Big Banks Still Preferred As Main Financial Services Providers (MFSPs)...With Branches

Contributed by JGFR
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The Q2 JGFR Banking Barometer * finds 93% of the UK population citing having a main financial services provider, a 9-year high, with 89% citing one of the top ten banking brands as their MFSP, above the long term average (85%).

Despite the efforts by the government, regulators and consumer groups to establish a cadre of new challenger bank brands, the public prefer the well-known high street banking brands as their main financial services provider.

At a time of near record demand for savings, investment and borrowing products** the outlook for the retail banks looks set fair despite the Referendum uncertainty.

The number of consumers who intend to undertake 2 or more savings, investment or borrowing activities grew by 1.5 million on the quarter to a record 35 million. More people intend to undertake 4 or more activities, up by nearly 2 million in the past year to 18 million.

Top Ten banking brands as main financial services providers: 2003-16

Source: GfK / JGFR

In the Q2 Banking Barometer the strength of the former building society brands continues the Leicester City- like- assault on the MFSP league table over the past year.

In the current quarter Barclays retained pole position as the leading MFSP brand with Santander retaking second spot from Halifax, which overtook sister brand Lloyds Bank for the first time in the Q1

Banking Barometer. Halifax dropped to third place in the Q2 Barometer, still ahead of Lloyds Bank.

Over the past 4 quarters Barclays retained the MFSP leadership it had in the 4 quarters to March 2015, but with notable changes in its wake. Santander, Halifax and Nationwide increased their combined MFSP share from 29% in the 4 quarters to March 2015 to 34.5% over the past 4 quarters.

The share of Lloyds Bank, NatWest, HSBC and Royal Bank of Scotland has fallen a combined 4.7% in the same period.

There has been little sign of any real challenger bank brands emerging to rival the high street brands; TSB achieved its highest share since breaking away from the Lloyds banking Group this quarter and shows that a branch presence is necessary to become an MFSP.

Main Financial Service Providers, March 2016, March 2015, 4-quarter market share (% adults 16+)

Source: GfK / JGFR

By group, Lloyds Banking Group is the leading retail financial services MFSP with a 25% MFSP share, ahead of RBS Group (15%), Barclays (14%), Santander (13%) and HSBC (10%).

High street banks with branches still have majority appeal

Respondents were also asked in the Q2 Banking Barometer whether the following statement applied to them: â€œI prefer my main financial services provider to be a high street bank / building society with branchesâ€•

Preference for a high street bank / building society MFSP with branches, March 2016

Source: GfK / JGFR

Over 7 out of 10 adults indicated that the statement applied to them highlighting the ongoing importance of a branch network. Not all segments are as positive, with the young less in agreement, especially students (60%).

Older segments are understandably the most supportive of branches, and given their growing size in the population and share of wealth, a segment to be courted. 8 out of 10 retired people support the statement.

Regionally there is greatest support for branches in Scotland (80%) with the lowest support in Wales (59%). Indeed the two leading Scottish banks, Royal Bank of Scotland (84%) and Bank of Scotland (83%), have among the highest proportion of customers with a branch preference, reflecting the greater demand for branches north of the border.

In England, customers of Nationwide (85%) and Lloyds Bank (80%) are the most with a preference for branches. Among the 1 in 5 adults who do not have a high street MFSP, there is less support for branches (61%).

Commented John Gilbert, Chief Executive of JGFR:

â€œAs the leading financial services providers, the retail banks have a vital role in helping the public manage their finances. Those that provide favourable customer experiences will be the most valued. The latest Banking Barometer points to the rise of the branch-based building society cum bank model with widespread public appeal. How to use the branch best to engage with the publicâ€™s increasing financial needs is the marketing challenge of financial servicesâ€•