



Privacy Trust Study for Retail Banking: Seventh Annual Study

Executive Summary

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Privacy Trust Study for Retail Banking

By Dr. Larry Ponemon, October 31, 2009

Executive summary

Ponemon Institute is pleased to present the results of our seventh annual *Privacy Trust Study for Retail Banking* completed in October 2009. This executive summary report provides the most salient findings from a national survey that included 6,950 adult-aged consumers representing all geographic regions within the United States.¹

This annual survey-based research program asked consumers to indicate how secure and confident they feel when sharing their personal information with their primary banking institutions. Despite the financial crisis earlier this year, a majority of consumers in our study still see their primary banking institution as committed to protecting their personal information.

These findings are significant because trust has become increasingly important to creating customer loyalty and brand value in the US banking industry. The perceived trustworthiness of retail banking organizations is even more important at a time of economic turmoil and decline as experienced by major financial institutions around the globe.

Our study reveals that even among banks with the highest level of consumer trust, it only takes one or two large data breaches to diminish a trusted relationship. Our findings show consumers expect their bank to have safeguards and procedures in place to protect them from identity theft, cyber crime and other harms resulting from lost or stolen data. If consumers lose confidence that their bank is not taking appropriate measures to protect their data from a breach, they may churn.

Our research asked consumers questions about their bank's privacy commitments. It asked questions concerning:

- Disclosure quality for privacy policy and notice
- Outreach activities for privacy and data security
- Online experience with special focus on privacy and data security
- Response (if any) to data breach incidents
- Perceptions about advertising, promotions and marketing
- Overall perceptions about the bank's services, especially customer contact experience

Overall, privacy trust scores for all top 25 banks decreased from 2008 at least in part because of crisis and consolidation in the U.S. financial services industry over the past year. The factors that build trust in the bank's privacy and data protection commitments are:

- The perceived financial stability (relative to other banks).
- The overall service quality, especially experience with customer services.
- Disclosure about its privacy and data security practices, especially when banking online.
- The bank's advertising, promotion and customer outreach (was it viewed as respectful and did the customer have the opportunity to easily opt-out).
- The bank's online identity and authentication procedures, when they are viewed as rigorous and difficult.
- Stated or implied commitment to stand behind the customer in the event of identity theft or other related crimes resulting from lost or stolen personal data.

¹ A full research report is available upon request. The full report provides detailed responses to all survey questions that relate to privacy, data protection and related business practices.

The factors that appear to erode trust in the bank's privacy commitments are:

- Financial instability (relative to other banks).
- Data breaches – the notification of a data breach has the most negative impact on overall trust perceptions about the bank.
- Irrelevant or annoying advertising campaigns – including aggressive promotions for credit cards, home mortgages and other product offers that are mailed, emailed or telephoned.
- Difficult to use or poorly designed web site that is inconvenient to use for various online banking functions.
- The bank's aggressive use and sharing of their personal information, especially when the sharing involves an outsourcer in an off-shore location.
- Rumors about the bank's negligence or inability to protect customer information.

Survey

As in earlier studies, the sole purpose of this research is to advance our understanding about how consumers feel when sharing personal information online with institutions they regularly bank with. Respondents were asked to refer to the following definitions when framing responses to survey questions:

- Personal information – information about yourself and your family. This information includes name, address, telephone numbers, e-mail address, Social Security number, other personal identification numbers, access codes, age, gender, income, account activity and many other types of data about you.
- Privacy commitment – an obligation by the bank to keep your personal information safe and secure. This includes the commitment not to share your personal information without a just cause or without obtaining your consent to do so.

The survey instrument listed 25 major retail banking institutions in the United States selected according to approximate deposit size as reported by the U.S. Federal Reserve. The survey also permitted respondents to write-in the name of a banking institution (such as a community bank) not listed on the survey form.

Respondents were asked to indicate only one primary institution that they currently use for retail banking services, and then expressed their opinions on how secure and confident they are about this bank's privacy commitment.

