

## Loyalty in Financial Services - UK - April 2014

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“Financial services firms cannot expect their clients to exhibit loyalty when they feel that new customers are the ones getting the best deals. Indeed, most of the “loyalty” in the financial services market is due to customer inertia. Going forward, firms need to look at how they can reward long-standing customer relationships in order not to alienate the core of their customer base.”  
 – Stevan Obradovic, Financial Services Analyst

### This report looks at the following areas:

- Which financial services firms have the most scope for improvement?
- Is loyalty a two-way street?
- Do customers want tangible benefits for being loyal?

In terms of customer perceptions, financial services firms are rated among the worst performing when it comes to rewarding loyal clients. The concept of loyalty in some financial markets, such as car insurance, is almost non-existent, with the majority of clients checking offers from rival providers each year in order to get a better deal. Today's increasingly savvy consumers have access to myriad tools to help them track down the best deals, and as a result switching behaviour even in other financial markets is heavily driven by price considerations – with only current accounts bucking this trend.

These market trends are partly self-inflicted, however. Heavy discounting on products for new customers and bonus/introductory rates mean that consumers have been pushed towards looking at new providers because they see little reward in showing loyalty to firms. There are suggestions that this is changing as some firms are scrapping such offers in order to not alienate their current customer base. Going forward there is scope to try and build loyalty in the financial services arena, although this will have to be an industry-wide effort as currently the majority of consumers just do not think it is worth being loyal to finance firms.

This report examines the way consumers rate financial services firms in comparison to other industries when it comes to rewarding loyal customers. In addition, there is analysis on switching behaviour in financial services markets with an in-depth overview of what drives switching in the current account, insurance, mortgage, credit card and savings sectors. The concluding sections of this report look at consumers' attitudes towards loyalty in financial services.

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