WHITE PAPER

Retail Banking in 2025

Competing Amid Low Churn and High Expectations

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By Juan Uribe, Lauren Taylor, Francisco Rada, Ankur Patil and Laura Togut

Retail Banking in 2025: Competing Amid Low Churn and High Expectations

In the battle for primary customer relationships, US retail banks face challenges including shifting preferences and soaring demand for digital solutions. But decisive action across three dimensions can boost market share and revenue growth while also reducing costs.

Just 7% of US primary banking customers switched providers last year, according to the latest BCG and Consumer Bankers Association's customer insights survey. This "jump ball" rate was in line with the long-term average. But that consistent performance masks significant underlying tensions, including shifting customer preferences, rising demand for mobile solutions, and relatively high levels of attrition among younger age groups.

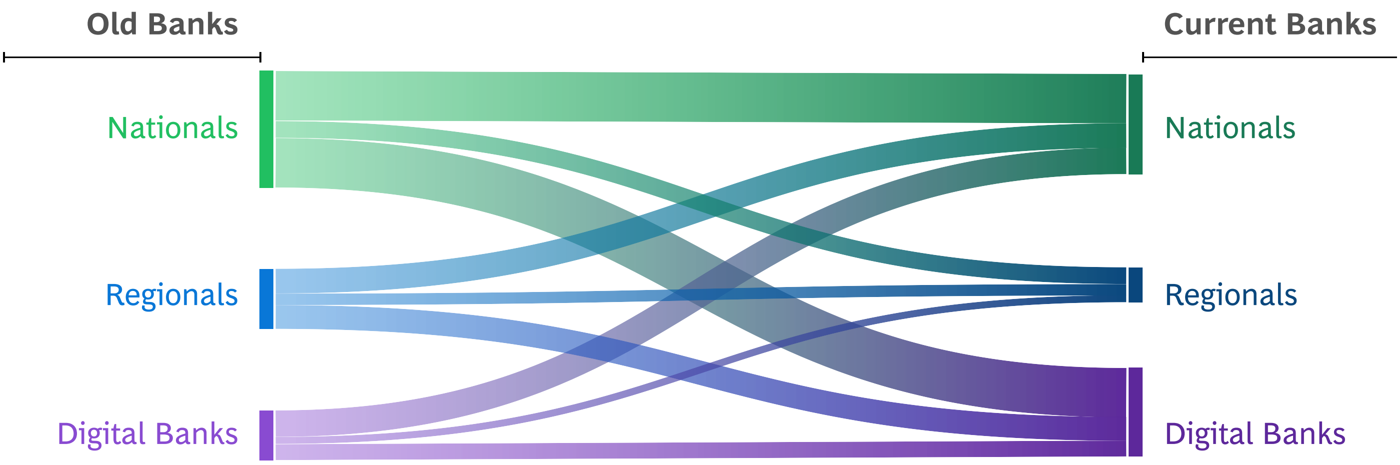
The dynamics driving customer engagement feed directly through to business performance. Put another way, banks that fail to connect effectively with both customers and potential customers, are at higher risk of losing primary relationships. In some segments that is already happening, with regionals falling behind their national and digital peers, our survey shows. **(See Exhibit 1)**. About 80% of customers who left a regional bank in the year to June 2025 went to a national or digital competitor (in equal proportions). Just 14% of those who left a national or digital bank went to a regional bank.

The upside of a more dynamic market is that it also creates opportunities. The 18–34-year-old age group, for example, saw twice as many switchers last year as the national average (14% compared to 7%), with 50% opting for national banks and 38% choosing digital-first players.

How should banks get a firmer grip on primary customer engagement? An early priority should be to analyze and understand the drivers of choice, whether that be life events or specific criteria like pricing. Armed with these insights, leading banks take action across three primary areas. First, they tailor their value propositions to the most promising opportunities. That means they identify where they have the strongest right to win and then develop product and service strategies accordingly. Second, they think carefully about where and how to influence customers. By prioritizing the most critical touchpoints (for example, a mobile app), they achieve more telling uplifts in customer acquisition and retention. Finally, they ramp up the use of AI. The benefits of embracing that technology play out across multiple dimensions, from transforming customer experiences to operating more efficiently and responding more rapidly to shifts in demand.

EXHIBIT 1

Switching patterns reveal Regionals are losing customers to Nationals and Digital players in similar proportion



Source: REBEX Consumer survey 2025, study conducted in June–July 2025.
Question: Which bank did you consider your main banking provider before [current primary bank]?