Following is the adjective scale used by subjects to compile a PTS for US-based retail banking institutions listed within our survey instrument.

- Strongly agree that the bank is committed to protecting the privacy of my personal information.
- Agree that the bank is committed to protecting the privacy of my personal information.
- Unsure that the bank is committed to protecting the privacy of my personal information.
- Disagree that the bank is committed to protecting the privacy of my personal information.
- Strongly disagree that the bank is committed to protecting the privacy of my personal information.

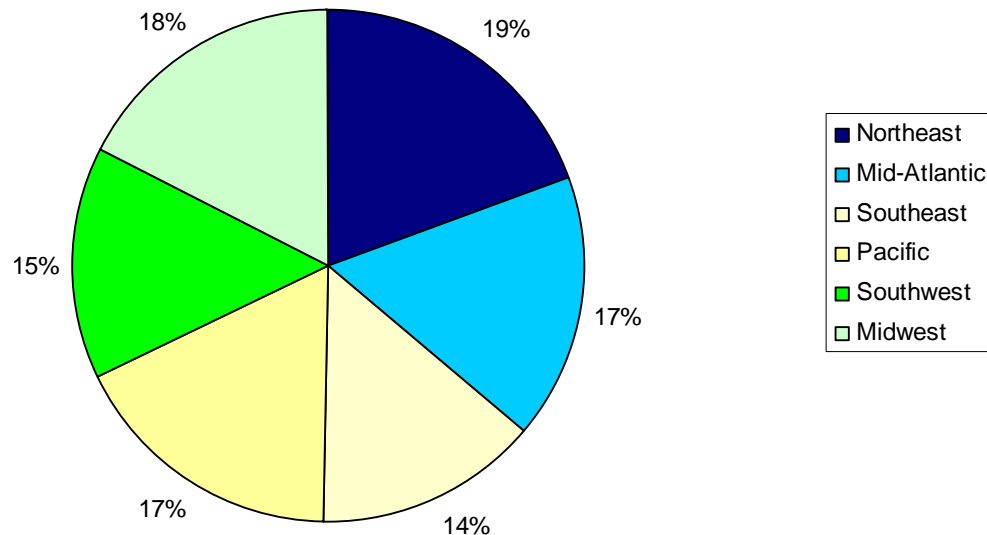
Our survey instrument sought one primary opinion rating and 20 individuated questions. Survey items were used in prior banking studies, thus allowing us to compare results over time. As explained above, the primary task required all respondents to provide an opinion about each bank that they currently use. Then respondents were required to choose the one organization that they view as their primary banking institution. The remaining survey items required subjects to respond to questions about the privacy and data protection practices of their primary banking institution.

Sample

Table 1 reports the response statistics and Pie Chart 1 reports the geographic distribution across major regions throughout the United States. This year's response rate is 5.89%. All regions of the nation are represented in this study. In total, respondents in 45 U.S. states and two U.S. territories are included in this research.

Table 1 Sample Characteristics	Freq.	Pct%
Sample Frame	118,016	100.00%
Total Responses	7,545	6.39%
Total Rejections	595	0.50%
Sample Size	6,950	5.89%

**Pie Chart 1
Distribution of sample by major region in the United States**



As shown above, the largest percentage of respondents are located in the northeast (19%). The smallest percentage is in the southeast (14%). Our sample frame of respondents was composed of adult-aged individuals (≥ 18 years) who reside in the United States² Our sampling method used both Web and paper form surveys. While most responses were collected on a proprietary survey site, 412 responses were completed manually and returned in a prepaid return envelope.³

In total, 53% of this year's respondents are female and 47% male. The average age of respondents (based on a self-reported range variable) is 35.8 years.

²The sample frame is created from purchased sample panels that were designed to be statistically representative of the U.S. adult aged population in terms of gender, age, household income and education based on U.S. Census data.

