

Small Business Banking - UK - December 2013

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"The small business banking market is afflicted by low levels of competition and low levels of customer churn, but this could be about to change. As more small business customers become aware of new faster switching times and are better able to make comparisons between providers, more are likely to consider changing banks."

– Sarah Hitchcock, Senior Analyst – Financial Services

This report looks at the following areas:

- What potential is there to improve take-up of the small business bank accounts?
- What account features do small business customers consider the most important?
- Are small business customers more likely to switch now simply because it's quicker to do so?
- How successful are the banks at selling additional products to their small business customers?

The UK market for small business banking is mature and heavily consolidated. A handful of providers – in the form of the largest banking groups – control the majority of the market, and hence competition is fairly limited. This may now be slowly starting to change, with the introduction of faster account switching times, the arrival of two new high street brands and the emergence of alternative/direct-only providers.

Despite the market's maturity, there is scope for new entrants to expand the market further and make a dent in the big four's share, by developing innovative and attractively-priced products. Research suggests that around a quarter of the small business population lack a business bank account. Take-up is particularly low among sole traders, many of whom continue to use free-if-in-credit personal current accounts to manage their day-to-day finances.

Against a backdrop of a strengthening economic recovery, along with new initiatives to encourage competition and improve access to finance, this is an interesting time to be looking at the small business banking market. Drawing on a range of sources and statistics, Mintel's report provides an overview of the current market situation and highlights potential opportunities. The market analysis is complemented by the findings of Mintel's survey of small business owners.

This research aims to provide an insight into the experiences, attitudes and behaviours of the target population. Among other things, it assesses levels of customer satisfaction, reveals recent borrowing activity and determines the likelihood of customers of switching accounts.

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