

South African Banking Sentiment Index

2019

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The data presented in this report has been subject to quality assurance on 23 October 2019. Possible subsequent changes in figures are in line with data suppliers' terms and conditions.

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Executive summary

Nedbank claimed top spot and Capitec delivered best customer experience

Nedbank overtook Capitec in overall Net Sentiment. Nedbank's rise was driven by its successful corporate social investment (CSI) initiatives. Capitec had the best customer experience Net Sentiment. This suggests that in operational terms, consumers still perceive Capitec to be the best performing bank. FNB was impacted by several reputational events throughout the year, which resulted in the bank receiving the lowest Net Sentiment for 2019.

Allegations of unethical conduct and fraud complaints impacted banks

FNB, Absa and Standard Bank were implicated in several issues that negatively impacted their sentiment, namely:

- allegations by Emerald van Zyl of discrimination against black clients
- unauthorised debit orders and the resulting issues arising from consumers dealing with these fraudulent transactions.
- Bankorp bailout case
- allegations of historical rand fixing
- FNB's "free money" incident
- the conversation about retrenchments in the industry

Nedbank's campaigns drove its leading Net Sentiment performance

Nedbank's partnership with Global Citizen significantly improved the bank's overall performance in terms of Net Sentiment. When CSI campaigns and sponsorships were excluded from Nedbank's data, Net Sentiment drops from +20.4% to -8.1%.

Capitec's affordability and ease of use drove customer loyalty

Capitec was most positively compared to other banks. Affordability remains the key point of positive comparisons. This was largely driven by the announcement that the bank would reduce its fees in 2019 which resonated with a price-sensitive consumer base. The introduction of cash sends ensured that withdrawals and deposits became a primarily positive point of comparison in 2019.

FNB and Capitec were the preferred alternatives for consumers looking for a new bank

FNB and Capitec were most often cited as a preferred alternative when consumers threatened to leave their banks. Standard Bank had the highest proportion of customers threatening to leave their bank while citing other banks. This suggests that Standard Bank clients may be at greater risk of churning, given that other options are being directly considered in cancellation threats.

Foreword

The notion that increasingly discerning, vocal customers expect their banks to simultaneously provide an exceptional experience, value-for-money service and high levels of security is not new.

For more than a decade, South Africa's biggest banks have ploughed huge sums of money into addressing such needs as critical business imperatives. Every bank's vision or values mentions customer-centricity, and yet their data shows that banking customers are only getting more frustrated over time, disappointed with what they perceive to be unsuitable products, poor customer service and unethical behaviour. How can this be?

BrandsEye's in-depth analysis revealed that reasons for decreasing customer sentiment are nuanced and that for banks there is immense value to be found in understanding how to use such structured customer feedback to inform their strategies and direct their investment prioritisation.

If one scratches beneath the surface of the shifts in Net Sentiment, it soon becomes apparent that not all is as it seems, which necessitates the unpacking of customer sentiment in online mentions. This dip and rise in sentiment can not be explained away as a systemic industry problem, and nor is it simply a case of CSI and marketing initiatives exaggerating their overall sentiment scores. Why? Because customers across the sector still feel service is lacking.

The inclusion of the "digital" banks for the first time is heartening, as they set out to challenge the banking industry status quo. As their value propositions evolve, it will be interesting to see if these financial institutions can achieve and maintain positive sentiment as they scale; and if the effects of launching free from legacy headaches will influence the people's choice in banking providers.

In the course of providing industry-shaping advisory services to financial sector businesses throughout Africa, it is imperative that Deloitte can rapidly understand not only how customers feel about brands, products, service or ethics, but most importantly, the ability to extract and translate the intentions customers are expressing. Real-time access to categorised insights is just a few clicks away, with BrandsEye's new risk, purchase, cancel, and service priority tags. Our teams and clients have access to the actionable insights they need to hone the competitive edge they crave in today's fast-moving digital world.

Our partnership with BrandsEye gives us the deep contextual insight and expertise necessary to help clients to identify, activate and sustain the authentic, profitable customer-centricity they have been chasing for so long. With such actionable, contextual customer insights, there's simply no excuse for financial institutions not to give their customers exactly what they want.

Let's hope we see happier customers in next year's index.

Heidi Custers

Digital Transformation Ecosystem Lead

Deloitte Africa

Deloitte.

Introduction

BrandsEye's 2019 South African Banking Sentiment Index assessed consumer sentiment towards the five largest retail banks in South Africa. The index explores the main themes influencing consumer sentiment, an analysis of customer experience, churn risk and acquisition opportunities.

For the first time, the index includes an analysis of new entrants, Bank Zero, Discovery Bank and Tyme Bank.

Customers per bank

Latest publicly available numbers for FY 2018/19¹

Absa	Capitec	FNB	Nedbank	Standard Bank
–	11.4 million	±8.2 million	7.9 million	8.1 million

¹ Source: Business Tech – <https://businesstech.co.za/news/banking/339319/battle-of-the-banks-south-africas-big-5-banks-compared/>

Absa's customer figures for FY 2018/19 were not published.

Methodology

1 900 350 social media mentions about South Africa's five major banks were retrieved for the period 1 September 2018 to 31 August 2019. The banks analysed were Absa, Capitec, FNB, Nedbank and Standard Bank.

68 546 mentions about the three new entrants, Bank Zero, Discovery Bank and Tyme Bank were also collected.

Data sources include all main social networks, including Twitter, Facebook, Instagram as well as multiple other online sources. Marketing posts authored by the banks were excluded from the analysis.

Sentiment methodology

To carry out sentiment analysis with a 95% confidence level and an overall 0.14% margin of error, a random sample of 387 188 of these mentions were processed through BrandsEye's Crowd of human contributors for evaluation and verification. Mentions were assigned sentiment scores of positive, negative or neutral.²

Net Sentiment is an aggregated customer satisfaction metric, used to measure public opinion towards a brand, product, person or concept. It is calculated by subtracting total negative conversation from the total positive conversation (Net Sentiment = % positive conversation – % negative conversation). Net Sentiment is used throughout this index to measure performance.

Topic analysis methodology

Topic analysis enables a granular understanding of the specific themes driving consumer sentiment. A sample of 152 851 sentiment-bearing mentions (only positive and negative) was sent to the Crowd, who identified which of the 73 pre-defined banking topics were contained in each mention.

Six broader topic themes encompass the 73 topics. The broader themes are *customer service, ethics or reputation, banking facilities, banking products, staff or HR, and pricing*. Mentions can be assigned more than one topic, allowing for a more detailed analysis of issues influencing consumer sentiment.

² A detailed explanation of the Crowd and its structuring process is contained at the end of the report.



BrandsEye's retail banking topic wheel contains 73 conversation topics

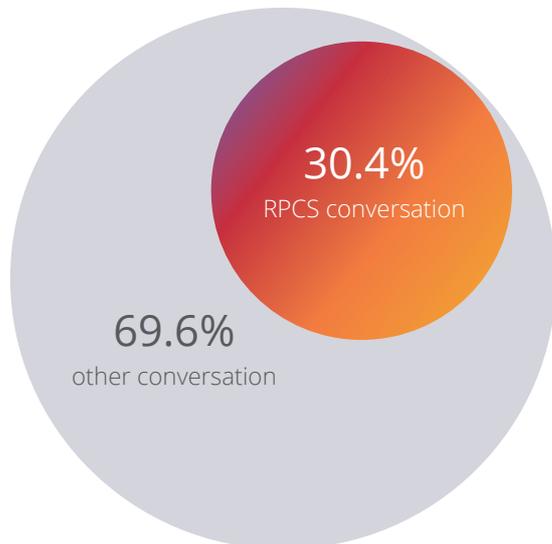
Identifying priority conversation for the banks

Some of the conversation that banks receive on social media is of little consequence. To focus on the interactions that matter, valuable customer interactions were identified by the Crowd and classified using four priority tags: *risk*, *purchase*, *cancel* and *service*. These tags identify, from within all of the social media noise, the conversation that pertains to conduct in the market, customer experience, and customer service.

Risk mentions pose an immediate risk or relate to a regulatory framework. Purchase mentions are from prospective customers who want to sign up to a bank's product or service. Cancel mentions are from customers looking to leave their bank. Service mentions are from customers that require service or are describing their experience of receiving service.

Approximately 200 000 mentions were sampled through the BrandsEye Crowd for priority tagging. Of this sample, 30.4% of the conversation was categorised with one of the four tags. Extrapolated data shows that out of almost 2 million non-marketing mentions over the reporting period, nearly 560 000 can be considered "priority conversation".