³ We deployed parametric and nonparametric tests on an item by item basis to determine possible response differences between Web and paper surveys. No significant difference was found on any one of the 20 survey items.

Privacy trust results

The retail banks achieving the highest Privacy Trust Scores (PTS) in our 2009 study are listed in ascending order in Table 2a. Once again, U.S. Bank is listed in first place, followed by PNC Bank and Suntrust. It is important to note that some of the banking institutions earning top five ranks in 2008 were acquired and, hence, consolidated in the overall total score. Specifically, National City is now included in PNC Bank (ranked second) and Wachovia is included in Wells Fargo (not ranked).

Next to each bank are the sample size (number of ratings) and privacy trust score compiled for from respondents' ratings. Our computational method limits the PTS score to a numerical value between ± 2 . A high PTS score suggests that consumers view their bank as having superior privacy and data protection practices, and a low PTS score suggests just the opposite.

Table 2a 2009 Most Trusted for Privacy	2009 Rank	Sample size	PTS
U.S. Bank (Minneapolis)	1	312	1.50
PNC Bank (Pittsburgh)	2	186	1.45
Suntrust (Atlanta)	3	185	1.38
Citizens (Providence)	4	140	1.34
Bank of America (Charlotte)	5	812	1.31
Fifth Third Bank (Cincinnati)	5	127	1.31
Total/Average		1,762	1.38

Table 2b 2008 Most Trusted for Privacy	2008 Rank	Sample size	PTS
U.S. Bank (Minneapolis)	1	305	1.48
National City (Cleveland)	2	142	1.42
Suntrust (Atlanta)	3	191	1.37
Citizens (Providence)	4	137	1.30
PNC Bank (Pittsburgh)	4	134	1.30
Wachovia (Charlotte)	5	341	1.26
Total/Average		1,250	1.36

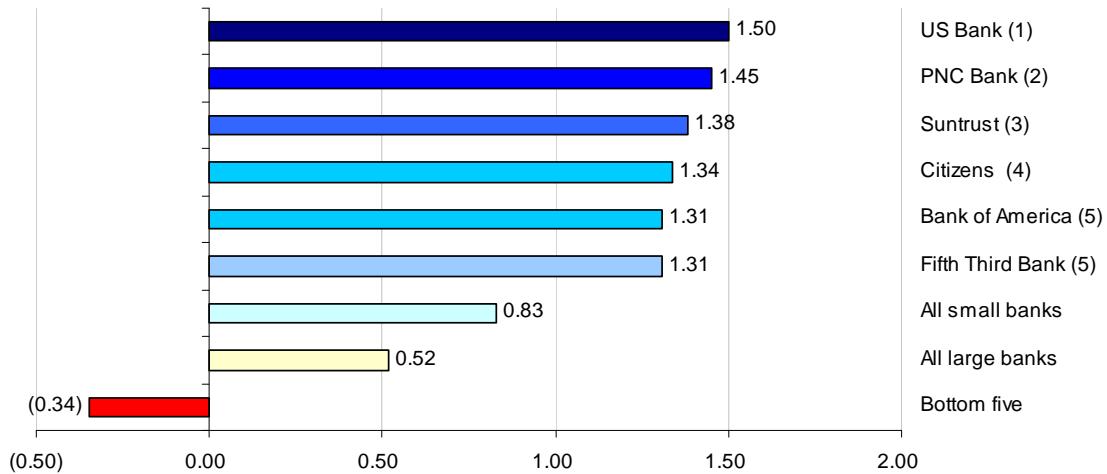
Table 3 summarizes the ranking of the top five banks over the past six years. As shown, U.S. Bank is the most trusted bank for privacy based on rankings over the past four years, and has ranked among the top five since the inception of our study in 2003. PNC Bank has been ranked a top five bank over five consecutive years. Bank of America has been ranked four times during the past six years. Fifth Third Bank has been ranked in the top five three times over the past six years. Suntrust and Citizens bank have been ranked in the top five for the past two years. Finally, JP Morgan Chase has only been ranked once.

