

# Premium and Mass Affluent Banking - UK - September 2012

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"The imminent arrival of new rules governing the advice landscape is prompting more advisers to move up the value chain or withdraw from the market altogether, leaving gaps in the provision of financial advice to the moderately wealthy. Banks targeting the mass affluent should take the opportunity to step in and close these gaps, by developing more holistic and multichannel propositions. However, there is a question mark over what proportion of customers will be prepared to pay up front for the advice they need."

– Sarah Hitchcock, Senior Analyst – Financial Services

## In this report we answer the key questions:

- What is mass affluent banking?
- What is the sector worth?
- How successful are banking providers at reaching the mass affluent audience?
- How can banks improve their mass affluent propositions?
- What impact could the RDR have on this market?

The 'mass affluent' represent an important target market for the retail banks, with several offering 'premium' products and services designed specifically for this moderately wealthy demographic. Offering a premium or lower-entry private bank account not only helps to reach these more profitable individuals, but also acts as a useful gateway product, through which other products and services can be channelled. Sounds simple in principle, and yet Mintel's research reveals that a large proportion of mass affluent adults in the UK do not have a premium or private bank account. In addition, some banks seem to be more proactive than others at identifying and targeting mass affluent customers. This is partly because the mass affluent have a tendency to spread their assets across different institutions, making it more difficult to identify them, and partly because they are not a homogenous group.

In the UK, mass affluent individuals tend to be more mature (typically aged 45+), although they are not exclusively so. This wealthier segment of the population comprises a diverse range of people: from young entrepreneurs and high income earners, seeking to build their wealth, to income-poor but asset-rich retirees, who are seeking to maintain a good standard of living in retirement and/or tax-efficient ways of passing on wealth. Definitions and qualification criteria vary, but mass affluent individuals are typically categorised as having at least £100,000 in investable assets and, as such, have more complex financial needs and higher expectations of service than mass-market customers. Of course, offering a premium service means providing greater privacy and exclusivity, elements which require extra investment and resources..

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