

## Consumers and Retail Banking - UK - October 2013

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“Retail banks will need to work harder than in the past to retain their customers. Heightened awareness of the new switching service and high-profile marketing campaigns will encourage more people to consider their relationship with their existing bank over the next few years.”

– Deborah Osguthorpe, Head of UK Financial Services Research

### This report looks at the following areas:

- Is anyone interested in the new Current Account Switch Service?
- Which brands stand to gain most from the new switching service?
- Who is most likely to consider using the new switching service?
- Is there 'no such thing as free banking'?
- Can banks rely on existing customers for product cross-sales?

People are still reluctant to switch bank accounts. They are worried about the potential for problems during the switching process. More fundamentally, many believe that the existing banks are all pretty similar, meaning that they struggle to see any real reason to switch.

Regulators, though, haven't given up hope of creating a more competitive retail banking market. RBS and the Lloyds Banking Group have both been forced to sell off a swathe of branches, leading to the reappearance of the TSB on British high streets, and the planned return of long-dormant brand, Williams & Glyn's. In September 2013, the industry launched a service designed to make it easier for people to switch their current account. Existing banks will be keen to retain their customers in this environment, but will also be looking to attract new ones through product innovation and high-profile marketing campaigns.

The problem for anyone hoping to increase switching in the market, though, is that current account customers actually tend to be fairly happy with their existing bank. Most have little reason to switch. However, new products and services, combined with evidence that the new switching service has made moving accounts easier, should convince more people to at least consider moving to a different bank. Even if people don't switch current accounts, though, banks are already facing more of a challenge to deliver cross-sales and to increase their share of wallet. Consumers are increasingly conditioned to shop around for products and services including retail banking. They no longer expect to use their main bank for all their retail banking needs. Banks cannot afford to rely on inertia indefinitely.

This report looks at the relationship between consumers and retail banks. It provides insight into the appetite for the new switching service, satisfaction with existing providers and the extent to which consumers value different aspects of the service. Product ownership and cross-selling is also considered, along with consumer use of different banking channels. Mintel's brand research examines consumer attitudes towards the major retail banking brands.

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