

Small Business Banking - UK - October 2016

Report Price: £1995.00 | \$3230.80 | €2534.27

The above prices are correct at the time of publication, but are subject to change due to currency fluctuations.



“Small business owners show a reasonable level of interest in value-added services such as access to accountancy software but few are prepared to pay extra for these. As efforts to drive up competition in the market intensify, we can expect to see more diversified offerings emerging to suit a range of business needs.”

– **Deborah Osguthorpe, Head of UK Financial Services Research**

This report looks at the following areas:

- **Uncertainty surrounding Brexit creates opportunity for business banking providers to deepen customer relationships**
- **A significant proportion of small business owners rely on borrowing from friends and family**

During 2015 the number of small business current accounts grew marginally by 1.1% to stand at 3.68 million, although this is lower than the overall growth in the small business population. However, there was stronger growth in account balances which grew at almost 8% year on year to stand at almost £83 billion.

Entrepreneurship and small business ownership is deemed a vital component of the UK economy. During the recession that followed the 2008 economic crisis, policymakers introduced a number of measures to support small businesses and improve access to finance in order to encourage growth. Many of the schemes have been extended in 2016 to continue this support. The potential customer base for business banking providers continues to grow, but an influx of new challenger banks attempting to gain a share of the market poses a threat to existing incumbents.

**BUY THIS
REPORT NOW**

VISIT:
store.mintel.com

CALL:
EMEA
+44 (0) 20 7606 4533

Brazil
0800 095 9094

Americas
+1 (312) 943 5250

China
+86 (21) 6032 7300

APAC
+61 (0) 2 8284 8100

EMAIL:
reports@mintel.com

DID YOU KNOW?

This report is part of a series of reports, produced to provide you with a more holistic view of this market

Small Business Banking - UK - October 2016

Report Price: £1995.00 | \$3230.80 | €2534.27

The above prices are correct at the time of publication, but are subject to change due to currency fluctuations.

Table of Contents

Overview

What you need to know
Products covered in this Report

Executive Summary

The market

Small business account numbers edge up...
Figure 1: Number of small business current accounts, 2011-15

...but account balances see strong growth
Figure 2: Forecast of small business account balances (current and savings accounts), 2011-21

Overdraft use continues to decline

Number of small businesses in the UK continues to rise

Regulatory measures aim to increase competition in the market

Companies and brands

Top four banking groups dominate the business banking market
Figure 3: Market share for business bank accounts, June 2016

Competition from new challengers

The consumer

Two thirds of small business owners use a business current account

Customer service is most important factor when choosing a business bank account
Figure 4: Important factors when choosing a business bank account, June 2016

Small business owners reluctant to pay for additional services
Figure 5: Interest in new business banking services, June 2016

Fixed monthly tariff is most attractive payment structure for business bank accounts
Figure 6: Business account payment preferences, June 2016

Informal borrowing is filling a credit gap
Figure 7: Small business lending experience in the last three years, June 2016

What we think

Issues and Insights

Uncertainty surrounding Brexit creates opportunity for business banking providers to deepen customer relationships

The facts

The implications

A significant proportion of small business owners rely on borrowing from friends and family

The facts

The implications

The Market – What You Need to Know

Small business account numbers edge up but balances see strong growth

**BUY THIS
REPORT NOW**

VISIT: store.mintel.com
CALL: EMEA +44 (0) 20 7606 4533 | Brazil 0800 095 9094
Americas +1 (312) 943 5250 | China +86 (21) 6032 7300
APAC +61 (0) 2 8284 8100 |
EMAIL: reports@mintel.com

Small Business Banking - UK - October 2016

Report Price: £1995.00 | \$3230.80 | €2534.27

The above prices are correct at the time of publication, but are subject to change due to currency fluctuations.

