and API connectivity** that provide personalized services and support, with human design

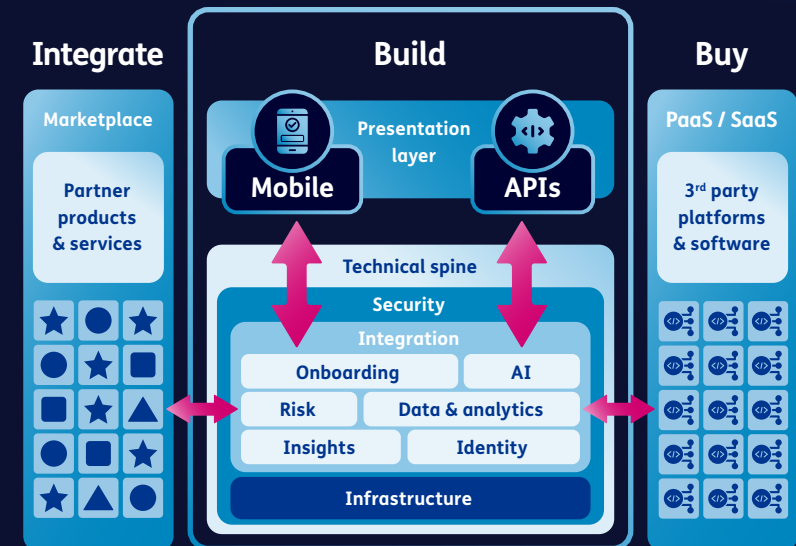
3. **Secondary channels** handle digitally disabled complex cases (eg, power of attorney) or shared capability – (eg, community hubs providing cash facilities)

Three fundamental shifts for financial services institutions (FSIs)

3. Shift in architecture



Conventional architecture – costly, inflexible and slow to change/innovate



An **integration-focused architecture** to enable rapid partner and 3rd party solution connectivity

Key principles

1. **Key differentiating customer experience functionality built within the technical spine** (identity, onboarding and insight) leveraging data and analytics, AI and risk
2. **Integration capability significantly uplifted** to ease 3rd party and partner integration
3. Non-differentiating functionality procured from **3rd party solution vendors**
4. Ecosystem of partners to **rapidly scale product offerings**

Three steps to strengthen banking customer connections

3

Embrace continuous change

How will your strategy, people, and culture support your efforts to transform?

Technology investment alone won't create the bank of the future. Success requires organizations to reimagine core elements of their business model, culture, and mindset.

The first shift lies in accepting that transformation never ends. Change on this scale will be a multi-year, multi-dimensional journey. Change leaders should aim to secure a consistent stream of investment that allows them to build enduring capabilities, not just solve today's problems. Every technology and data initiative should align with long-term strategic goals, creating compounding value across the organization.

The second shift involves making transformation everyone's responsibility. While technology drives change, this transformation can't be owned by IT alone. From boardroom to back office, everyone needs to be committed to making change happen. When transformation becomes embedded in organizational DNA rather than delegated to technical teams, banks can sustain the pace of change their customers demand.



Act now to unlock lasting value

Banks have an opportunity to re-establish enduring relationships that are rewarding for them and their customers alike. These relationships will serve as a solid foundation for future relevance, value, and growth.

But to achieve this, banks must make meaningful changes. They need to focus on what differentiates them to stand out in an intensely competitive landscape. They need to leave legacy behind and embrace new technology. They need to reimagine their operations and culture to deliver continuous change and maintain a relentless focus on the customer.

Firms that nail these fundamentals will achieve what 68% of today's executives admit they cannot – leveraging their technology to meet the needs of the customers. They will unlock greater value from existing relationships while creating the potential for entirely new frontiers of growth.

If you'd like to learn more about the results of our survey or explore how Baringa can help you architect better customer experiences, please get in touch.

