

Current, Packaged and Premium Accounts - UK - June 2010

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What is this report about?

The UK's personal current account market is going through an interesting phase. It is a very mature market, dominated by a handful of established providers and has become even more concentrated by the credit crisis and subsequent merger and acquisition activity. However, the recent upheavals have given fresh impetus to some of the 'challenger' brands and paved the way for new competitors to emerge. Greater competition will inevitably lead to new innovations and improved levels of customer service.

Mintel's report looks at what effect these new dynamics could have, and are already having, on the market. In particular, the report examines the potential impact of new entrants, and explores how consumers are likely to perceive and react to them. It also provides a comprehensive overview of the current structure and composition of the market and recent product developments, and identifies the key selling points of premium and packaged accounts.

What have we found out?

- One in six current account holders have a fee-charging packaged account, but twice as many consumers (36%) are prepared to pay a 'small fee' for certain benefits. There is still scope to expand this segment of the market.
- Over two fifths of packaged account holders pay more than £10 a month. Unless they're convinced that they're getting full value, there's a strong chance that some of them could start to resent this fee.
- The benefits that are most widely used, and thus valued, by packaged account customers are card protection and annual travel insurance.
- People are unlikely to switch to one of the new entrants to the market just because they are 'new' and untainted by the recent financial crisis. Instead, it would take a cash incentive (48%), online and telephone banking (45%) and a competitive rate on credit balances (31%).
- Tesco Bank and Virgin Money pose the greatest threat to incumbent providers, with nearly one in four current account holders prepared to switch to them should they start offering current accounts. Men, those aged 25-44 and those on mid-to-high incomes would be most prepared to switch to one of these brands.
- A lack of consumer awareness means that Metro Bank and Walton & Co face a much tougher challenge, with just 4% and 3% prepared to consider switching to them respectively.

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EMEA: +44 (0)20 7778 7151
Americas: +1 (312) 932 0600
APAC: +61 (0)2 8284 8100