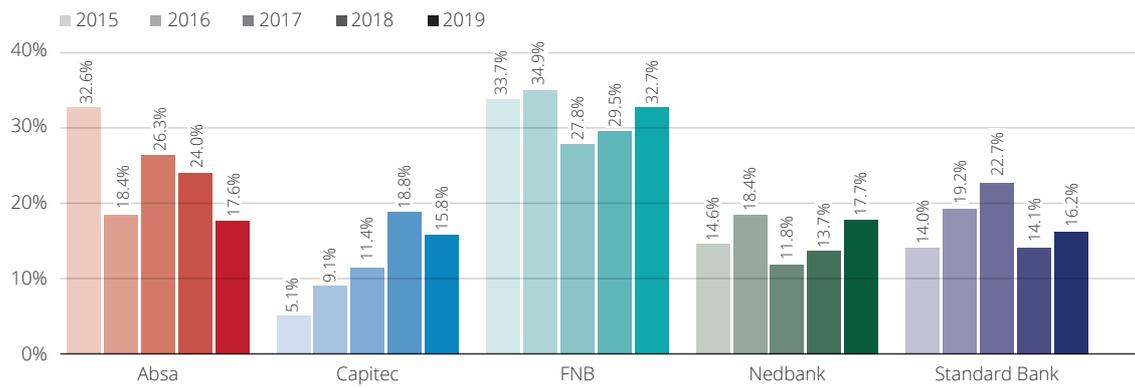
30.4% of total banking conversation is comprised of priority issues



Industry overview

Share of voice

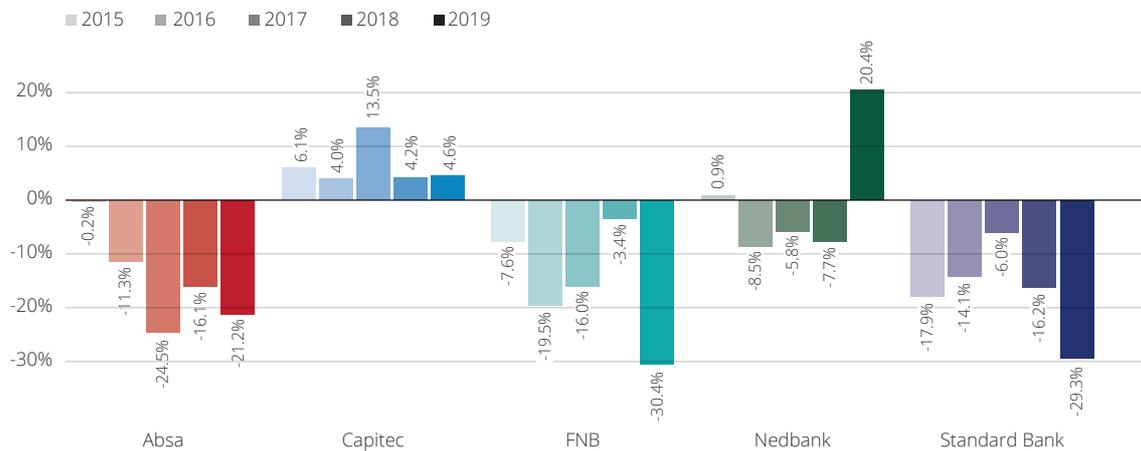
% share of voice per bank



South Africans continue to use social media as a platform to share their banking experiences. FNB maintained the largest share of voice and increased its share by 4.1 percentage points from 2018. Nedbank and Standard Bank also increased their share of voice. Capitec and Absa's share of voice both showed a decline over the last year.

Net Sentiment performance

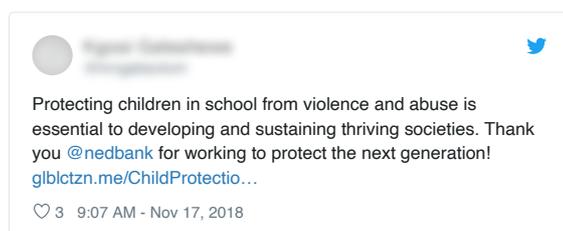
Net Sentiment comparison 2015-2019



Consumers have become more negative about their banks in 2019. Since 2018, aggregated consumer sentiment towards these banks has declined by 4.2 points. The decline may be caused by several challenges facing the sector, including allegations involving senior banking officials, claims that banks overcharged clients, retrenchments, and continued account fraud via unauthorised debits. It is compounded by the adverse economic climate, which has increased price sensitivity and political rhetoric among consumers.

Nedbank had the highest Net Sentiment for 2019. This was primarily a result of its campaign in partnership with Global Citizen. Capitec placed second and sustained its impressive streak as the only bank to continuously maintain a positive Net Sentiment score over multiple years. Absa placed third, with a five-point decline from 2018.

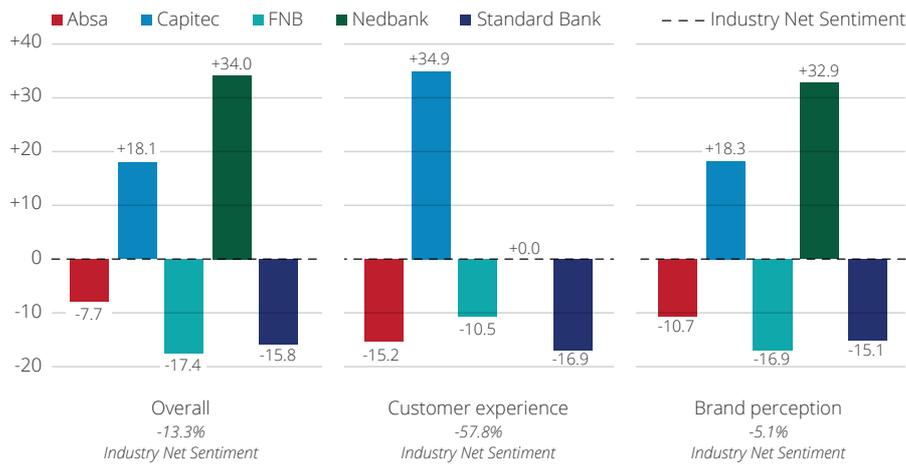
Standard Bank placed fourth, moving up a position from 2018. FNB had the largest decline in Net Sentiment of -27 points and had the lowest overall Net Sentiment.



Customer Experience (CX)

Capitec leads CX while Standard Bank places last

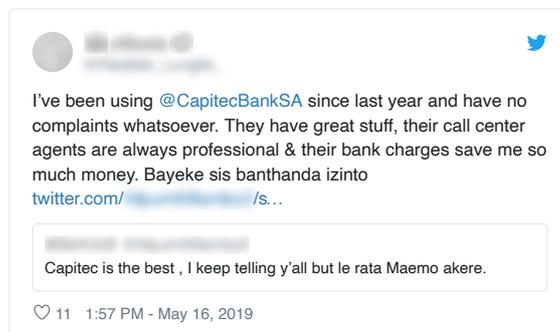
% point deviation from the average industry score



The overall Net Sentiment score comprises all consumer mentions, including customer experience (CX), which reflects the brand's operational performance and reputational feedback, which reflects impressions of the brand from other sources. When operational and reputational feedback is separated, the results paint a clearer picture of what factors contributed to the overall Net Sentiment scores. This separation ensures that the reading of operational performance is not skewed by marketing, PR and CSI efforts, and vice versa.

