

Consumers and Retail Banking - UK - September 2014

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“UK retail banking is not a sector that is traditionally used to large-scale disruption. However, it is entering a period of upheaval as a result of a number of factors ranging from polarised demographics and digital disruption, to increased regulatory pressure and a constant wave of reputation-damaging scandals.”

- Jessica Morley, Financial Services Analyst

This report looks at the following areas:

- As long as people still believe that banks are “all the same”, the Current Account Switch Service will have minimal impact
- Challenging demographics: how to impress Generation Y
- Are we looking at a future of branchless banks?
- Adapting the branch to fit diverse consumer requirements

After having been introduced in September 2013, the Current Account Switch Service seems to have only had a modest impact on the desire to switch. People still view the majority of providers as the same and although they are increasingly conditioned to believe in shopping around for the best deal, find it difficult to put belief into practice when it comes to current accounts.

However, there has been a qualitative shift. The convenience of the service does mean that consumers feel more confident about switching when they are not happy. This is beginning to push providers to work harder in order to prevent a mass exodus. And when looked at as a whole, competition in the retail banking environment is increasing. Challengers are appearing, and now the digital giants are looking for ways of disrupting the market. Such digital disruption has infiltrated all areas of the business, from front-facing customer products and services to back-office operations. This is most evident in the evolution of the bank branch as it fights to stay relevant to today's demanding consumers.

This report looks at the relationship between consumers and retail banks, considering the major market developments of the last 12 months. It provides insight into the impact of the Current Account Switch Service introduced last year, considering the incentives to switch for consumers and the prevailing barriers to competition. Product ownership and cross-selling are also considered, as well as the perceived value and use of different banking channels.

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Table of Contents

Introduction

Abbreviations

Executive Summary

Market share

Top five banking groups account for 85% market share

Figure 1: Main current account provider, by banking group, May 2014

Product ownership and channel use

Product ownership and cross-sales

Incumbents increasingly at risk of losing wallet share

Figure 2: Products held and cross-sales, May 2014

Frequency of use of main banking channels

Online and mobile banking integrate banking into everyday life

Figure 3: Frequency of banking channel use, May 2014

Perceived value of banking channels

Online banking leads the way

Figure 4: Importance of banking services, May 2014

Attitudes towards retail banking

Bargain hunting increasingly important to consumers

Figure 5: Consumer attitudes towards banking, May 2014

Account switching

Consumer intentions in using the Current Account Switch Service

Inertia reigns supreme

Figure 6: Consumer intentions in using the Current Account Switch Service, May 2014

Awareness of the current account switch service

Three quarters of consumers aware of the Current Account Switch Service

Figure 7: Awareness of the Current Account Switch Service, May 2014

Features/services appealing to potential switchers

Banks face a difficult decision when it comes to channel prioritisation

Figure 8: Features/services appealing to potential switchers, May 2014

Consideration of switching to various banking providers

Challengers start to appeal to consumers

Figure 9: Consideration of switching to various banking providers, May 2014

What we think

Issues and Insights

As long as people still believe that banks are "all the same", the Current Account Switch Service will have minimal impact

The facts

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The implications

Challenging demographics: how to impress Generation Y

The facts

The implications

Are we looking at a future of branchless banks?

The facts

The implications

Adapting the branch to fit diverse consumer requirements

The facts

The implications

Trend Application

Inter-generational Knowledge Exchange

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Market Developments

Key points

The economic recovery is feeding through into retail banking results

Figure 10: Retail banking profits, by provider, 2013 and 2014

Digital disruption has raised consumer expectations

Analysis of big data can help incumbents maintain their advantage in a changing environment

Developments in FinTech challenge banks' ownership of consumer data

Competition in the industry is slowly increasing

Regulation is holding back innovation

Talking 'bout my reputation

Figure 11: Results for first quarter of Current Account Switch Service

Retail Banking Providers: Market Share

Key points

Decreasing dominance?

