Some Switching Away From Leading Bank Brands in Q2

Contributed by JGFR
Monday, 29 July 2013

According to the Q3 UK Banking Barometer, fewer people cite one of the leading ten banking brands as their main financial services provider.

Overall 91% of adults have an MFSP, little changed on Q1, but well up on 86% a year ago when the banks again came under pressure from PPI and LIBOR mis-selling revelations. Among people with an MFSP, 83% have one of the ten leading bank brands (including Nationwide) as their MFSP, slightly down on Q1 but little changed on a year ago. There is no change in the leading bank brands with Lloyds TSB and Barclays maintaining their MFSP dominance, now stretching back almost unbroken since the series began in Q1 2003. On a 4 â€“quarter moving average basis Lloyds TSB has a 15.6% market share (15.7%, Q2 2012) compared to Barclays 14.2% (15.4%, Q2 2012). Overall there is a drop in the proportion of the ten leading brands, down from 86% to 83.5% share of MFSP market. This fall points to some switching to smaller MFSP brands. The main gainer in Q2 is Barclays with most other brands either seeing a loss of customers or little change. Some of the smaller bank brands may well begin to feature more in the coming quarters as the regulatory authorities seek to generate greater competition. This quarter has also seen some shifts among customer bases as greater switching between leading brands seems to have occurred. Demand for financial products is weaker in Q3, putting pressure on MFSPs â€“ who will need to understand their own customersâ€™ intentions and to plan accordingly. NatWest customers are set to be the most active in the coming months. The Banking Barometer also examines the household financial situation of customers â€“ Barclays and Santander (45%) have the highest proportion of customers in saving households and the Co-operative Bank (57%) in â€˜making-do householdsâ€™. Segmentation analysis highlights the differences between customer bases and helps to explain the differences in prospective activity. Nationwide has the highest proportion of under 30s as MFSP customers, while HSBC is strongest among full-time workers and Bank of Scotland among the over 50s. Regional differences in demand are a key feature of financial services. Having a strong presence in the areas of highest intended activity will help in marketing and sales campaigns. The East Midlands for example is traditionally a strong region for savings activity. By products some customer bases are more biased towards savings / investment products and others to debt products, including debt repayment. In Q3 70% of NatWest customers intend to save or invest compared to an average of 58%. At Lloyds TSB 31% of customers intend to repay debt compared to 25% overall. Commented John Gilbert, Chief Executive of JGFR: â€œAs in other industry sectors, the desire of regulators to increase competition does not always square with what consumers want.Â While this quarter there does appear to have been more account switching, largely among the Top 5 brands, only the forced break up of major banks will bring change â€“ and even then customers may migrate back to the parent bank.â€•

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