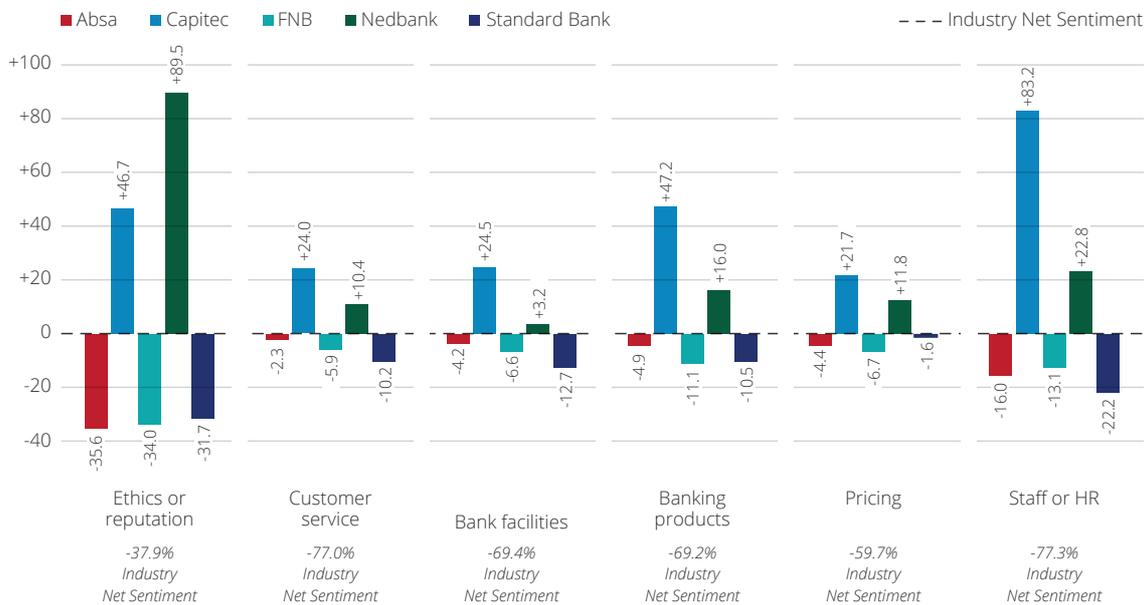
Nedbank's industry-leading Net Sentiment score was driven in large part by brand perception and their sponsorship of the Global Citizen events. On CX, they still performed well, placing second behind Capitec.

Capitec led the sector on CX performance. While FNB had the third-highest CX score, their low brand perception score explains their overall low Net Sentiment. Standard Bank's CX sentiment was the lowest in the industry, suggesting that there are significant opportunities for the bank to improve operationally.



Consumers are unhappy with pricing and service

% point deviation from the average industry score across six broader topics



While consumers were generally more negative about their banks in 2019, two topics stand out for their significant decline in sentiment. *Pricing* declined by 51.5 points and *banking products* by 46.5 points. These declines reflect the tough economic climate faced by consumers.

Capitec and Nedbank performed better than the average industry score in 2019 across all broader topics. Nedbank had the highest Net Sentiment score for *ethics and reputation*; this was driven by the Global Citizen campaign and other CSI initiatives.

Capitec had the highest Net Sentiment for all other major topics. As expected, Capitec’s low banking charges – in particular, its announcement that it would cut fees in February – ensured that its sentiment was 83.2 points above the industry score. Another significant deviation pertained to Capitec’s performance on banking products. Although still net negative, it was the best performing in the industry and was driven by several factors, including the introduction of cash sends, as well as increased anticipation for the launch of business banking.

Absa, FNB and Standard Bank all fell below the industry average score for all broad topics. Absa had the lowest Net Sentiment out of the industry for *ethics or reputation*, scoring over 35 percentage points below the industry average.

In 2019, *ethics and reputation* remained a key concern for consumers. Absa and Nedbank had the most conversation on this topic. Absa's negative sentiment was driven by socio-political events while Nedbank was overwhelmingly positive and linked to the Global Citizen campaigns. Consumers are sensitive to the conduct of their financial service providers, particularly when they feel they, or other consumers, have been unfairly treated. Banks need to monitor this conversation to manage risk and address conduct issues before they are raised with regulatory authorities.

Several allegations and news events damaged consumer sentiment towards Absa over the year. Combined, these allegations contributed to a 4.1 point drop in Absa's Net Sentiment. Allegations included the Bankorp bailout case involving the Public Protector, conversation about former Absa CEO Maria Ramos' leadership of the bank during a period in which alleged rand fixing occurred, her alleged funding of President Cyril Ramaphosa's campaign in 2017, and the citing of Absa accounts at the State Capture Inquiry.

Customer service was the second most spoken-about topic. This is unsurprising as social media is growing as a preferred platform for service queries and complaints. FNB and Standard Bank had high volumes of conversation about *customer service*. *Customer service* sentiment had less overall variance within the industry. Standard Bank had the lowest score for customer service.

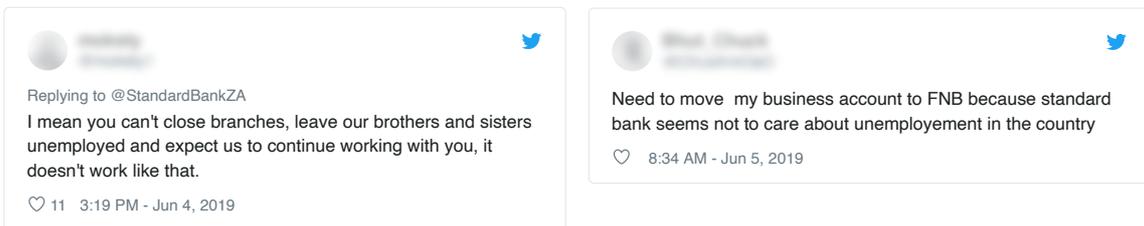
Standard Bank's *facilities* also scored the lowest in the industry; this was largely a result of its March announcement that 91 branches would be closed, as well as an incident involving a customer driving her vehicle into a Boksburg branch due to frustration over poor service.

FNB and Standard Bank had high volumes of conversation about *banking products*, a trend driven by claims that both banks had overcharged home loan clients. This fed into higher conversation volumes for the same banks' *pricing*.



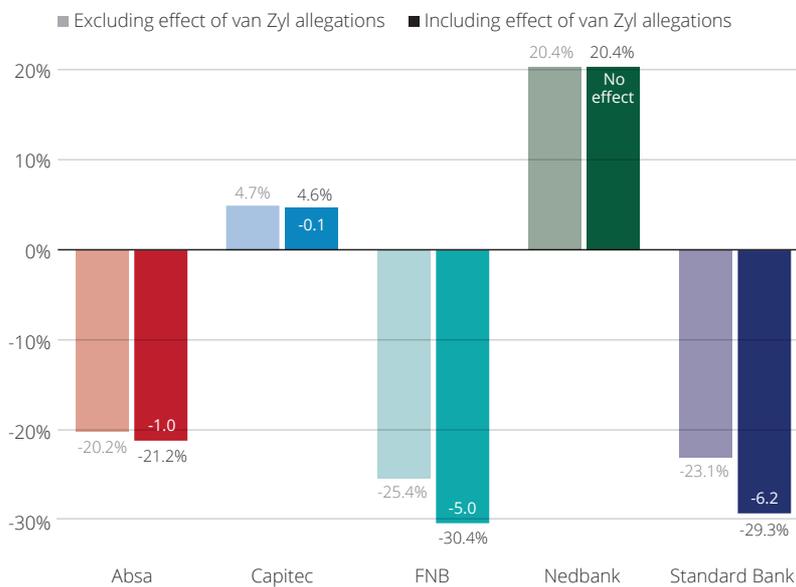
FNB scored the lowest sentiment for both *banking products* and *staff or HR*. This was broadly a result of allegations that consumers were overcharged for home loans and claims that senior leaders at the bank were complicit in this, as well as unauthorised debits on clients' accounts.

Standard Bank had higher volumes of conversation about *staff or HR* due to the bank's plans to close 91 branches and associated retrenchments at the bank. Branch closures are likely to remain a key concern in online feedback. As digitisation and automation of banking services steadily increase, consumers, labour, and online activists are particularly sensitive to job losses amidst a high unemployment rate.