Figure 12: Main current account provider, May 2014

Simple, personal and fair leads the way

Lloyds' market share reflects the spin-off of TSB branches

Figure 13: Market share, May 2014

TSB is the exception, not the rule

Company Profiles

Barclays

Figure 14: Key financial data for Barclays plc, 2011-13

Figure 15: Key financial data for Barclays plc, 2013 and 2014

Figure 16: Key data for Barclays PLC, 2012 and 2013

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HSBC

Figure 17: Key financial data for HSBC, 2011-13

Figure 18: Key financial data for HSBC, 2012 and 2013

Figure 19: Key data for HSBC, 2012 and 2013

Lloyds Banking Group

Figure 20: Key financial data for Lloyds Banking Group, 2011-13

Figure 21: Key financial data for Lloyds Banking Group, 2013 and 2014

Figure 22: Key financial data for Lloyds Banking Group, 2012 and 2013

Figure 23: Key financial data TSB, 2013 and 2014

Figure 24: Key data for TSB, 2013 and 2014

Nationwide

Figure 25: Key financial data for Nationwide, 2013 and 2014

Figure 26: Key data for Nationwide, 2013 and 2014

RBS

Figure 27: Key financial data for RBS Group, 2011-13

Figure 28: Key financial data for RBS Group, 2013 and 2014

Figure 29: Key financial information for RBS Bank, 2012 and 2013

Figure 30: Key data for RBS Group (UK Retail Banking Division), 2011-13

Santander

Figure 31: Key financial data for Santander UK, 2011-13

Figure 32: Key financial data for Santander UK, 2013 and 2014

Figure 33: Key data for Santander Group, 2012 and 2013

The Co-operative Bank

Figure 34: Key financial data for The Co-operative Bank, 2012 and 2013

Figure 35: Key data for the Co-operative Bank, 2012 and 2013

Virgin Money

Figure 36: Key financial data for Virgin Money, 2012 and 2013

Figure 37: Key data for Virgin Money, 2012 and 2013

Brand Communication and Promotion

Key points

Adspend grew by 10% over the course of 2014

Figure 38: Advertising expenditure by retail banking providers, 2012-14

Figure 39: Retail banking advertising expenditure, by advertiser, 2012-14

£67 million spent on brand building

Figure 40: Retail banking expenditure, by advertiser, 2013 and 2014

Television is the key marketing channel

Figure 41: Retail banking advertising expenditure, by media type, 2014

A note on adspend

Product Ownership and Cross-sales

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Key points

Cross-selling opportunities

Figure 42: Financial services product ownership and cross-sales, May 2014

Technology will erode the "one-stop shop" appeal of the industry giants

Figure 43: Financial services product ownership and cross-sales, by number of products held with main current account provider, May 2014

Keeping up with the Joneses...or with Nationwide and Barclays

Figure 44: Savings account and credit card ownership, by provider, May 2014

Disintermediation dilemma

Figure 45: Number of products held with main current account provider, May 2014

Capturing Generation Y

Figure 46: Number of products held, by age, May 2014

Importance of Banking Channels

Key points

Online (almost) every time

Figure 47: Relative perceived importance of banking channels as rated the most important, May 2014

Mobile banking yet to go mainstream

Figure 48: Frequency of mobile and online banking channel usage, by age, May 2014

NatWest and Barclays 'get' Mobile Banking

Figure 49: Most important banking channel, by provider, May 2014

Differences in ownership drive differences in opinion

Figure 50: Most important banking channel, by product ownership, May 2014

Figure 51: Those who never use in-branch counter services, May 2014

Figure 52: Those who never use in-branch advice services, by product ownership, May 2014

I want what I want, when I want it

Figure 53: Frequency of banking channel use, May 2014

Differences in ownership drive differences in opinion

Figure 54: Most important banking channel, by product ownership, May 2014

Figure 55: Frequency of channel use, by product type, May 2014

Attitudes towards Retail Banking

Key points

Majority of consumers believe it is important to shop around

Figure 56: Consumer attitudes towards banking, May 2014

Most people think banks take their customers for granted

Figure 57: Consumer attitudes about the concept of loyalty in retail banking, May 2014

Aligning bank and consumer definitions of loyalty

69% agree that "banking is never really free"

Figure 58: Belief that "banking is never really free", by age and financial situation, May 2014

Free banking: The triumph of hope over experience?

Attitudes towards cashback highlight the challenge faced by banks

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Figure 59: Attitudes towards current account rewards, May 2014

Beware of generalisations

Figure 60: Concern about branch closures compared with the belief that digital services are more important than branch services, by age, May 2014

Intended Use of Current Account Switch Service

Key points

Irreversible inertia?

Figure 61: Consumer intentions to use the Current Account Switch Service, May 2014

Figure 62: Intention to switch current account provider, May 2014 compared to June 2013

Consumers find it difficult to see the point in switching

Figure 63: Attitude towards banking, by attitude towards switching, May 2014

Confusion over the differences between products acts as a barrier to competition

Figure 64: Likelihood to switch, by product ownership, May 2014

Figure 65: Potential movers, by products held with main current account provider and with alternative provider, May 2014

Awareness of the Current Account Switch Service

Message received, but not translated

Figure 66: Awareness of the Current Account Switch Service, May 2014

Awareness varies widely across demographic groups

Figure 67: Awareness of the Current Account Switch Service, by age, May 2014

Figure 68: Proportion of each age group classed as a potential mover, May 2014

Current Account Switching – Consideration of Retail Banking Services and Features

Key points

Banks face a tough decision when it comes to prioritising channels for development

Figure 69: Features/services appealing to potential account switchers, May 2014

Channel hopping

Figure 70: Use of banking channel once a month or more, by likelihood to switch, May 2014

Push or Pull?