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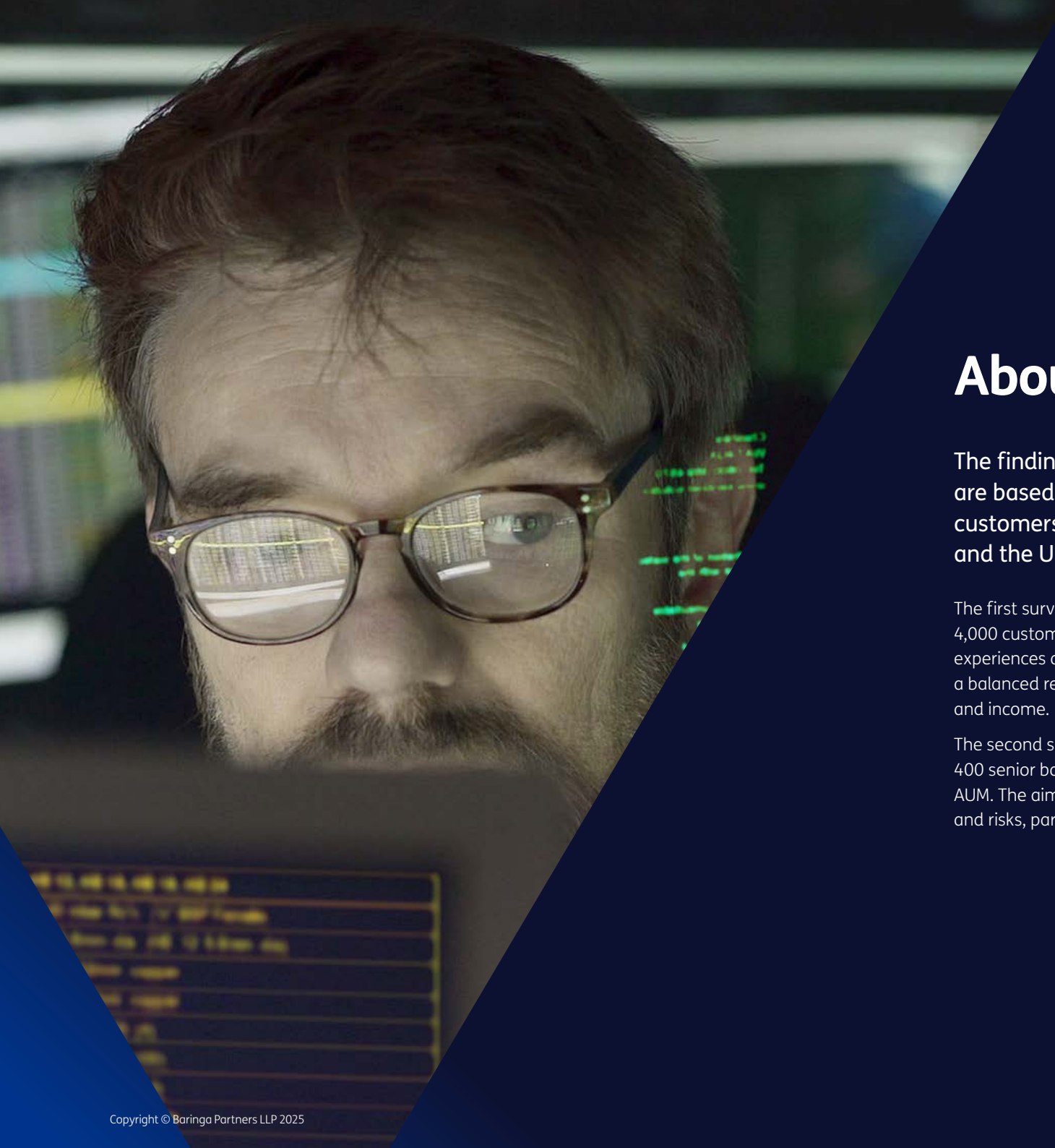


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About the research

The findings of Baringa's retail banking report are based on two separate surveys, with banking customers and executives from the United States and the United Kingdom.

The first survey took place from March to April 2025 with 4,000 customers, who answered 20 questions about their banking experiences and what they are looking for in a bank. We targeted a balanced representation of customers in terms of age, gender, and income.

The second survey, carried out from March to April 2025, involved 400 senior banking executives in banks with \$500m+ revenue and AUM. The aim was to understand their primary focus areas, challenges and risks, particularly around customer engagement and technology.

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