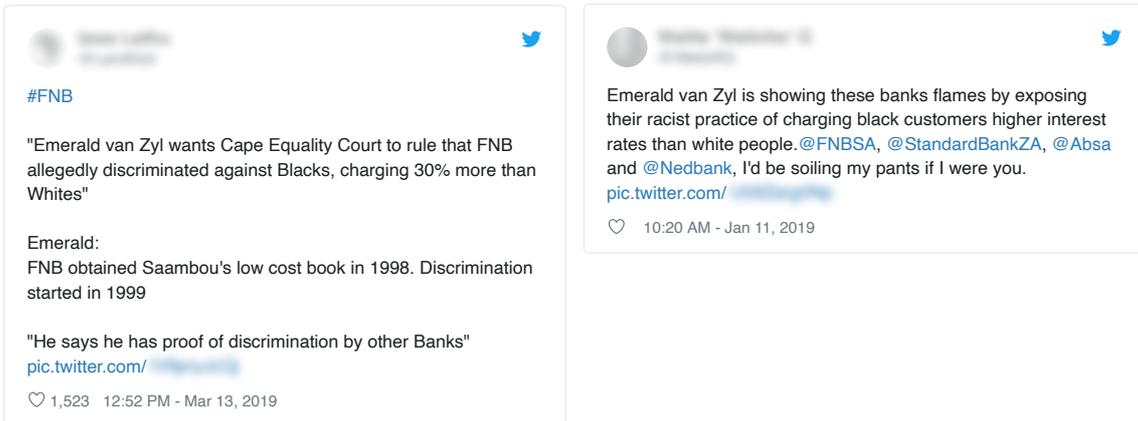
Emerald van Zyl's impact

Impact of Emerald van Zyl's investigations on Net Sentiment



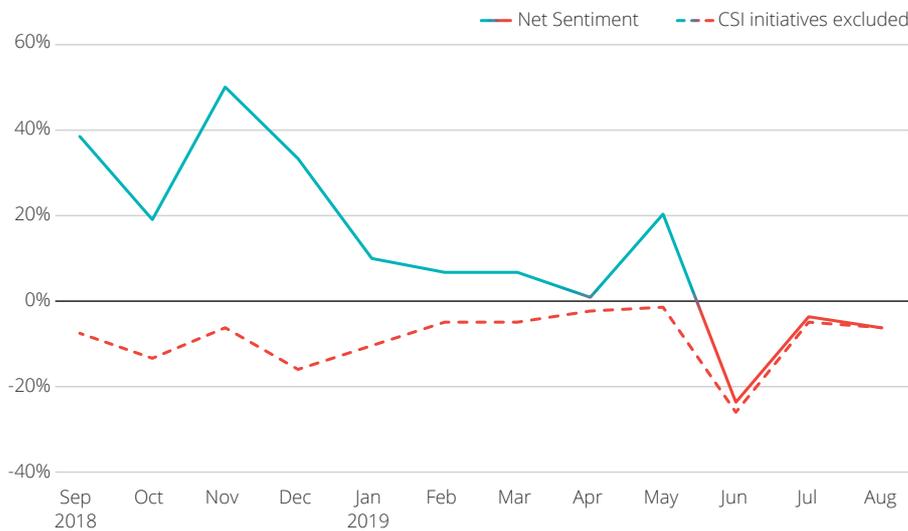
Emerald van Zyl, a private financial consultant who conducted investigations on banking charges, had a significant impact on sentiment in the sector in 2019.

The graph above displays the impact of van Zyl's allegations about the five major banks. This analysis was completed using a content match search including references to van Zyl, as well as interactions with van Zyl's profile. As such, the impact on consumer Net Sentiment is likely to be even higher. Van Zyl's allegations that banks overcharged on home loan clients had the largest impact on Standard Bank and FNB due to the nature of the claims.



Nedbank's CSI and campaign work pays off

Measuring the impact of Nedbank's CSI initiatives on its Net Sentiment



Nedbank's partnership with Global Citizen played a crucial role in the bank placing first in overall Net Sentiment. When removing the conversation data about CSI campaigns and sponsorships, Nedbank's overall Net Sentiment declines from +20.4% to -8.1%.

Nedbank's partnership with Global Citizen involved incentivised social media posts via the Global Citizen app and website. These posts were pre-written and auto-generated by Global Citizen, about causes such as childhood development, female empowerment and environmental issues, and referenced Nedbank's involvement with them. While these posts likely improved overall consumer perception of the bank, the bank's performance on operational issues remained stable from 2018. Furthermore, the campaigns did not trigger significant engagement from consumers outside of the pre-written posts from the Global Citizen app and website.

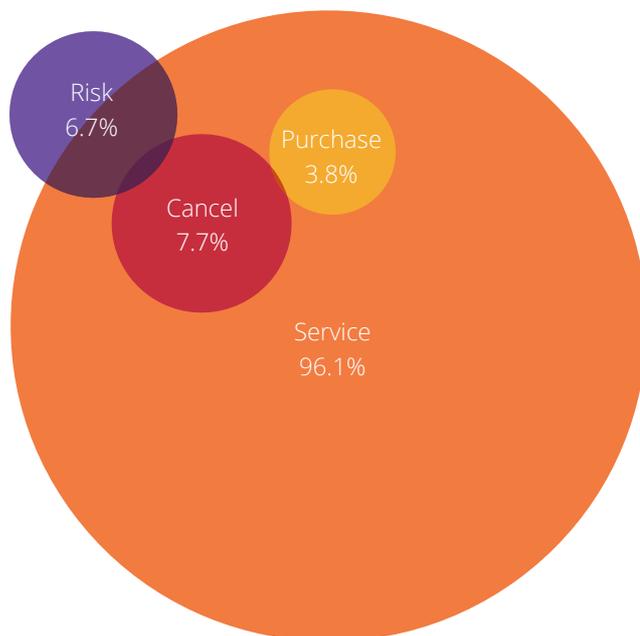


Risk, purchase, cancel and service analysis

For this analysis, *purchase*, *cancel* and *service* analysis was completed for the full-year range (September 2018 - August 2019), while the *risk* analysis pertains to three months (June to August 2019).

Not all of the online conversation that banks receive requires a response. Some customer interactions are of higher value. To ensure that our analysis prioritised the most valuable customer interactions, we applied the *risk*, *purchase*, *cancel*, and *service* tags to the priority conversation data.

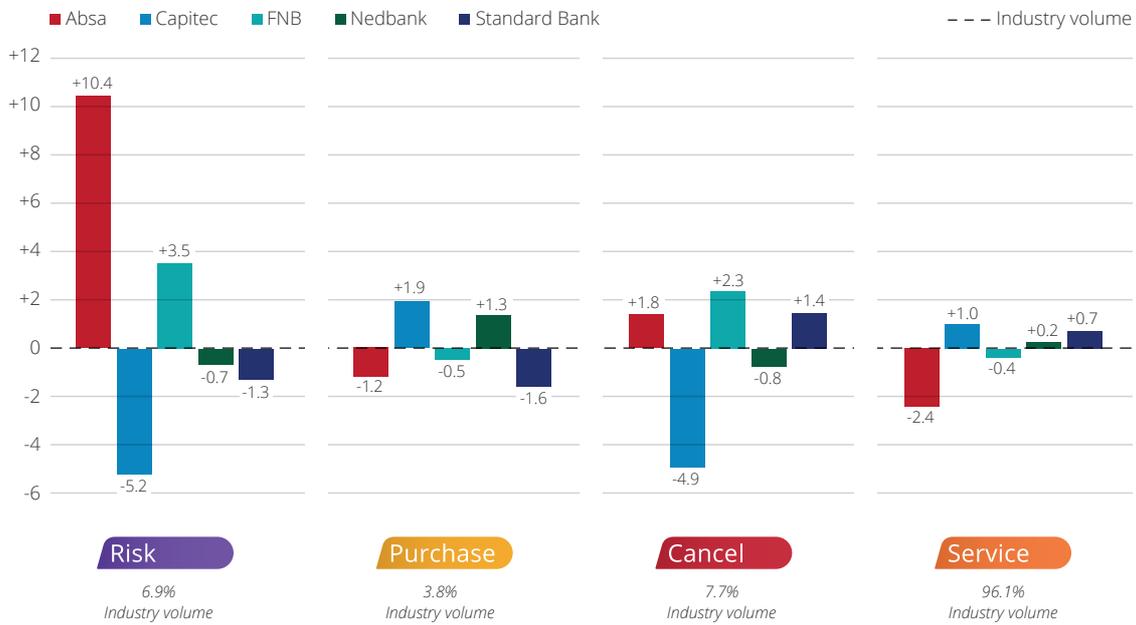
Approximately 200 000 mentions were sampled by BrandsEye's Crowd for the priority tags, *risk*, *purchase*, *cancel*, and *service*. Of this sample, 30.4% of conversation had one of these tags applied.



Service mentions comprised the majority of priority conversation, followed by cancellation conversation, mentions citing risk, and finally conversation expressing intent to purchase.

Prioritising the most valuable customer interactions

% point deviation from industry average volume across four priority tags



Absa and FNB had higher than industry average conversation volumes for *risk* and *cancel*.

Standard Bank had lower than average *risk* conversation although the bank still had lower *purchase* opportunity and higher than average *cancel* conversation.

Capitec had the lowest volume of *risk* conversation, the highest *purchase* opportunity and the lowest volume of *cancel* conversation. This dovetails with the bank's overall strong CX performance.

Risk

Risk mentions are the conversations which pose an immediate risk or relate to the market conduct regulatory framework.