Table 3 Summary of top five banks over six years	Years in Top Five	2009 PTS Score	2008 PTS Score	2007 PTS Score	2006 PTS Score	2005 PTS Score	2004 PTS Score
U.S. Bank	6	1.50	1.48	1.42	1.34	1.42	1.30
PNC Bank	5	1.45	1.30	1.28	1.14	1.24	NR
Bank of America	4	1.31	NR	1.38	NL	1.30	0.92
Fifth Third Bank	3	1.31	NR	NR	1.26	NR	1.10
Suntrust	2	1.38	1.37	NR	NR	NR	NR
Citizens	2	1.34	1.30	NR	NR	NR	NR
JP Morgan Chase	1	NR	NR	1.24	NR	NR	NR

NR = bank is not ranked in the top five.

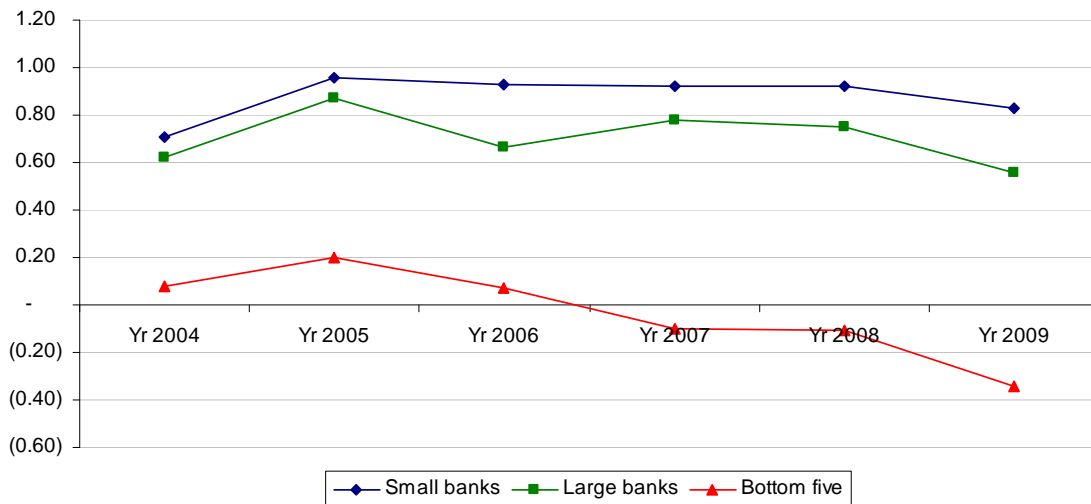
Bar Chart 1 summarizes the 2009 privacy trust results, showing U.S. Bank is in first place with a PTS of 1.50. The average privacy trust score for larger-sized banks is .62. The average privacy trust score for smaller-sized banks is .83. The negative PTS score of -.34 represents a combined average PTS score for the bottom five performing banks combined.

Bar Chart 1
Summary of the 2009 Most Trusted Banks for Privacy Study



Line Graph 1 reports the average PTS score for larger banks, smaller (community) banks and bottom five banks in terms of compiled privacy trust scores over the past six years. As can be seen, community banks consistently outperform larger national or regional banks on trust scores. It is interesting to see that the bottom five banks have steadily declined over the past five years, suggesting consumers may be losing confidence in the privacy practices of certain banking organizations that they routinely deal with.