Life events drive switching

Customers tell us the primary reasons for switching primary providers last year were life events such as moving house or finding a new job. But when deciding on where to open a new checking account, the most important factor was low fees, cited by 52% of respondents. **(See Exhibit 2)**. Customers also attached value to trust (38%), an excellent mobile app (36%), and rewards (34%). Among 18–34-year-olds, 16% said family preferences also played a role in their decisions.

In revealing the drivers of choice, our data shows that some banks are failing to fully cater to customer needs. A significant proportion of customers, for example, say that comparison websites and YouTube videos influence their choices, but only 10–15% report encountering them in their decision-making pathways, suggesting banks have some work to do. **(See Exhibit 3)**.

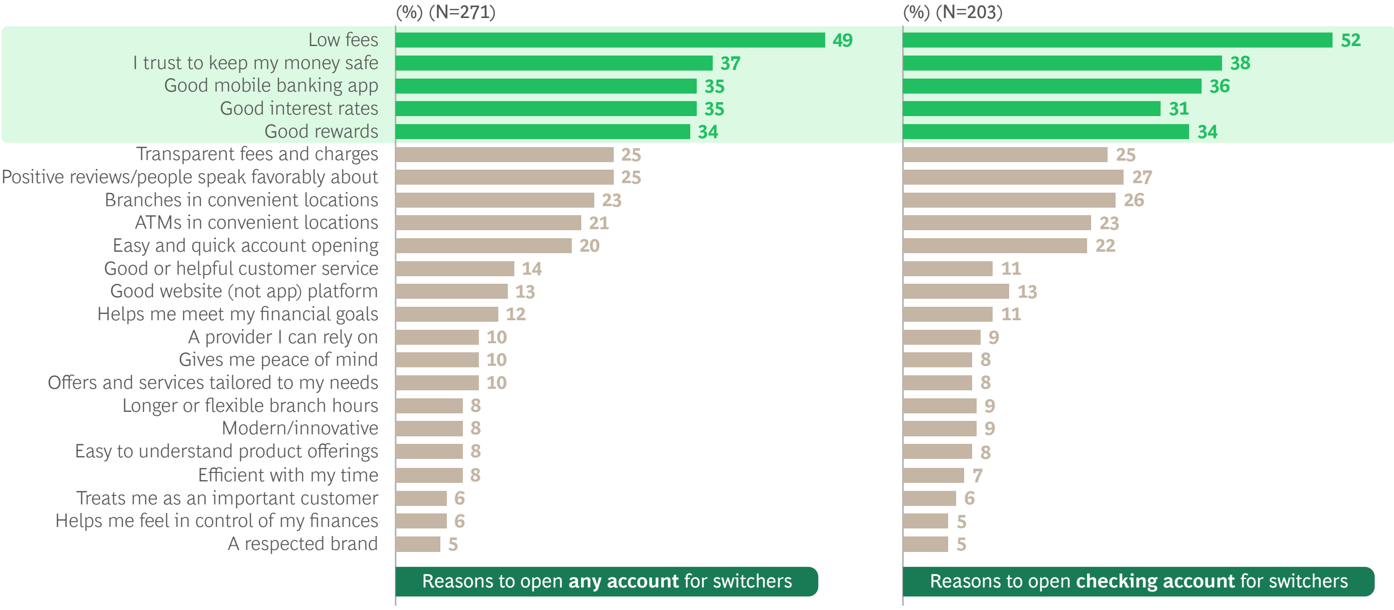
Customers aged 18 to 34 not surprisingly said they were more influenced by social and digital media. However, the survey suggests banks have been slow to leverage these drivers of demand, with the highest numbers of 18–34 year olds saying they most commonly encountered bank websites and recommendations from family and friends. **(See Exhibit 4)**.

Across the market, expectations of primary banking are high. Indeed, only 54% of regional banking customers said they were likely to recommend their banks, compared with 61% of national bank customers and 67% of digital customers. That tepid level of approval suggests banks which can differentiate on what matters to customers have an opportunity to get ahead of their peers.