Socio-political issues drove risk

Five largest risk factors according to the volume of priority conversation

	Accusations of unethical behaviour	Discrimination	Security and privacy concerns	Fraud reports	Threatening legal- or regulatory action
Industry	4.8%	0.6%	0.5%	0.4%	0.2%
Absa	14.1%	1.0%	0.6%	1.0%	0.6%
Capitec	1.1%	0.1%	0.2%	0.2%	0.0%
FNB	6.6%	1.2%	1.3%	0.5%	1.0%
Nedbank	3.9%	0.6%	0.2%	0.3%	0.4%
Standard Bank	3.8%	0.5%	0.3%	0.5%	0.5%

■ Top outliers above the industry average

Risk factor definitions

 **Accusations of unethical behavior**
Author feels that the bank has done something illegal, ethically wrong or is complicit in others doing so.

 **Threatening legal or regulatory action**
Author is threatening legal action against the bank, including involving regulators or the ombudsman.

 **Information disclosure**
This is where the consumer claims that the bank has misled them, or did not give them all the information about a product or service.

 **Discrimination**
The bank is supporting inequality, being discriminatory, or racist.

 **Protests or boycotts**
Author commits to boycotting or protesting the bank or encourages others to do so.

 **Security and privacy concerns**
Allegations that the bank lacks security for personal information or private data. Includes leaks, hacks and/or GDPR.

Absa's percentage of *risk* conversation including *allegations of unethical behaviour* was 9.3 points higher than the industry score. This was primarily driven by the conversation around Maria Ramos' 2017 apology for Absa's role in price-fixing and market allocation in the trading of foreign currency pairs involving the rand.

The conversation about developments around Busisiwe Mkhwebane’s case against Absa for the Bankorp bailout also featured prominently in conversation.

FNB was also implicated in conversation around *allegations of unethical behaviour*. This involved complaints that clients impacted by the Free

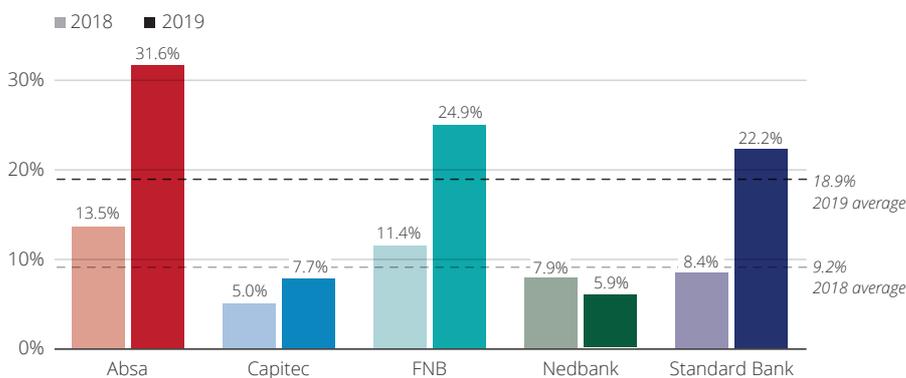


Money incident in August were charged for the alleged error reversal. Claims that the bank was complicit in allowing unauthorised debit orders was another issue cited here. Another theme that arose from *allegations of unethical behaviour* centred on claims that FNB froze the bank account of Black First Land First (BLF) because the organisation had a cost judgement against it. This allegation arose amid news reports that the High Court had ruled that banks are required to obtain permission from consumers before transferring account funds to pay amounts due under a credit agreement. Busisiwe Mkhwebane also featured in this conversation, with news that FNB was allegedly investigating her personal bank account for exchange control violations also triggered a backlash by consumers who attempted to defend the Public Protector. Other complaints pertained to negative-option marketing, where the bank allegedly regarded non-response as consent.

Discrimination conversation for FNB centred on allegations around overcharging black clients for home loans. These allegations sparked accusations that the bank was sustaining “white monopoly capital”.

Fraud, corruption and scams have increased by 105% YoY

The conversation about fraud, corruption and scams in 2018 and 2019



The *fraud, corruption and scams* conversation increased significantly in 2019, from 9.2% to 18.9%. Absa, FNB and Standard Bank had the most significant increases. This is likely due to a combination of an increase in news coverage of socio-political events and heightened consumer awareness around fairness, particularly after the 2018 Momentum non-disclosure case.

Purchase

Capitec and FNB had the greatest number of prospective customers speaking about them

% of industry purchase conversation



Purchase mentions are the conversations from a prospective customer who wants to purchase a product or service from a bank.

The above graph displays the percentage of each bank's purchase conversation in relation to the industry volume over time.

Capitec's largest spike in consumers talking about purchasing in February centred on its announcement that the bank would cut fees in several areas. Furthermore, 37% of Capitec's *purchase* conversation included consumers using the hashtag #ReachingGoals, where consumers expressed interest in joining Capitec to save to purchase a house.

Capitec experienced another spike in May, this primarily comprised consumers asking what documentation was required to open an account, as well as consumers asking for Capitec to offer business banking options.

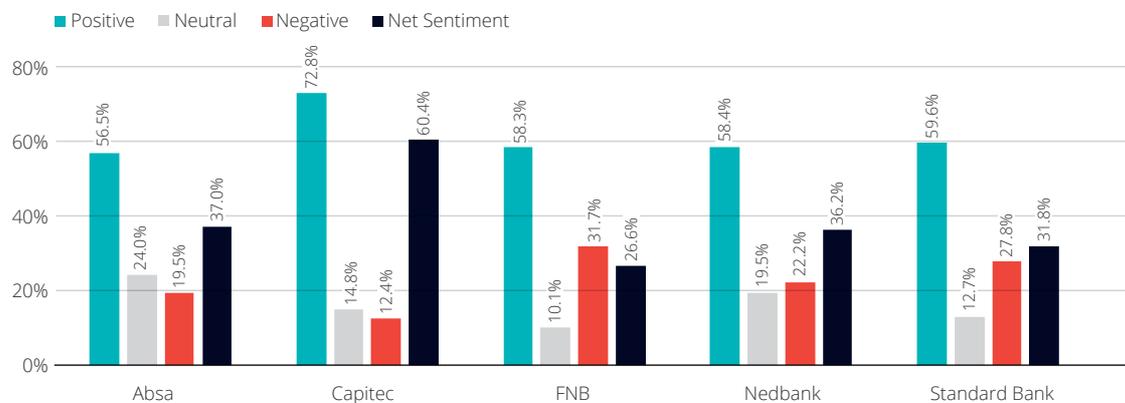
Standard Bank's spike in May stemmed from its launch of the MyMo account. The account, with R5 monthly admin fees, aimed to compete with Capitec's offering. *Purchase* conversation increased again in July in response to the bank's post about winning eight Euromoney Awards for excellence.

Nedbank had an Increase in *purchase* conversation between May and June. Consumers primarily enquired about how to apply for a loan through the bank. Conversation also centred on consumers complaining about their current banks and asking whether Nedbank was a better option for them.

FNB's increase in purchase conversation over May focused on general consumer enquiries about opening a bank account. This may have been in response to the bank's announcement of a fee reduction as well as eBucks changes in the month.

Capitec has the highest proportion of acquisition opportunities

Sentiment of purchase conversation



Not all customer expressions of purchase intent are positive as customers often experience issues in the onboarding phase. The chart above depicts each bank's sentiment for *purchase* conversation.

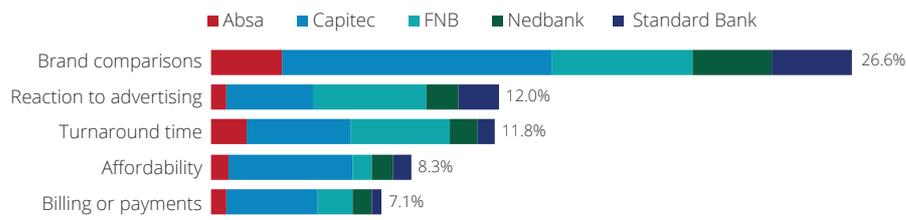
Capitec had the highest positive sentiment and lowest negative sentiment. This suggests that consumers looking to sign up with the bank had a generally seamless experience. FNB had the lowest Net Sentiment, suggesting that the

onboarding process for new customers or the process of finding out more information may have some pain points that should be explored by the bank.