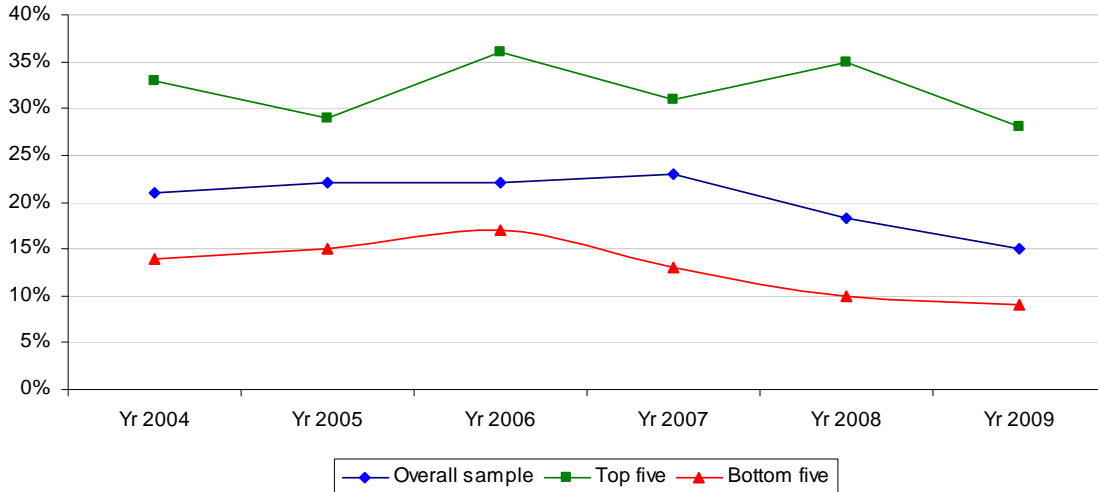
Line Graph 1
Six year trend on privacy trust scores for large, small and bottom performing banks



Other survey findings

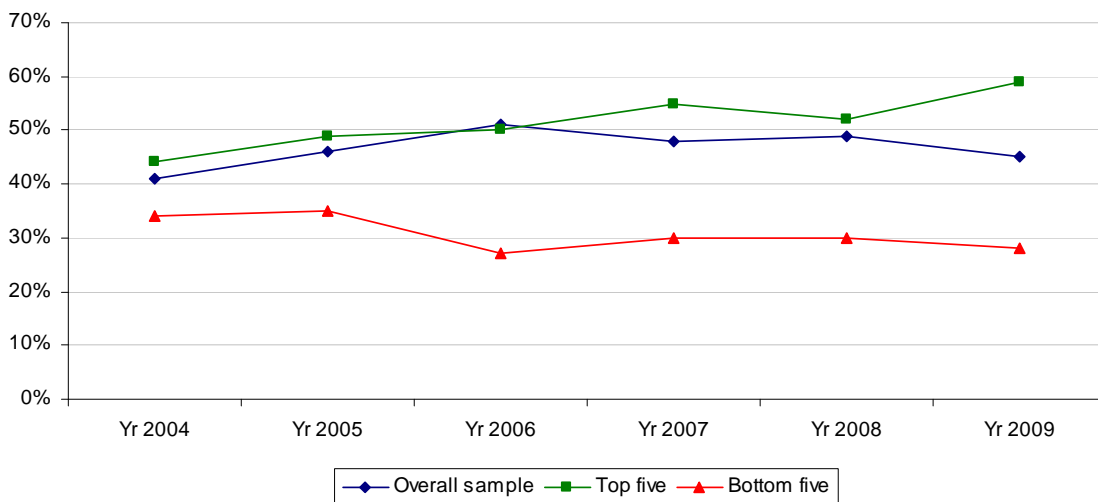
Line Graph 2 reports the perception of consumers about the marketing communication practices of their bank. We compare the top five banks, the bottom five banks and the overall sample. It is clear that the top performing banks are perceived as having a more respectful or less intrusive approach to marketing communications than the overall sample. The bottom performers are viewed below the overall sample for all six years.