EXHIBIT 2

Price and trust dominate checking account-opening decisions when switching banks; interest rates rank lower than average

Reasons for account opening among switchers–all products vs checking account

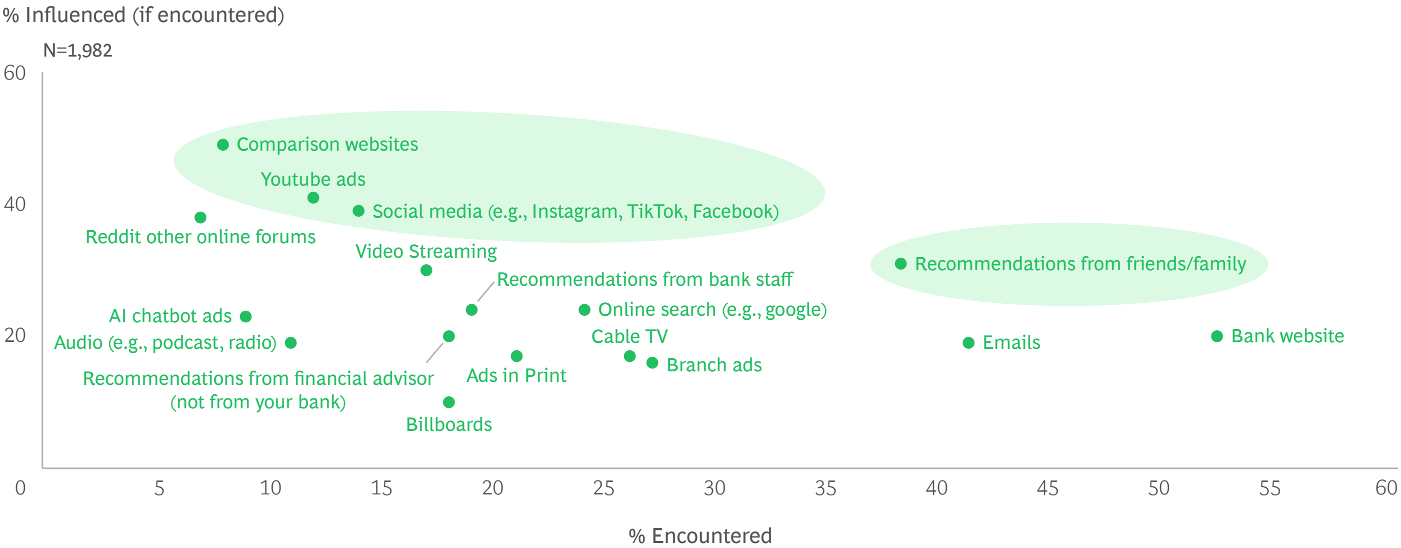


Source: REBEX Consumer survey 2025, study conducted in June–July 2025.
Question: You mentioned that you recently opened [Product] with [Provider]. When choosing a bank or financial provider for your account, which factor was the most important to you? Select up to 5 factors.

EXHIBIT 3

Recommendations from friends/family are impactful touchpoints—while social, video, & comparison sites also play a key role in influencing decisions