Overdraft use continues to decline
 Regulatory measures aim to increase competition in the market
 Number of small businesses in the UK continues to rise...
 ...driven by further increase in self-employed workers
 Small business owner confidence has dropped in 2016
 Overdraft use continues to decline

Market Size and Forecast

Number of small business current accounts edges up...
 Figure 8: Number of small business current accounts, by in credit and overdrawn, 2011-15

...but the number that are overdrawn continues to fall

Small business account balances surpass £82 billion in 2015
 Figure 9: Number and value of small business current and savings accounts, 2011-15

Market forecast

Account balances forecast to reach £121 billion by 2021
 Figure 10: Forecast of small business account balances (current and savings accounts), 2011-21
 Figure 11: Forecast of small business account balances (current and savings accounts), 2011-21

Forecast methodology

The impact of the EU referendum vote

Small business banking account balances are susceptible to economic slowdown
 Figure 12: Alternative market scenarios for small business banking account balances post-Brexit, 2016-21
 Figure 13: Detailed scenarios for small business banking account balances post-Brexit, 2016-21

Small business confidence dropped prior to and after the EU vote

Small Business Lending

Lending to small businesses increased in value in 2015
 Figure 14: Quarterly value of gross loans advanced to small businesses, Q1 2012-Q2 2016

Overdraft use continues to decline
 Figure 15: Quarterly volumes of approved loans and overdraft facilities for small businesses, Q1 2012-Q2 2016

Market Drivers

Number of small businesses in the UK continues to rise...
 Figure 16: Volume of UK private businesses at the start of the year, 2011-15

...driven by further increase in self-employed workers
 Figure 17: Number of self-employed workers in the UK, January 2011-March 2016

SMEs have a combined turnover of £1.8 trillion
 Figure 18: Total annual turnover of UK private businesses, 2015

Small business owner confidence has dropped in 2016
 Figure 19: Current financial situation of the business, March 2015 vs. June 2016

Regulatory and Legislative Environment

CMA Retail Banking investigation concludes with list of new measures for banks

**BUY THIS
 REPORT NOW**

VISIT: store.mintel.com
CALL: EMEA +44 (0) 20 7606 4533 | Brazil 0800 095 9094
 Americas +1 (312) 943 5250 | China +86 (21) 6032 7300
 APAC +61 (0) 2 8284 8100 |
EMAIL: reports@mintel.com

Small Business Banking - UK - October 2016

Report Price: £1995.00 | \$3230.80 | €2534.27

The above prices are correct at the time of publication, but are subject to change due to currency fluctuations.

Proposed introduction of an Open API banking standard
 The Enterprise Finance Guarantee scheme is extended until 2018
 Bank Referral Scheme extended in 2016
 New data sharing rules for SME lending
 Funding for Lending Scheme extended to January 2018
 Bank of England relaxes bank-capital requirements
 Introduction of National Living Wage in April 2016
 Digital tax reporting
 Small business rate relief
 Online allowances
 Automatic enrolment staging deadlines approach
 EIB and Funding Circle invest £100 million into UK small businesses
 Small Business Finance Guide published
 Exporting is Great campaign

Companies and Brands – What You Need to Know

Top four banking groups dominate the business banking market
 Competition from new challengers
 Partnerships to support businesses

Market Share

Barclays is leading brand for business bank accounts
 Figure 20: Market share for business bank accounts, June 2016
 Top four banking groups dominate the business banking market
 Figure 21: Market share for business bank accounts, by banking group, June 2016

Competitive Strategies

Partnerships to support businesses
 Barclaycard backs Small Business Mentoring competition
 Funding Circle partners with EIB
 HSBC creates 'The Elevator' competition with the Telegraph
 Competition from new challengers
 P2P lending platforms offer alternative finance to small business owners

Launch Activity and Innovation

Barclays launches cash collect service
 Lloyds Banking Group publishes 2016 SME charter with pledges to help small businesses
 Lloyds launches simple business bank account
 NatWest launches new iPad lending app
 NatWest offers payroll feature
 AIB offers discount on MyBusinessToolkit
 Barclays launches SmartBusiness big data app

**BUY THIS
 REPORT NOW**

VISIT: store.mintel.com
CALL: EMEA +44 (0) 20 7606 4533 | Brazil 0800 095 9094
 Americas +1 (312) 943 5250 | China +86 (21) 6032 7300
 APAC +61 (0) 2 8284 8100 |
EMAIL: reports@mintel.com

Small Business Banking - UK - October 2016

Report Price: £1995.00 | \$3230.80 | €2534.27

The above prices are correct at the time of publication, but are subject to change due to currency fluctuations.