Line Graph 2
How relevant is the bank's marketing communications to you?
 Percentages show the combined always & most of the time response



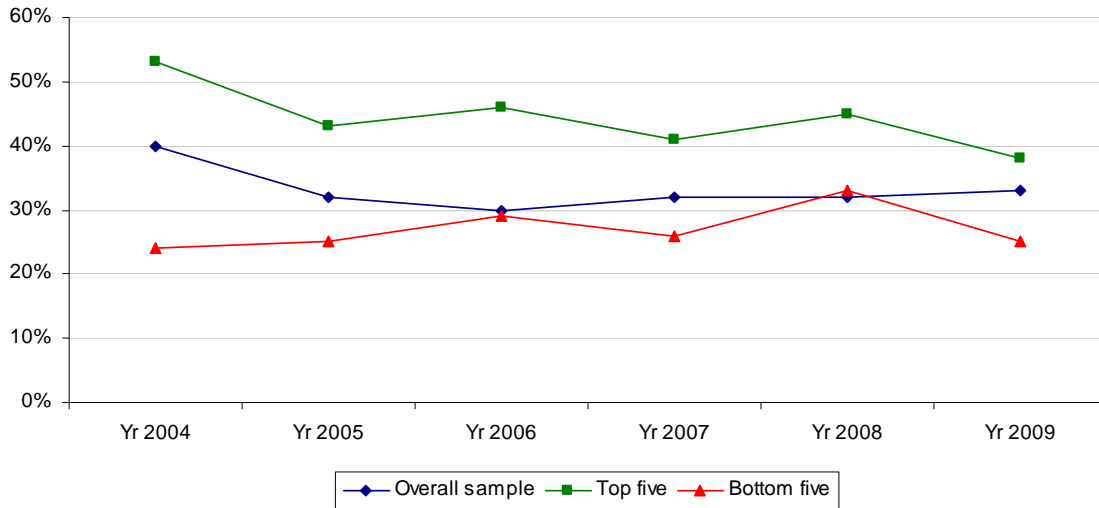
Line Graph 3 reports the perception of consumers about the privacy disclosure and notice practices of their bank. Again, we compare the top five banks, the bottom five banks and the overall sample. It is clear that consumers of the top performing banks hold a more favorable perception than the overall sample. The bottom performers are viewed below the overall sample in terms of their privacy disclosures.

Line Graph 3
How do you rate the privacy disclosure and notice provided by your bank?
 Percentages show the combined good, very good and excellent response



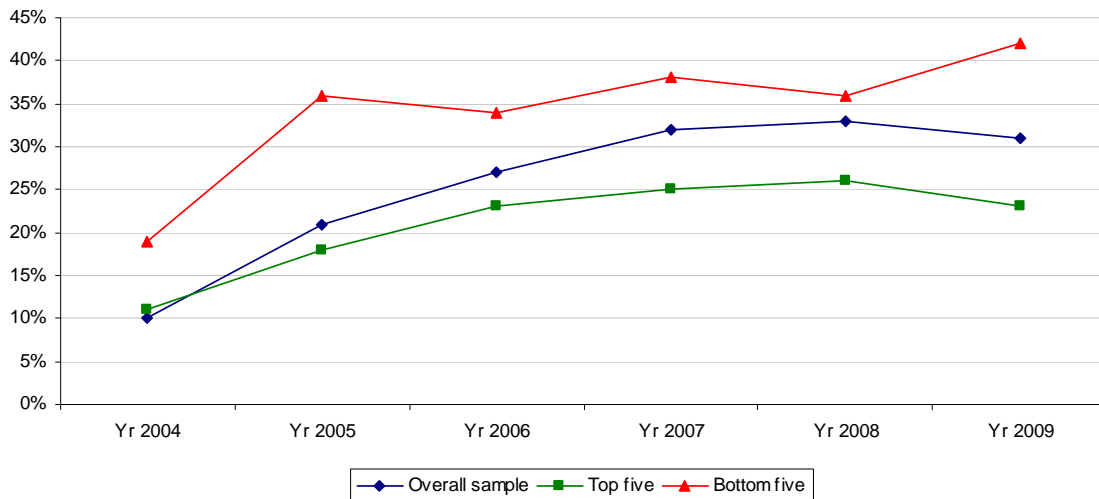
Line Graph 4 reports the perception of consumers about the banks ability to safely maintain their sensitive personal information. It is clear that consumers of the top performing banks hold a more favorable perception than the overall sample about the safety of their personal information. The bottom performers are viewed below the overall sample in terms of their privacy disclosures (with the exception on 2008 results).

