Original Research

BUILDING RELATIONSHIPS

Banks and Customer Retention - Summary of Findings

THE BACKGROUND - THREE BIG NUMBERS

6.6 million current accounts ... **switched between** UK banks from 2013 to 2020 (Source: BACS' Current Account Switch Service).

Over 1 million accounts switched in the 12 months to March 2020 (link to source).

c.170k accounts ...**switched away** from traditional, high-street banks in the 12 months to December 2020.

c.177k accounts ...**switched to** direct banks*, supermarkets and building societies over the same time (source).

Some providers offer incentives to win customers from other banks. Others do not, yet still attract customers and, at the same time, see fewer of their own customers switch away. What is their appeal?

LEARNING FROM SUCCESS - BUILDING STRONG CUSTOMER RELATIONSHIPS

PaperBoat Insight asked 1,095 financial services customers how they would best describe their relationship with their main bank.

Their answers fell into four categories.

SATISFIED AND STAYING	SATISFIED BUT RESTLESS	DISSATISFIED AND LEAVING	DISSATISFIED BUT STUCK
48%	40%	5%	7%
"Happy, and very unlikely to leave my bank or switch my account."	"Happy, but could leave or switch if I found a better offer."	"Unhappy, and will leave or switch to a different bank when I can."	"Unhappy, but it is too difficult to leave or switch my bank."

SUMMARY

Many strong foundations… …but 52% of customers have a "less than solid" relationship with their bank.

1. RELATIONSHIP STRENGTH BY PROVIDER TYPE

Customers of building societies and direct banks* have stronger relationships compared with those of "traditional" banks.

Percent of customers in each relationship category by provider type.

*"Direct Banks" include online brands (Atom, Monzo) etc. and other non-branch brands (e.g. First Direct).

	Building Society	Direct Banks	"Traditional" Bank
Satisfied Staying	66%	63%	47%
Satisfied Restless	34%	29%	40%
Dissatisfied Leaving	(0%)	3%	5%
Dissatisfied Stuck		6%	8%
Net Relationship Strength Score (RSS)	Net +32	Net +26	Net -6

Calculating "Net Relationship Strength"

Key to Chart: Satisfied Staying = Strongest Relationship; LESS Satisfied Restless, Dissatisfied Leaving, Dissatisfied Stuck = Sum of Less-Strong Relationships; EQUALS Net Relationship Strength Score (RSS)

SUMMARY

Low Score / High Scores

Relationship strength scores in this survey reflect BACS' data (above), with the customers of traditional providers indicating they are more likely to switch away from their bank .

2. QUALITIES OF A STRONG CUSTOMER RELATIONSHIP

The greater the perceived effort made to understand customers and their financial needs, the higher the net relationship score.

Question: "Since becoming a customer, how much effort do you feel your bank has made to understand your personal financial needs?"

	(Percent of customers)	Net RSS by Effort
A lot of effort	19%	+55
Some effort	44%	+5
Not much effort	24%	-46
No effort	13%	-48

A bit more detail… There is a positive correlation of +0.5 between effort and relationship.

Providers with strong effort and relationship scores are more likely to display a range of positive characteristics, features and benefits.

We asked - "In your experience, which of the following do you think your main bank does well?". 86% selected at least one option.
List randomised in survey - graph shows percentage of respondents selecting each option, ranked by corresponding RSS.

		Net RSS
Stands out from other banks	17%	+48
Listens to customers	27%	+44
Offers **good advice** for my financial needs	20%	+32
Offers **innovative** products	14%	+28
Easy to communicate with	51%	+25
Provides **good customer service**	50%	+23
Rewards customers	25%	+23
Offers **competitive** products	24%	+19
Range of channels to manage products	25%	+17

Impact of each feature and benefit on the customer relationship

Esteem and Direction Less frequently identified, but have high relationship and effort scores.

Reassurance and Reward Generally more commonly identified, but with lower relationship scores.

Basic Expectations Lower relationship scores - "hygiene level" features and benefits.

One in seven respondents selected none of these features.

Relationship strength increases with the number of features selected and plateaus at five or more. "Stands out" is present in the majority of those selecting five or more features.

Features selected	0	1	2	3	4	5	7+
Net RSS	-70	-43	-14	+15	+31	+58	+61

SUMMARY

Those with a strong banking relationship feel their provider stands out from other banks. They also feel their bank listens to them and offers direction via good financial advice alongside more commonly seen features and services, such as good service, rewards and channel range.

3. BRANDS WITH THE STRONGEST CUSTOMER RELATIONSHIPS

By some margin, First Direct has the highest RSS of the 20+ brands included in our survey.

RELATIONSHIP STRENGTH SCORE TOP 3 BRANDS

+40	FIRST DIRECT
+28	NATIONWIDE
+27	CO-OPERATIVE BANK
-4	AVERAGE RSS
-54	"BIG FOUR" BRAND

LOWEST SCORING BRAND

The UK's largest banking bands were included in our survey which saw First Direct, Nationwide Building Society and Co-operative Bank return the highest relationship scores. These brands often win accolades for trust and best in class, while First Direct and Nationwide are frequently amongst the UK's most recommended banks and regularly report strong net switching gains.

As well as higher than average scores for effort, customer service, competitive products and ease of communication, these brands also score well above average for "standing out", "listening" and "offering good advice".

To draw a parallel with Maslow's Hierarchy (right), brands with customers least likely to switch seem to be tapping into needs relating to "Esteem" and "Self-actualisation". Here the brands' distinctive identity and values align with those of the customer, who also feel well furnished with the advice needed to achieve their financial potential.

The research suggests that good customer relationships fulfil needs relating to belonging (e.g. reward and good service) and safety/stability (competitive products, ease of communication). However the brands that have the very strongest customer relationships, and therefore greatest retention potential, are also providing an emotional fulfilment which resonates with the individual more deeply than regular products and services alone.

A bit more detail

Maslow's Hierarchy of Needs

- **Self-actualisation** Growth and fulfilment
- **Esteem** Respect and confidence
- **Belonging** Trust and acceptance
- **Safety** Security and stability
- **Psychological** Basic survival needs

Abraham Maslow, 1943

Details

Online survey with representative sample of 1,095 UK adults.

Respondents focussed on provider where main day-to-day banking conducted.

Survey conducted by BVA BDRC on behalf of PaperBoat Insight.

Analysis and reporting by PaperBoat Insight.

Please reference "PaperBoat Insight" if quoting this research.

THE LAST WORD: CUSTOMER QUOTE

"The reputation of my bank has stood head and shoulders above others. It's ethical stance is excellent and, for my needs, at least, needs no radical improvements or changes."

To find out more about this research please get in touch.
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