Figure 71: Factors motivating the desire to switch among potential account switchers, May 2014

Figure 72: Features appealing to current account switchers, by age, May 2014

Current Account Switching – Consideration of Retail Banking Brands

Key points

Most potential switchers are still looking at the industry giants

Figure 73: Consideration of different banking providers – potential switchers, May 2014

Rise of the challengers

No two are alike

Figure 74: Intention to switch to specific provider, by age, May 2014

Figure 75: Intention to switch to specific provider, by age, May 2014 (continued)

Appendix – Product Ownership and Cross-sales

Figure 76: Product ownership and cross-sales – Savings account, by demographics, May 2014

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- Figure 77: Product ownership and cross-sales – Cash ISA, by demographics, May 2014
- Figure 78: Product ownership and cross-sales – Any stock market-based investment product, by demographics, May 2014
- Figure 79: Product ownership and cross-sales – Credit card, by demographics, May 2014
- Figure 80: Product ownership and cross-sales – Personal loan, by demographics, May 2014
- Figure 81: Product ownership and cross-sales – Business loan, by demographics, May 2014
- Figure 82: Product ownership and cross-sales – Mortgage, by demographics, May 2014
- Figure 83: Product ownership and cross-sales – Life insurance, by demographics, May 2014
- Figure 84: Product ownership and cross-sales – Home insurance, by demographics, May 2014
- Figure 85: Product ownership and cross-sales – Car insurance, by demographics, May 2014
- Figure 86: Product ownership and cross-sales – Income protection/critical illness cover, by demographics, May 2014
- Figure 87: Product ownership and cross-sales – Business bank account, by demographics, May 2014
- Figure 88: Product ownership and cross-sales, by demographics, May 2014

Appendix – Importance of Banking Channels

- Figure 89: Importance of banking services – In-branch counter services, by demographics, May 2014
- Figure 90: Importance of banking services – In-branch advice services, by demographics, May 2014
- Figure 91: Importance of banking services – Online banking, by demographics, May 2014
- Figure 92: Importance of banking services – Telephone banking, by demographics, May 2014
- Figure 93: Importance of banking services – Mobile banking, by demographics, May 2014
- Figure 94: Frequency of use of various retail banking channels – In-branch counter services, by demographics, May 2014
- Figure 95: Frequency of use of various retail banking channels – In-branch advice services, by demographics, May 2014
- Figure 96: Frequency of use of various retail banking channels – Online banking, by demographics, May 2014
- Figure 97: Frequency of use of various retail banking channels – Telephone banking, by demographics, May 2014
- Figure 98: Frequency of use of various retail banking channels – Mobile banking, by demographics, May 2014
- Figure 99: Frequency of mobile and branch banking channels, by product ownership, May 2014

Appendix – Attitudes towards Retail Banking

- Figure 100: Agreement with the statement 'I don't believe banking is ever really free', by demographics, May 2014
- Figure 101: Agreement with the statement 'The number of bank branches that are closing worries me', by demographics, May 2014
- Figure 102: Agreement with the statement 'It is a good idea for banks to offer services in different locations', by demographics, May 2014
- Figure 103: Agreement with the statement 'Online/mobile services are more important to me than branch services', by demographics, May 2014
- Figure 104: Agreement with the statement 'Building societies are better at rewarding loyalty than banks', by demographics, May 2014
- Figure 105: Agreement with the statement 'Banks take their customers for granted', by demographics, May 2014
- Figure 106: Agreement with the statement 'It is important to look for the best deals on the market yourself', by demographics, May 2014
- Figure 107: Agreement with the statement 'I am lazy when it comes to making sure I am getting the best deals', by demographics, May 2014
- Figure 108: Agreement with the statement 'Some banks are better than others at looking after their customers', by demographics, May 2014
- Figure 109: Agreement with the statement 'Current accounts that offer cashback and other rewards are a good idea', by demographics, May 2014
- Figure 110: Agreement with the statement 'I would like to have a current account that offers cashback or other rewards', by demographics, May 2014
- Figure 111: Agreement with the statement 'It would be worth paying for a current account if it offered cashback/rewards on spending and purchases', by demographics, May 2014
- Figure 112: Positive attitudes towards banking, by provider, May 2014
- Figure 113: Attitudes towards banking, by age, May 2014

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Report Price: £2195.00 | \$3554.69 | €2788.33

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Appendix – Intended Use of Current Account Switch Service

Figure 114: Consumer intentions of using the Current Account Switch Service, by demographics, May 2014

Appendix – Awareness of the Current Account Switch Service

Figure 115: Consumer awareness of the Current Account Switch Service, by demographics, May 2014

Appendix – Current Account Switching – Consideration of Retail Banking Services and Features

Figure 116: Most popular features/services appealing to potential account switchers, by demographics, May 2014

Figure 117: Next most popular features/services appealing to potential account switchers, by demographics, May 2014

Appendix – Current Account Switching – Consideration of Retail Banking Brands

Figure 118: Most popular consideration of switching to various retail banking brands, by demographics, May 2014

Figure 119: Next most popular consideration of switching to various retail banking brands, by demographics, May 2014

Figure 120: Popular consideration of switching to various retail banking brands, by demographics, May 2014

Figure 121: Other consideration of switching to various retail banking brands, by demographics, May 2014

Figure 122: Least popular consideration of switching to various retail banking brands, by demographics, May 2014

Appendix – Market Share

Figure 123: Most popular main account provider, by demographics, May 2014

Figure 124: Next most popular main account provider, by demographics, May 2014

Figure 125: Other main account provider, by demographics, May 2014

Figure 126: Least popular main account provider, by demographics, May 2014

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