Line Graph 4
How safe is your bank in making sure your personal information is secure?
 Percentages show the very safe and safe response combined.



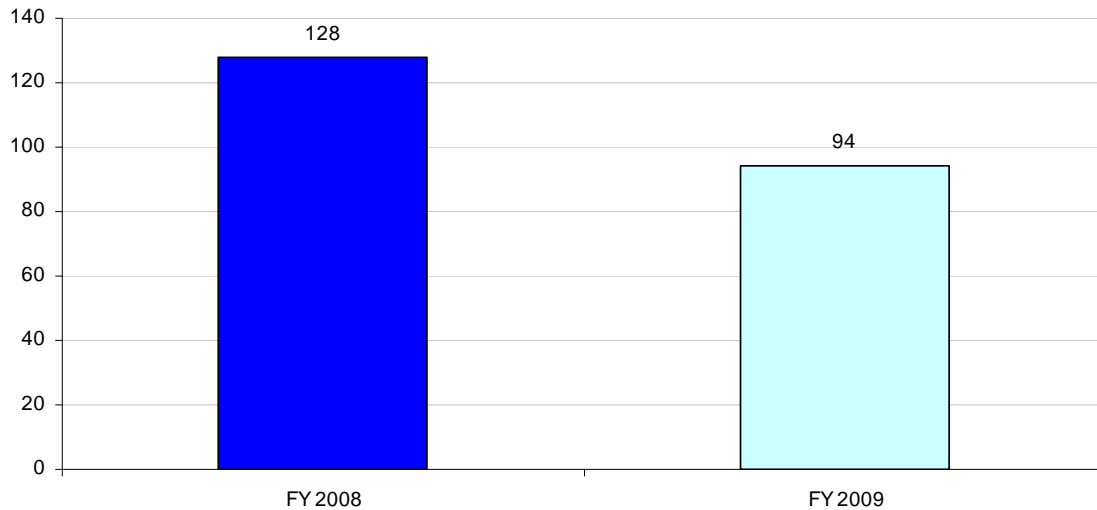
Line Graph 5 reports the consumers' intention to churn if the bank lost their personal information. Customers of the top performing banks are less likely to leave following data breach notification than the overall average. In contrast, customers of bottom performing banks are clearly more likely to churn in the event of a data breach than the average.

Line Graph 5
If your bank notified you that they lost or personal information would you leave?
 Percentages show the yes response.



Our final analysis shows the combined average privacy trust scores for three national banks acquired in 2009.⁴ It is important to note that all three banks achieved very high privacy trust scores in prior years. Bar Chart 2 shows that average PTS declined significantly, perhaps due to financial distress or other events unrelated to privacy-related issues during the past year.

Bar Chart 2
Net change in privacy trust scores for three acquired national banks



If you have questions or comments about this executive summary or you would like to obtain a full report, please contact us by letter, phone call or email:

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Ponemon Institute

Advancing Responsible Information Management

Ponemon Institute is dedicated to independent research and education that advances responsible information and privacy management practices within business and government. Our mission is to conduct high quality, empirical studies on critical issues affecting the management and security of sensitive information about people and organizations.

As a member of the **Council of American Survey Research Organizations (CASRO)**, we uphold strict data confidentiality, privacy and ethical research standards. We do not collect any personally identifiable information from individuals (or company identifiable information in our business research). Furthermore, we have strict quality standards to ensure that subjects are not asked extraneous, irrelevant or improper questions.

⁴ The three national banks are National City, Wachovia and Washington Mutual.