Savvy price-conscious consumers are doing their research

Primary positive themes driving intent to purchase in the industry



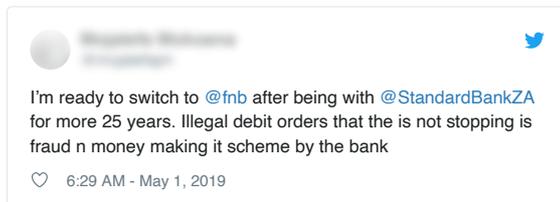
South African consumers are doing their homework when it comes to picking a bank. The chart above displays the primary topics cited when consumers spoke positively about signing up.



Brand comparisons were the most spoken-about topic. This suggests that consumers are comparing banks' products, crowdsourcing and sharing the advice they receive online.

Across the other topics, consumers most frequently cited Capitec in several positive areas, including when making positive brand comparisons, affordability, and billing or payments.

The share of positive feedback was more evenly split in terms of *turnaround time* between Capitec and FNB. FNB had the highest share of positive feedback in *reaction to advertising*, suggesting that the bank's marketing campaigns were successful in driving consumers to sign up.

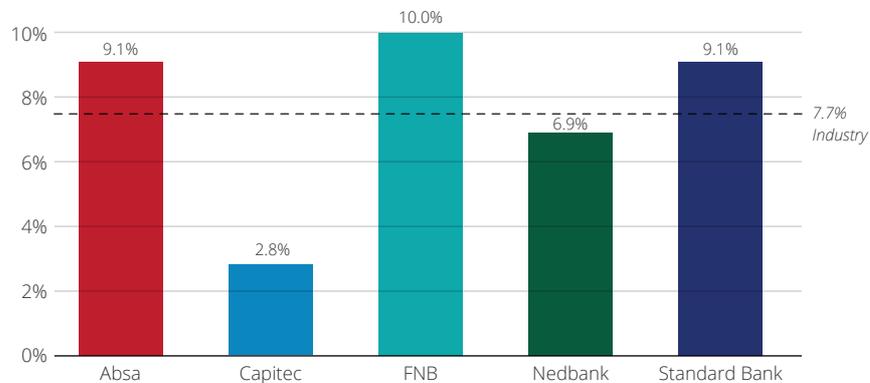


Cancel

Cancel mentions are the conversations from customers looking to cancel their service with a bank.

FNB, Standard Bank and Absa faced the highest risk of losing customers

% of cancel conversation within the priority conversation



This graph displays each bank's *cancel* conversation contribution to its overall priority conversation.

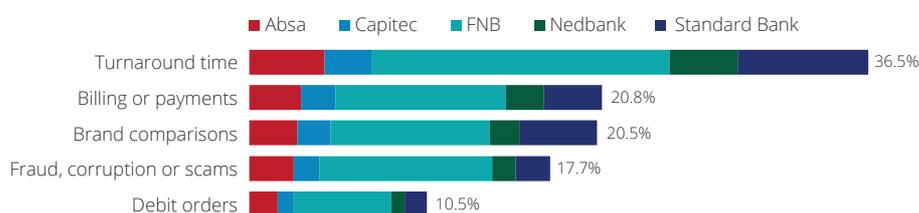
FNB had the highest volume of cancellation conversation at 2.3 points above the industry average. The bank's *cancel* volumes peaked in March due to consumers threatening to move their accounts after allegations of racism over home loans that were issued by Saambou and taken over by FNB in 2002. Nearly half of industry *cancel* conversation (49.2%) impacted FNB.

Consumers are sensitive to downtime and expect always-on access to their banking facilities. Standard Bank and Absa were the other banks that had higher-than-industry values for cancellation at 1.4 pp. Both of these banks received cancellation threats in response to system errors and technical errors with digital channels.

Both Capitec and Nedbank were below the industry aggregated volume for cancellation. Capitec had the lowest in the industry at 2.8% of priority conversation.

Speedy customer service is key to customer retention

Primary themes driving cancellation conversation



Consumers demand speedy service from their banks. Delivering on the basics, rather than innovation, is a priority for consumers. Capitec’s short *turnaround time* and low overall churn risk suggest that by delivering on the basics, the bank has managed to maintain the lowest churn rate.

Turnaround time is the most cited issue by consumers who threatened to leave their banks. FNB had the highest share of cancellation conversation across all major themes. This is likely due to the bank’s relatively higher share of voice. Despite having a low share of voice, Standard Bank contributed significantly to threats of cancellation due to *turnaround time* and *brand comparisons*.

Capitec and FNB are preferred alternatives amongst competitors’ customers

% = share of cancellation threats that reference a competitor bank

LEAVING ↓	JOINING →	Absa	Capitec	FNB	Nedbank	Standard Bank
Absa			9.4%	10.9%	1.8%	2.3%
Capitec		3.8%		10.7%	4.4%	4.7%
FNB		3.4%	10.5%		4.7%	4.5%
Nedbank		2.1%	7.5%	8.4%		3.0%
Standard Bank		3.6%	8.5%	11.6%	4.7%	

Similar to the 2018 Index, Standard Bank had the largest number of consumers posing a cancellation risk who also mentioned another bank, totalling a volume of 28.3%. Once again, FNB was the biggest winner with the largest number of consumers naming this bank as an alternative option to their current bank. FNB was again followed by Capitec.



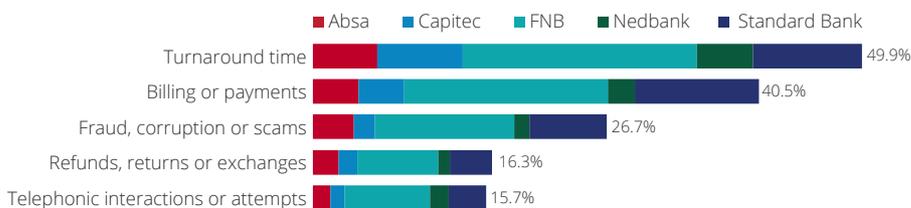
Service

Service mentions are the conversations from customers that require service or are describing their service experience.

As more customers direct their complaints to the social handles of their banks, social media has become an important platform for customer service. This has steadily increased as customers seek to publicly out the bad service they have received or speak directly with their bank in private messaging on Facebook, Twitter, and more recently, on Whatsapp.

Consumers expect timeous customer service

Primary themes driving customer service complaints

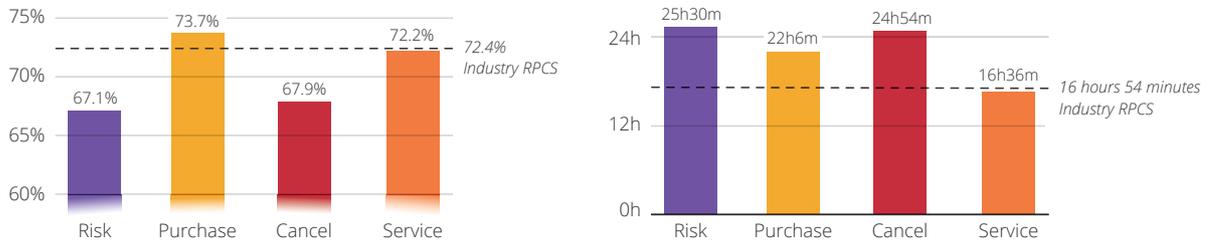


Turnaround time was cited in approximately 50% of customer service complaints in the industry. Much of the customer service complaints were about billing, fraud and refunds. This suggests that unauthorised debits are a key issue in terms of service complaints.

The only channel in the top five customer service complaints was telephonic support, suggesting that this touchpoint presents bottlenecks for clients requiring service.

How well did banks respond to priority conversation?

Measuring response rate and response time on Twitter



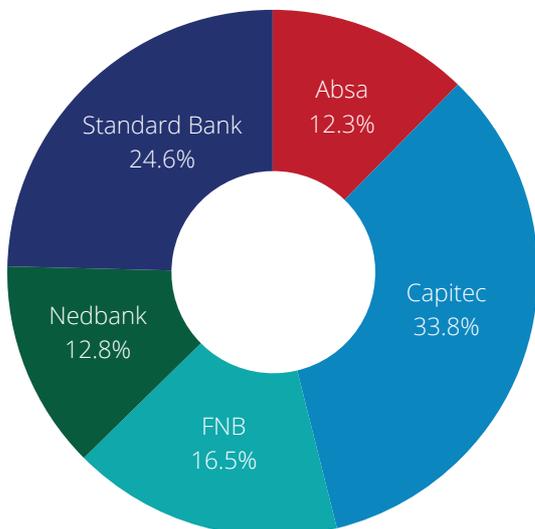
The above graphs illustrate the average bank response rate and the time it took to reply to priority customer conversation. This analysis was limited to Twitter and instances where consumers directly tagged the brand handle.