FinTech start-up Tide expected to launch in 2016

Business Banking Insight launches new website

Success for PayPal Working Capital

Advertising and Marketing Activity

Above-the-line adspend on business banking services continues to decline

Figure 22: Total above-the-line, online display and direct mail advertising expenditure on business banking services, 2011/12-2015/16*

Top 10 advertisers account for 75% of advertising expenditure

Figure 23: Above-the-line, direct mail and online display business banking adspend, by brand, 2013/14-2015/16

HSBC dominates adspend for business brand building and finance

Figure 24: Total above-the-line, direct mail and online display business banking adspend by major high street banks, by product category, 2015/16*

Expenditure is distributed across a range of media types

Figure 25: Total above-the-line, direct mail and online display business banking adspend, by media type, 12 months to 31 May 2016

Nielsen Ad Intel coverage

The Consumer – What You Need to Know

Two thirds of small business owners use a business current account

Majority have held business account with current provider for more than a decade

Dedicated personal relationship managers have limited engagement

Fixed monthly tariff is most attractive payment structure for business bank accounts

Informal borrowing is filling a credit gap

Business Bank Account Ownership

Two thirds of small business owners use a business current account

Figure 26: Type of bank account used to manage business finances, 2013-16

Business Account Tenure

Majority have held business account with current provider for more than a decade

CMA taking steps to increase switching

Figure 27: Business account tenure, June 2016

Use of Business Banking Services

Online banking is a key service for business owners

Figure 28: Use of business banking features in the last three months, March 2015 and June 2016

Dedicated personal relationship managers have limited engagement

Two thirds of business owners use multiple banking services

Figure 29: Repertoire of types of business banking features used in the last three months, June 2016

Other Business Banking Products Held

Shopping around for business credit cards and savings accounts is limited

Figure 30: Ownership of other business banking products, June 2016

Insurance products are least central to customer loyalty

Important Factors when Choosing a Business Bank Account

BUY THIS
REPORT NOW

VISIT: store.mintel.com

CALL: EMEA +44 (0) 20 7606 4533 | Brazil 0800 095 9094

Americas +1 (312) 943 5250 | China +86 (21) 6032 7300

APAC +61 (0) 2 8284 8100 |

EMAIL: reports@mintel.com

Small Business Banking - UK - October 2016

Report Price: £1995.00 | \$3230.80 | €2534.27

The above prices are correct at the time of publication, but are subject to change due to currency fluctuations.

Customer service is most important factor when choosing a business bank account
 Figure 31: Important factors when choosing a business bank account, June 2016

Branch services valued by majority of business owners

Influential Factors when Switching Business Account Provider

Consistency in account charges is crucial for customer retention
 SME customers say they could be persuaded to switch by higher rates
 Figure 32: Influential factors when switching business account provider, June 2016

Interest in New Business Banking Services

Small business owners reluctant to pay for additional services
 Peer-to-peer payments system is most interesting to small business owners
 Mobile ATM services are least relevant for small business owners
 Figure 33: Interest in new business banking services, June 2016

Business Account Payment Preferences

Fixed monthly tariff is most attractive payment structure for business bank accounts
 Figure 34: Business account payment preferences, June 2016
 One-person businesses need convincing to pay for business bank account services
 Figure 35: Proportion of business owners that would not consider paying for a business bank account, by number of employees, June 2016

Lending Experience and Awareness of P2P Lending

Nearly a third of small business owners are turned down for credit
 Figure 36: Small business lending experience in the last three years, June 2016
 Borrowing from friends/family is greater than borrowing from other providers
 Awareness and usage of P2P lending has not improved significantly in past year
 Figure 37: Awareness and experience of peer-to-peer lending, March 2015 and June 2016

Appendix – Data Sources, Abbreviations and Supporting Information

Abbreviations
 Consumer research methodology
 Panel composition

Appendix – Market Size and Forecast

Best- and worst-case scenario forecast
 Figure 38: Best- and worst-case forecast for small business banking account balances, 2016-21
 Forecast methodology

**BUY THIS
 REPORT NOW**

VISIT: store.mintel.com
CALL: EMEA +44 (0) 20 7606 4533 | Brazil 0800 095 9094
 Americas +1 (312) 943 5250 | China +86 (21) 6032 7300
 APAC +61 (0) 2 8284 8100 |
EMAIL: reports@mintel.com