Touchpoint Reach vs. Influence (stated) on Choice

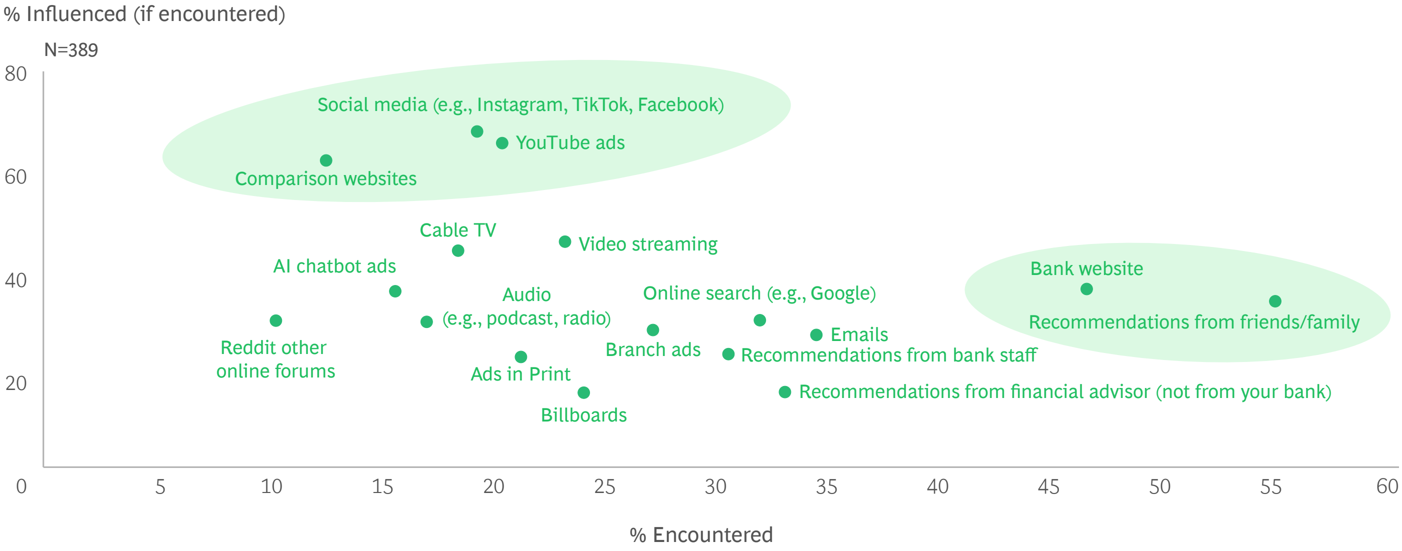


Source: REBEX Consumer survey 2025, study conducted in June–July 2025.
Questions: Which of the following have you encountered from the following providers in the last 12 months? Which of these, if any, influenced your decision to choose the bank (vs. other brands)?

EXHIBIT 4

Younger customers say they are more influenced by social & digital media—but are more likely to encounter bank websites and recommendations

Touchpoint Reach vs. Influence (stated) on Choice



Source: REBEX Consumer survey 2025, study conducted in June–July 2025.
Question: Which of the following have you encountered from the following providers in the last 12 months? Which of these, if any, influenced your decision to choose the bank (vs. other brands)?

Customers assigned higher approval ratings to digital banks, reflecting leadership on factors including pricing (fees, interest rates), levels of trust, and app offerings. Among 18–34-year-olds, pricing is a particular focus area. National banks, by contrast, scored highest for rewards and convenience, partly reflecting their extensive branch and ATM networks. Regional banks tended to lack these points of differentiation.

Across all types of journeys, younger customers (18–34-year-olds) reported the lowest levels of satisfaction, with regional banks consistently lagging behind national and digital players in terms of key experiences. On specific elements of journeys, only about half of survey respondents said they were 'very' satisfied with experiences including account opening, daily transactions, and customer service. The application experience for personal and auto loans stood out as a major problem area—and thus an opportunity. Only about 40% of customers reported being very satisfied with the process.

When it came to channel choices, mobile continued its recent rise in popularity. Indeed, 59% of customers said they connected through their phones regularly and another 8% said they connected sporadically, compared with a combined total of 53% in 2021. **(See Exhibit 5)**. Among 18–34-year-olds, 76% said they regularly bank on mobile. In addition, a compelling mobile app was seen as a top five driver of bank preference. It was also a key factor in making recommendations, showing its importance for both acquisition and retention.