The average industry response rate to priority conversation was 72.4% and the average response time to priority conversation was 16.9 hours. *Service* mentions were responded to most promptly across the industry while both *risk* and *cancel* mentions took comparatively longer when support staff replied.

While the response rate seems positive, the time it took to respond to customers may highlight a challenge for banks, some of whom struggle to find, prioritise and address the most important customer conversations. As digital channels grow as a preferred platform for customer service requests and complaints, banks will need to focus on reducing this response time. *Purchase* conversation was the most frequently responded to, followed by *service*, *cancel*, and *risk* conversation respectively.

Capitec and Standard Bank experienced the most downtime complaints between June and August 2019

Primary themes driving customer service complaints

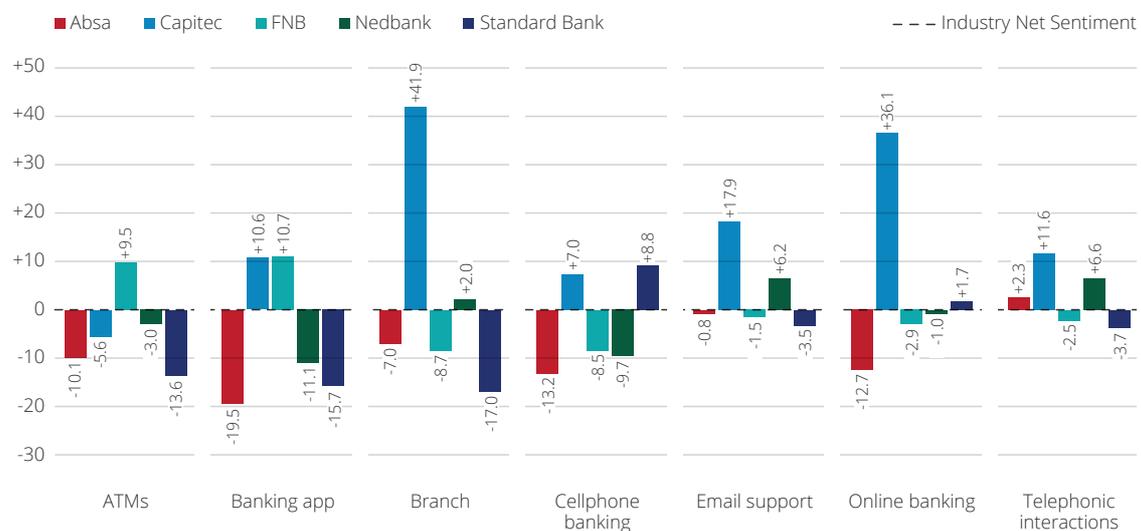


Capitec and Standard Bank experienced the most downtime complaints between June and August 2019. Capitec was impacted by a spike in conversation about downtime on 14 June, which the bank acknowledged on social media and again on 20 June, and 7 July. Standard Bank experienced increased downtime complaints on 25 June and 30 August.

CHANNEL ANALYSIS

Sentiment analysis of customer journey channels

Figures here represent the percentage point deviation from the industry score.



Apart from *ATMs*, Capitec had above average Net Sentiment scores for multiple channels. Specifically, *branch* and *online banking* scores were above industry averages. Praise for branches centred on *turnaround time*, as well as praise for changes that allowed for functions to be carried out outside of branches, such as updating or reinstalling the banking app on mobile devices.

Capitec's below-average performance for *ATMs* was driven by complaints that they did not have enough ATMs and that they did not always have cash or were not functioning.

Standard Bank had the worst performance for both *ATMs* and *branches*. 15.5% of complaints about Standard Bank *ATMs* referenced being unable to deposit cash successfully. As expected, Standard Bank's *branch* sentiment was the lowest in the industry. This was spurred by the vehicle ramming incident at a Boksburg branch, as well as the announcement of 91 branch closures.

Absa had the lowest Net Sentiment towards its *banking app*. 60% of complaints about the app included a reference to *turnaround time*, which included complaints about app downtime and error messages.

Nedbank's sentiment for *telephonic interactions*, *email support*, and *branch* were above the industry scores.

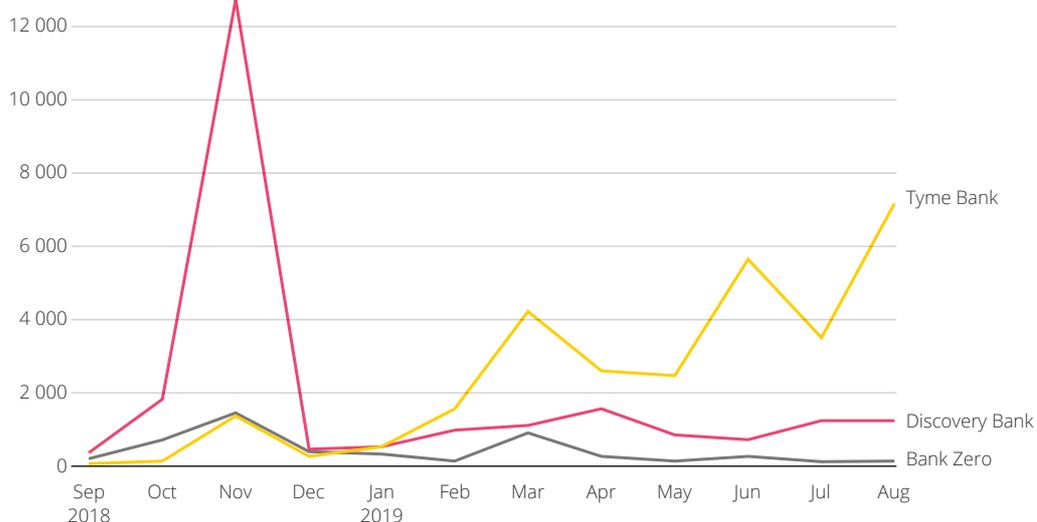
FNB sentiment for *ATMs* and the *banking app* were above the industry aggregate score. Consumers claimed that FNB had the most ATMs. A post of a consumer dancing in front of an FNB ATM also went viral. This comprised more than 79% of positive engagement about FNB ATMs. Praise for FNB's app stemmed from the introduction of the Nav Home feature on the app for real estate sales. The in-app announcement of unauthorised debit reversals also drove positive engagement. *Branch* conversation represented FNB's highest sentiment deviation from the industry. Over 12% of branch complaints included a reference to business banking, while other negative branch conversation centred on consumers claiming that they would go into the branch for assistance but be directed to internet banking or the call centre instead of dealing directly with FNB representatives.

New entrants

In recent years there has been significant media and industry attention given to new digitally-focused banks. Three of these banks have been featured in our 2019 Index. Two of them, Tyme and Discovery are fully operational. Bank Zero remains in testing until 2020. These three banks, and more like them, are likely to challenge incumbents as they deliver customer-centric products powered by less legacy plumbing and fewer barriers to entry.

Consumers begin talking about new entrants on social media

Conversation volume about new entrants.



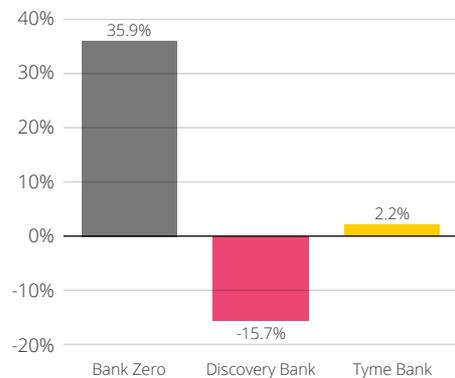
After a soft launch in October, Bank Zero started full end-to-end beta testing in March. However, the full launch of their services has been delayed until 2020. Consequently, Bank Zero had the fewest consumers talking about them.

Although Discovery Bank started onboarding clients from March, conversation peaked in November. The November spike stemmed from the controversy surrounding Discovery Bank's plan to give black customers equity in the bank.

Tyme Bank's conversation has grown steadily since the bank's soft launch in November, and official launch in February. Tyme Bank's #SavingsGoals campaign was the primary conversation theme, driving interest in the bank's GoalSave savings tool.

Bank Zero has the highest Net Sentiment

Net Sentiment



Despite having the least conversation, Bank Zero had the highest Net Sentiment, at +35.9%. This may be because the bank has yet to receive operational criticism as it has not yet fully launched.

