Lloyds TSB Top Main Financial Services Provider Brand In Spring UK Banking Barometer

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Shift to challenger retail banking brands underway

As the pressure on the major high street banks grows to change their ways the latest UK Banking Barometer* shows that this spring new challenger banks are making real headway for the first time in the ten years of the Banking Barometer.

Customers appear to be more willing to change banks with many being forced to consider their situation as bank branch ownership is being transferred and under discussion. Extensive advertising for current accounts is a reflection of the re-structuring of retail banking as banks seek to develop relationships that generate rising revenues over time.

Among the public, 90% have a designated main financial services provider, of which 86% (89%, March 2011) cite one of the ten leading bank brands. There is also a reduction in the share of the Top 5 brands, down from 65% to 61%.

Lloyds TSB regained leading MFSP position on the quarter from Barclays while the Co-operative Bank rose to its highest ever ranking (8th).

Figure 1: Main Financial Services Providers, March 2011, 2012, 4 â€“quarter moving average

On a 4-quarter moving average basis, the biggest gain over the past year as a MFSP is by Cooperative Bank, up from 2% to 3%, with the biggest fall at NatWest, down from 12% to 10.8% and slipping from third place to fourth place.

HSBC, which along with Royal Bank of Scotland, has the most active and financially strongest customer base, increased market share the highest among the top 5 MFSPs, up from 10.6% to 11.3%.

Lloyds TSB and Barclays have dominated the MFSP market throughout the decade, with Lloyds TSB more often market leader. Overall the Lloyds Banking Group has a 28% market share, little changed on a year ago. Barclays Bank (15%) is just ahead of the RBS Group and HSBC (both 13%).

Lloyds TSB may be benefitting from its Olympic Games sponsorship as people seek to get tickets.

Excluding Lloyds TSB customers, around 9% of adults are more likely to switch to a brand that is sponsoring the Olympics. Lloyds TSB customers are far more positive about the impact of the Olympics on boosting sports participation (63% v 57% overall) which may reflect their Olympicsthemed sports programmes. More Barclays customers believe there will be a sporting legacy â€“ 62% v 52% overall. This support may reflect the success of the Barclays Spaces for Sports programme.

Across the key target market segments HSBC has the highest share of the mass affluent among its customer base. Lloyds TSB has the highest proportion of graduates while Barclays has the highest proportion of students. Royal Bank of Scotland has the highest proportion of the over 50s.

Regionally there are notable differences between bank brands, with evidence of greater challenger brand success. Santander has made inroads in the North West and Yorkshire / Humberside while Nationwide is in the leading three brands in the East and West Midlands.

Among other potential challenger brands, Tesco Bank and Virgin Money have a considerable mountain to climb with only 0.2% market share between them. The Post Office, with plans to introduce a current account next year is better placed with just under a 1% market share. Yorkshire Bank and Clydesdale Bank, both owned by the National Bank of Australia, have a combined 2.7% market share.

While the money transmission aspect of banking is migrating to the online world â€“ especially the mobile world - the branch still plays a key role in generating product sales through personal contact.

Research conducted by GfK for JGFR last January shown in Figure 2 found that most people seeking to research, set up or take out financial products or services would use a combination of channels with the online channel (at home / office and increasingly mobile) the most used channel.

Nearly a half of adults would continue to use a branch with a surprisingly large increase in more people using a named financial adviser. Such an increase may reflect the rise in people using the internet for research and following this up with contacting a named relationship manager or financial adviser.

Only a small minority of people (7%) regard their bank also as their main financial adviser. The Financial DIY 2012 report produced by wealth management consultancy ComPeer and JGFR found that the public relied increasingly on their own sources of non-professional advice â€“ a figure set to grow as fee-based charging becomes the standard for giving financial advice under the Retail Distribution Review.

*** 2-quarter moving average basis
Source: GfK NOP / JGFR

For financial services providers the coming months will be tough ones with business volumes â€“ especially mortgage and consumer credit demand very weak. The JGFR Financial Activity Barometer Index (see chart above) is little changed (85.3) from its decade low of December (85.5), although savings and investment intentions moved higher following recent weakness. The JGFR Savings & Investment Index gained 1 point to 87.3 (95.1, Q1Q2 2011). Investor confidence is higher with more people (13%) intending to invest in equities and corporate bonds following the record low of December (10%).

In the housing market changes are underway, with more people living in outright owned homes and fewer in rented homes. This may reflect the tough financial squeeze forcing more siblings to return to the parental home. Despite the gloomy economic position, prospects for the housing market have improved quarter-on-quarter. The JGFR Housing Market Confidence Index jumped 10 points from its survey low of 43.9 last December. A big factor pushing the overall index higher is the strong recovery in housing market confidence in London. Here property purchase intentions surged to their highest since September 2010. On a 2-quarter moving average basis however the trend edged lower.

Commented John Gilbert, Chief Executive of JGFR on the Banking and Financial Activity Barometers:
â€œUK financial services providers face very tough operating conditions. Banks especially face a very difficult quarter as consumer demand continues to be depressed, competition for new customers remains intense and the on-going re-structuring of the sector adds to the uncertainty. Packaged product sales in the wake of PPI mis-selling will come under particular scrutiny. With challenger brands growing market share, the start of a new order for retail banking appears underway.â€•

*The quarterly UK Banking Barometer is based on responses to a question: â€œ Please can you tell me which company do you regard as your main financial services provider?â€•. The question is asked on the same GfK NOP omnibus survey of 2,000 adults aged 16+, representative of the UK population as are questions on UK Consumer Confidence for the European Commission and for the UK Financial Activity Barometer

** The quarterly UK Financial Activity Barometer asks consumers about their intended savings, investment and borrowing activity in the next 6 months across 18 categories. The JGFR Financial Activity Barometer Index is a 2-quarter moving average.

Both the UK Banking Barometer and UK Financial Activity Barometer are well-established surveys being launched in March 2002 and March 2003 respectively. Together with the consumer confidence data covering personal and household finances, the economic situation, unemployment, prices, spending and saving both Barometers provide a valuable source of data that can be cross-analysed covering a financially turbulent decade.

The UK Financial Activity Bulletin was published last month covering the main findings of the two survey questions.

To view the Table of Contents visit
(http://www.jgfr.co.uk/octavo/pages/page.edit.php?page_name=/financial.activity.bulletin/bulletincontents&dir=/financial.activity.bulletin/)

An analysis of financial product buying channels and of financial advisers and the demand for financial advice is in the March 2012 report â€œ Financial DIY 2012â€• produced by ComPeer/JGFR.

About JGFR
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23 May 2012