

BUILDING RELATIONSHIPS

Banks and Customer Retention - Summary of Findings

THE BACKGROUND - THREE BIG NUMBERS

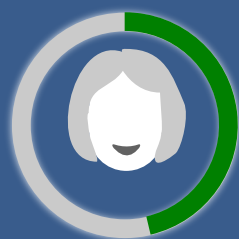
6.6
million
current
accounts... switched between UK banks
from 2013 to 2020 (Source: BACS'
Current Account Switch Service).Over 1 million accounts switched
in the 12 months to March 2020
([link to source](#)).c.170k
accounts...switched away from traditional,
high-street banks in the 12 months
to December 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

48%

"Happy, and very unlikely
to leave my bank or
switch my account."SATISFIED
BUT RESTLESS

40%

"Happy, but could leave
or switch if I found a
better offer."DISSATISFIED
AND LEAVING

5%

"Unhappy, and will leave
or switch to a different
bank when I can."DISSATISFIED
BUT STUCK

7%

"Unhappy, but it is too
difficult to leave or
switch my bank."

Many strong foundations...

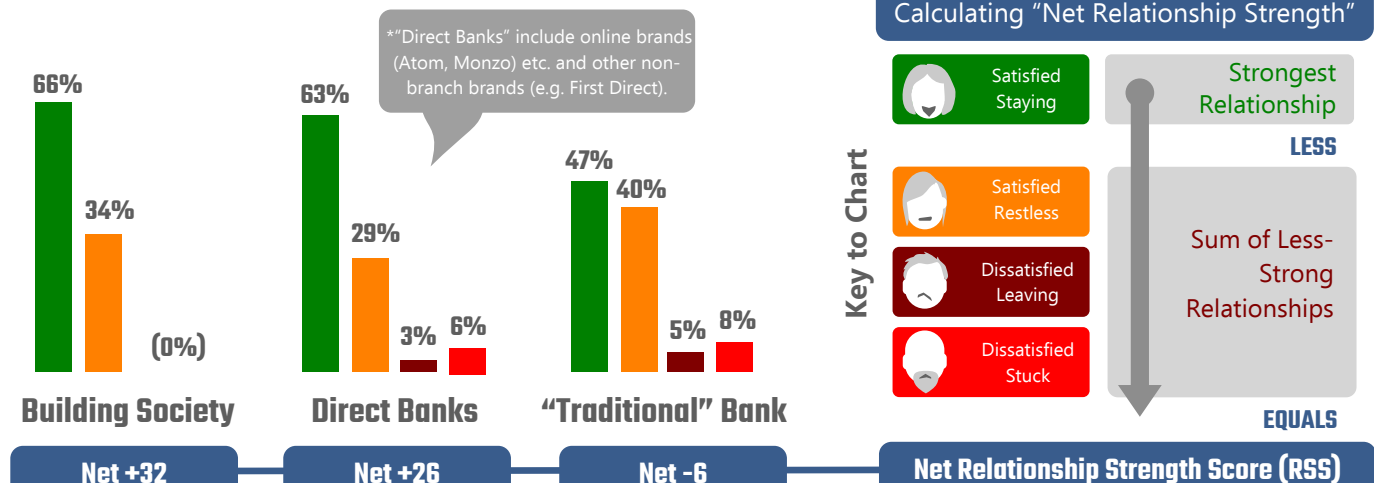


...but 52% of customers have a "less than solid" relationship with their bank.

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.



Low Score

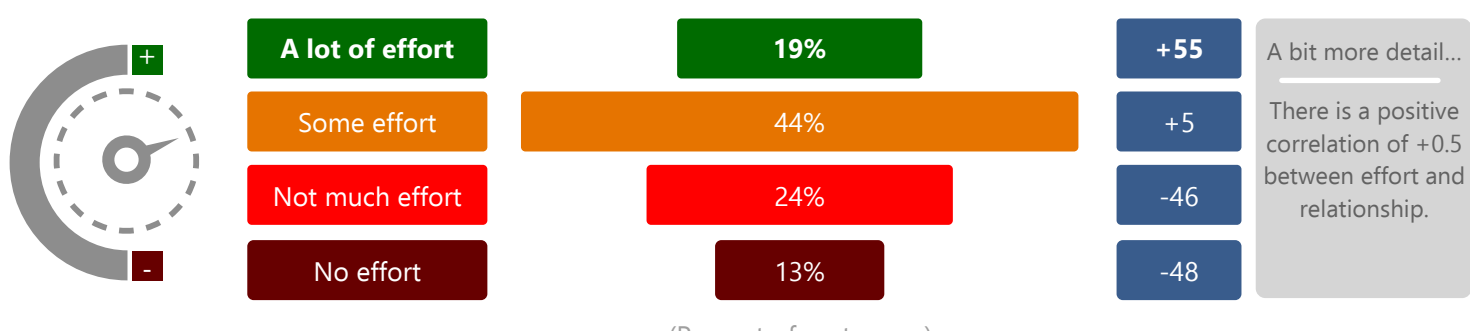
High Scores

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?"

Net RSS by Effort

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

Impact of each feature and benefit on the customer relationship

+48, +44, +32, +28, +25, +23, +23, +19, +17

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

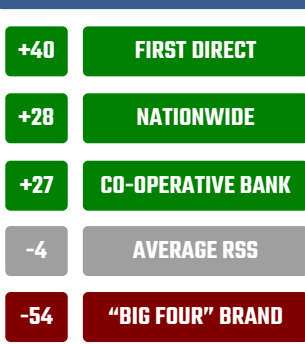
Reassurance and Reward
Generally more commonly identified, but with lower relationship scores.

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.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

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 UK's largest banking brands 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.

Maslow's Hierarchy of Needs



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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