Small Businesses Say Bank Service is Improving - But Providers Still Have To Do More

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London, 9thMay 2005. A sizeable proportion of small and middle-sized enterprises (SMEs) in Britain believes that the quality of service provided by their main bank over the past 12 months has improved, according to the findings of a survey published today by a leading global provider of market information, TNS.

Some 17 per cent of SMEs claim that the quality of service they received from their bank during 2004 had improved.? The TNS research also reveals that some 70 per cent of SME customers would recommend their bank (44 per cent â€˜definitely recommendâ€™, 26 per cent â€˜probably recommendâ€™).? This is an improvement of three percentage points on the findings for 2002, when 67 per cent of respondents said they would recommend their bank to another SME customer.?

At the same time, the proportion of customers saying they are â€˜very likely to consider leaving their main bankâ€™ increased by two per cent in 2004 compared with the previous year.?? However, over 2004the proportion of SME customers actually switching banks in the last 12 months was three per cent, unchanged from 2003.? The main reasons for switching banks were given as â€˜poor serviceâ€™ (32 per cent of respondents),and â€˜chargesâ€™ (26 per cent).? This represents an improvement in service levels, but a change in priorities from 2003 when charges were cited by 38 per cent of respondents, and poor service, 36 per cent.

â€œQuality of service has now overtaken charges as the main reason for small businessesâ€™ switching provider,â€• said Rosemary Bayman, Managing Consultant of Financial & Professional Services, TNS.? â€œHowever, providers are responding to this by making service improvements, and this does appear to be feeding through into perceptions.

â€œThe key drivers of customer retention in this market are accuracy and efficiency of service, coupled with a good branch service and a good quality customer contact who really understands the needs of the business.? The main providers are now getting the basics right, but need to work more on going the extra mile in terms of empathy and flexibility,â€• Bayman added.

The findings suggest that banks may be starting to turn around the low point in customer satisfaction which they experienced during 2002 in the wake of the findings of the Competition Commission, which highlighted restricted choice for customers and high charges imposed by banks.

â€œThese findings should offer some encouragement to the banks,â€• Bayman continued.? â€œImportantly, customers believe that service levels are improving as banks do more to build customer loyalty and reverse the pattern of poor customer service which has characterised the financial services market for SMEs in the past. However, this has been coupledwith increased expectations as small business customers take a more active role in the management of their own finances, and expect a higher quality service as a result.?

â€œThe
key question is, will the greater choice offered to small business
owners and their potentially greater expectations actually lead to an
increase in switching?? Certainly, banks can no longer rely on
apathy or inertia which has traditionally stopped customers looking
elsewhere for better deals,â€• Bayman concluded.? â€œThe plus side for
the banks from this research is that ultimately, improved service
levels will lead to increased customer commitment and, in turn, higher
retention rates and the ability for banks to sell customers a wider
range of services in the future.â€•

The research was
undertaken by TNS Financial & Professional Services among a sample
of 4,253 small businesses (turnover of up to ?1 million) across Great
Britain in four waves during 2004. The research used a 25-minute
structured telephone interview with quotas imposed on company size and
region.?

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