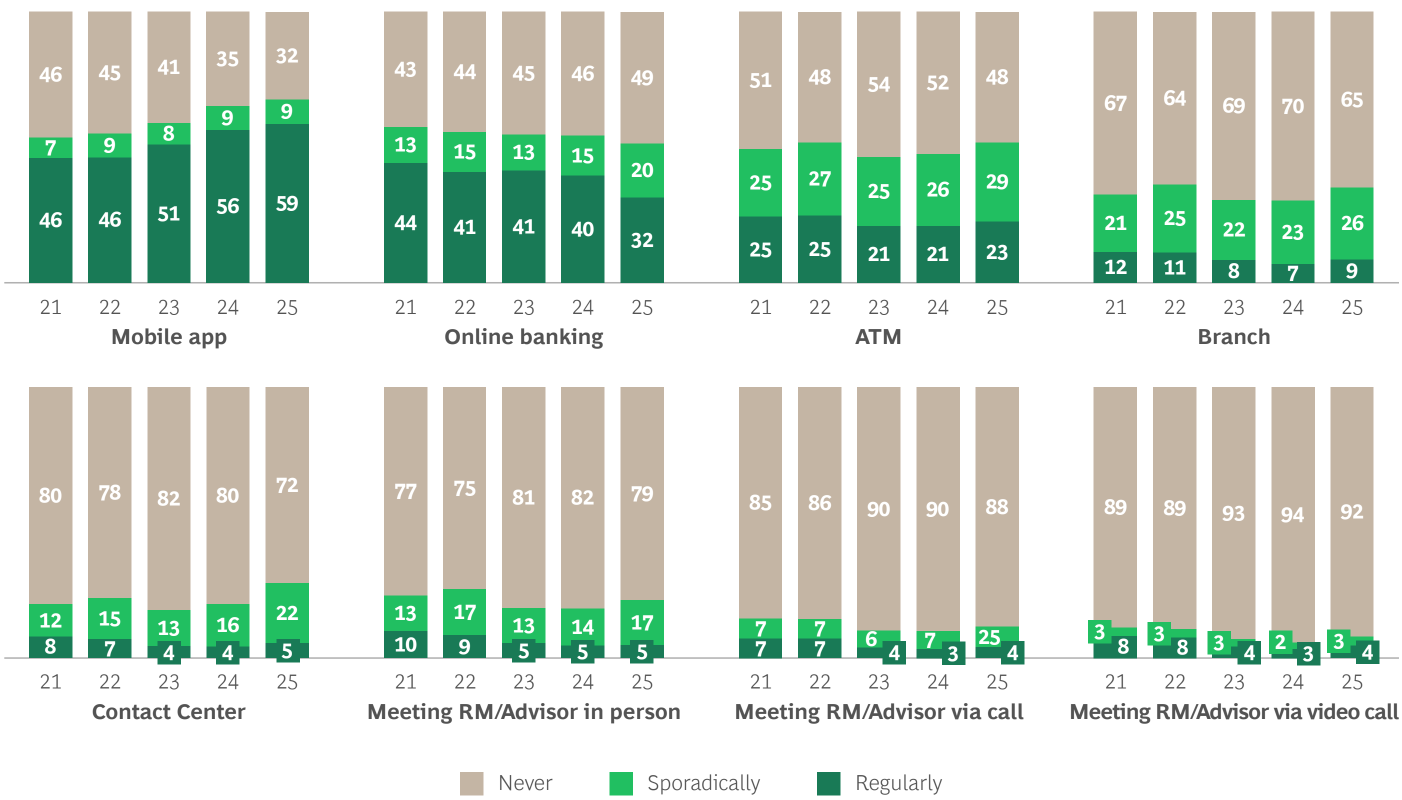
A corollary of higher mobile demand was lower online demand, and only 32% of customers said they regularly banked online last year, compared with 44% in 2021.

EXHIBIT 5

Digital channels (mobile app and online banking) dominate how customers engage with their banks

Channel usage in the last 12 months

(% of responses, N=1,982)



Source: REBEX Consumer survey 2025, study conducted in June–July 2025.
Note: Regularly (once or more than once a week), Sporadically (less than once a week), Never (customers who have not used the channel in the last 12 months).
Question: How often did you use the channel in the last 12 months?

In sharp contrast to increased mobile activity, chatbot usage remained low, with just 7% of customers engaging either regularly or sporadically. That said, customers using chatbots praised its utility, saying 46% of requests were completely fulfilled and 30% mostly fulfilled. On that basis, we expect chatbot engagement to continue to rise.

As digital channels have thrived, branch use has stagnated. About 35% of survey respondents used branches regularly or sporadically over the past year, broadly in line with the 33% seen in 2021. A little surprisingly, a similar number of 18–34-year-olds and older customers (55+ year-olds) said they paid a visit. A large proportion of visits were for “simple” transactions that could have been completed digitally. In addition, 25% were due to bank requirements or failed digital interactions, suggesting there is an opportunity for the industry to do better in migrating customers to digital.

Despite the continuing shift to digital, the availability of convenient branches remains a driver of engagement, with about one in five customers saying it is an important factor in bank selection. Many customers still want the “safety blanket” of a branch nearby, regardless of whether or not they use it.

A significant trend over the past year was rising appetite for digital assets such as cryptocurrencies and stablecoins, with 26% of customers saying they were owners – a proportion that rose to 47% for 18–34-year-olds. Of customers owning digital assets, some 70% said they would be open to buying the products from their primary banks.

Finally, the market for kids banking is growing. About 45% of survey respondents said they have opened an account for a child, mainly before the age of 15. About 65% of those accounts were opened online, once again illustrating the allure of digital offerings.

Implications for banks

Regional banks face rising competitive pressure, this year's survey shows, but that does not mean the wider industry can rest easy. Customer expectations across all segments are rising, with the focus on value (rewards/fees/rates) and increased digital enablement. While institutions will formulate their own strategic priorities, we see three key areas in which banks can enrich their primary banking offerings:

1. **Tailor the value proposition to the most promising opportunities.** With limited churn across the industry, the onus is on banks to tailor their offerings and customer acquisition activities to key areas of opportunity. That will mean making decisions on where to invest and where they have the biggest right to win, informed by analysis of the dynamics that shape customer choices in those areas.