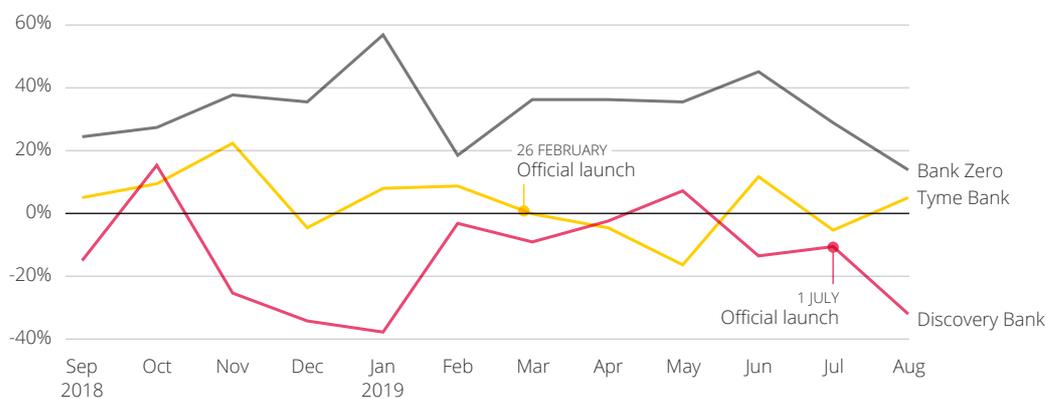
Discovery Bank had the lowest Net Sentiment, at -15.7%. Net Sentiment for Tyme Bank was 2.2% for this reporting period.

While Bank Zero, Discovery Bank and Tyme Bank are at different stages of launching their product offerings and services, it is evident that consumers were generally more positive towards these new entrants than the incumbents. This suggests that there is a receptive market for alternative banking options in the industry.

It is likely that as digital banks become more established and fully operational, consumer sentiment will decline due to obstacles in product rollout, onboarding and servicing stages of the customer journey.

Discovery Bank had, on average, the lowest Net Sentiment

Net Sentiment over time



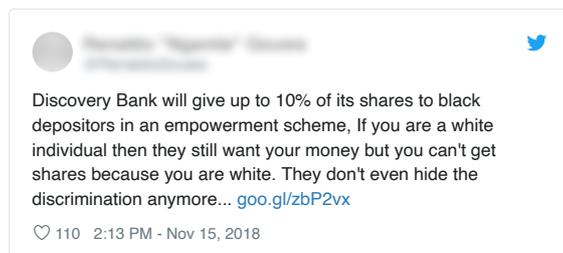
Net Sentiment for Bank Zero was consistently the highest throughout the reporting period. Positive sentiment was driven by engagement with Bank Zero co-founder Michael Jordaan. 43.1% of conversation about Bank Zero was about its co-founder and chair, Michael Jordaan.



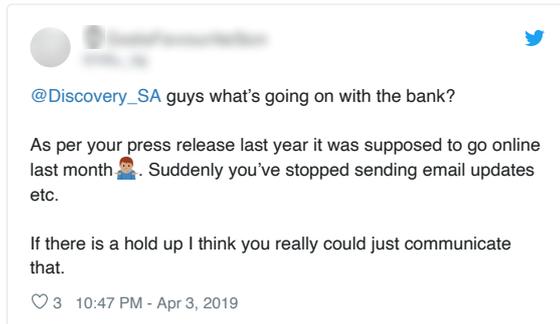
Discovery Bank had, on average, the lowest Net Sentiment. 56.0% of negative sentiment stemmed from conversation related to Discovery Bank’s decision to provide black customers with equity, with 87.0% of this conversation occurring between November and January.

Discovery’s announcement that it would provide black clients with a 10% share in the bank in November 2018 was met with backlash by certain consumers. The conversation about the bank’s policy comprised approximately 20% of the bank’s total conversation over the entire reporting period.

While the initiative was carried out under the auspices of commitment to transformation in South Africa, many conversations about this policy included allegations that the bank discriminated against non-black consumers. Much of this conversation was dominated by news that Afriforum had launched a campaign against Discovery for this policy. When excluding conversation about the share scheme, Discovery’s Net Sentiment improved by 7.4 points, from -15.5% to -8.1%.



Delays in Discovery’s launch led to consumer frustration with claims that the bank did not provide a clear timeline around its launch. Other operational complaints pertained to the slow response to their queries about the bank.



Tyme Bank experienced its peak in Net Sentiment in November as a result of coverage of the bank's soft launch announcement. In May, Net Sentiment declined to -16.2% after customers complained about the bank's entire network experiencing downtime.

Unencumbered by the legacy plumbing that has challenged the pace of innovation at the established banks, new digitally-focused competitors are likely to spring up in the coming years. These new entrants are likely to feature even more prominently in future online conversation as they become fully operational.

Conclusion

South African consumers have become even more unhappy with their banks in 2019. There is likely a combination of factors contributing to this increase in negative sentiment. This includes a shrinking economy which has put immense pressure on an already price-sensitive consumer and heightened concern about market conduct, fraud and corruption which has been compounded by the ongoing Commission of Enquiry into State Capture.

These reputational issues can go a long way to affecting sentiment. Nedbank's leading overall Net Sentiment score was heavily boosted by its CSI campaigns. Conversely, allegations against Absa and FNB were damaging to their sentiment. The negative consumer response to job cuts as a result of automation are indicative of future reputational risks that banks must navigate thoughtfully.

But banks cannot allow reputational performance, however good, to mask operational performance. The greatest contributor to the growth of unhappy consumer sentiment is the increase in online complaints and customer service requests. South Africans are increasingly directing their complaints and service requests to the social handles of their banks, as they seek to publicly out the bad service they have received or speak directly with their bank in private messaging on Facebook and Twitter.

As the volume of this conversation increases, from onboarding enquiries to app complaints, banks will need to introduce systems that allow them to find, prioritise and resolve the most important customer interactions from the rest of the noise on social media. Banks that can adopt this approach stand to gain in loyalty and optimise retention. Those that do not can expect to see their clients switch banks.

Responsive, reliable and quick customer service is critical. Turnaround time was the most cited issue by consumers who threatened to leave their banks. Capitec's leading customer experience performance, in particular having the least complaints about turnaround time, saw them achieve the lowest risk of customer churn.

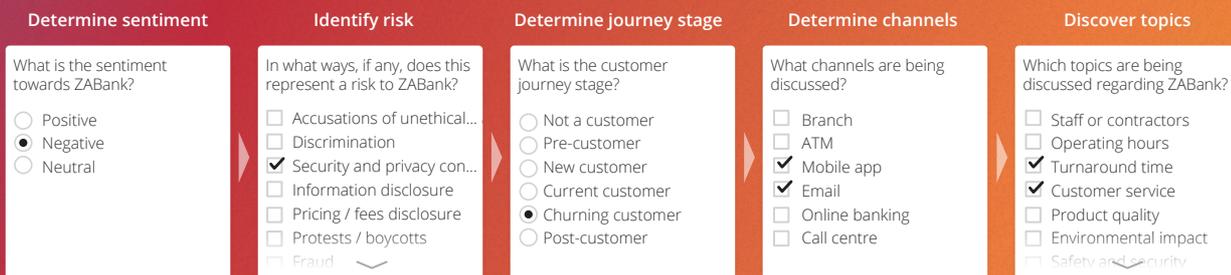
In 2020 all three of the new entrants are expected to be fully operational. As these new entrants grow their customer numbers they are likely to face an increase in online conversation. The optimism and excitement that paved the way for their long-awaited arrival will likely be tempered by growing service requests and complaints. Like the incumbents, the digitally focused entrants will also have to focus on finding and prioritising their most valuable customer interactions. Those that do will no doubt be poised to cause significant disruption.

The BrandsEye Crowd

Artificial intelligence plays a critical role in processing data at scale but is still not adept at understanding the nuances of human conversation. To overcome these limitations, we combine AI and human intelligence. Algorithms are used for certain preprocessing tasks and our Crowd of human contributors filter noise for the conversation that's high risk, high value, and urgent.

The BrandsEye Crowd is a proprietary crowdsourcing platform comprising trained and vetted local language contributors from around the world. Contributors are remunerated for executing micro-jobs that include the verification and categorisation of social media posts and other short-form texts.

The data-structuring process





BrandsEye helps you find and prioritise the most valuable customer interactions. Using a unique blend of AI and human intelligence, we filter the noise of unstructured feedback for the conversation that's high risk, high value or urgent.

Our proprietary prioritisation method enables real-time mitigation of risk, improved retention and acquisition rates, and superior customer experience.

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