   The most productive approach to engagement will be to formulate a differentiated product and service strategy. This should target specific moments of demand, such as when a new job or house move is being considered and distinct needs (e.g., ease and access). In addition, banks should aim to optimize pricing and make offers to deliver value where it matters most to target customers. This clarity of strategy can drive significant market gains from our recent experience, such as 6-8% share gain in a distinct and underserved segment for one bank, and acquisition boost of 10-50% in priority segments for another.

2. **Prioritize where and how to influence customers.** Banks can achieve up to a 30% increase in return on ad spend (ROAS) by focusing on critical touchpoints and differentiating on the basis of product, customer segment, and context. In addition, it makes sense to leverage a robust social presence, (backed by a dedicated strategy) to engage younger cohorts. The mainstream social and video platforms, as well as online search, are already significant drivers of financial choices but are often under-utilized by banks. The lesson is that institutions must identify, prioritize, and optimize the marketing and customer experience touchpoints that have the most potential to drive customer acquisition and retention which **vary by customer pathway**.

3. **Ramp up AI to maximize engagement through the value chain.** AI solutions offer banks the chance to tailor products and services to customer needs, supercharge operational efficiency, respond more rapidly to key changes, and prepare more accurately for the future. They can enrich a tailored value proposition strategy, including when marketing across high-influence channels, and can reduce cost-to-serve by as much as 75% (amid a 35–50% reduction in FTEs). Leading banks are implementing technology across six key dimensions:

   – **Create life-centric banking that is precise, connected, and engaged:** AI leaders work to embed banking into the rhythms of customers' daily lives, leveraging GenAI to provide individualized advice at scale, personalized long-term engagement programs, and innovative products and services. Some banks have started to offer beyond-banking services (e.g., travel, ecommerce) through apps.

- **Boost productivity through digitally engineered distribution that feels human:** Leading banks embed agentic AI into key customer journeys, aiming to boost efficiency and build more personalized services. They orchestrate sales efforts centrally across digital and physical channels, eliminating siloed channel management in the process. In parallel, they empower relationship managers with smart co-pilots that recommend actions and insights. They integrate branches into the digital grid, using digital formats to reimagine and optimize branch networks.

- **Offer intelligent servicing that is predictive, intuitive, and augmentative:** Banks that deliver best-in-class services often use predictive analytics to resolve customer issues fast. They back it up with AI agent-led support via voice, chatbot, and app-less interfaces (for simple messaging or voice). They build GenAI-augmented contact centers for live support and efficiency.

- **Launch autonomous marketing that is fast, efficient, and compliant:** Banks have an opportunity to leverage autonomous marketing to bolster their presence in underpenetrated channels, while tailoring content to different customer needs. By automating end-to-end flows, they can accelerate campaign launch timelines, supported by synthesized insights, rapid ideation, and customer feedback.

- **Build programmable operations powered by digital twins, agentic AI, and ZeroOps:** To enhance the customer experience, reduce processing times, and drive efficiencies, leading banks deploy AI agents for routine tasks and to support automation of back-office operations, aiming for "zero touch" and straight through processing. They also use AI agents to support regulatory compliance.

- **Implement proactive and dynamic cognitive risk management and controls to drive trust:** To automate detection, reduce false positives, and accelerate decision making, banks can employ GenAI and machine learning across credit decisioning, fraud detection, and KYC/AML. Leading institutions often deploy real-time controls, transforming compliance into a trust differentiator with protection at every touchpoint.

Shifting gears on the retail banking proposition offers potential competitive, revenue, and cost upsides. However, the banks most likely to reap dividends will not rush the process. Instead, they will build carefully from solid foundations. These will include senior level sponsorship and clearly articulated ambition, as well as change programs that are led by the business and enabled by engineering (rather than led by engineering). Instead of trying to achieve everything at once, it will make more sense to focus initially on high-impact "big bets", underpinned by end-to-end process reimagination. Funding, change management, and data tracking will be important elements, ensuring banks have sufficient capabilities to achieve their visions and the tools to help them stay the course for the long term.

About the Authors

Juan Uribe
Managing Director and Senior Partner

Lauren Taylor
Managing Director and Senior Partner

Francisco Rada
Principal

Ankur Patil
Expand - Senior Principal

Laura Togut
Project Leader

For Further Contact

If you would like to discuss this report, please contact the authors.

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