

The Dynamics of Mind Share

Understanding customer behaviour drives intelligent marketing

Cross selling into existing customers will be key to growing market share in 2006, with transaction banking customers in particular being targeted by business bankers equipped with “solutions” and a portfolio of newly polished product and services, not to mention the growing fragmentation and margin squeeze occurring in vanilla lending to business. But while banks attempt to push more product and service into their existing customers, it’s important they continue to market the offerings their customers are already engaging.

East & Partners’ analytics consistently show that Share of (Customer’s) Mind is a leading indicator of market share growth (second only to customer satisfaction) – and indeed loss and especially share of that customer’s wallet within an individual product relationship.

Comparing a bank’s percentage of Share of Mind in a particular product or service group to its Market Share reveals the extent to which an incumbent service provider has successfully embedded ownership of that product within the customer.

For example, if a bank has higher market share than mind share, it in effect means that a percentage of its own customers are thinking of and referring to an alternative service provider. This could be attributed to the customer having recently received a pitch from a rival provider, possibly their secondary or tertiary provider, or simply that a piece of advertising may have caught their eyes. More commonly, though, it’s a failure on the part of the incumbent bank to successfully remind the customer that they do indeed engage this product, they’ve been happy with it for X years, and if not, then “let’s talk”.

The ability to cross sell and grow share of a customer’s wallet is an ongoing challenge for service providers, regardless of the type of product on offer and market segment involved. All service providers are at increasing competitive risk.

However, there are variances that need to be examined if banks are to determine where to put their sales and marketing efforts. These could be the stickiness or otherwise of specific products or differences in appetite of certain market segments for certain propositions.

For example, the exhibit on Derivatives (Swaps, Futures and Options) taken from East’s Top 500, Commercial and SME research programs, instantly reveals the huge disparity in appetite between major corporates and smaller companies for engaging these products.

Almost four fifths of the Top 500 engage derivatives whereas only a relatively tiny percentage of SMEs use them. By contrast, those SME customers that do use derivatives give nearly all of their business to one provider (88.2 percent) compared with Top 500 customers who give just 58.4 percent of their derivatives business to their primary banker for that product suite.

In the case of the Top 500 segment, this is indicative of both a market segment which strategically disaggregates its banking requirements; and a product that is generally panel banked by large corporates and not viewed as a “relationship” based product.

This is also reflected by a low Mind Share percentage and ratio of 23.4 percent and 40 percent respectively. What is most notable from the data contained in the graphic is that average relationship share, share of customer wallet, mind share and ratio of mind to relationship share in derivatives increases from corporates to commercials to SMEs.

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In the SME segment, on the other hand, whole of banking relationships are more common and the high Wallet Share figure (80.4 percent) underlines this. Further, given derivatives products are not exactly top of the list for SME customers, fewer SMEs think of other providers than is the case with Top 500 or middle market business customers.

With 2006 set to be another hyper competitive year, banks need to carefully map their sales and marketing efforts to where they can achieve greatest returns. Understanding the dynamics that drive customer behaviour will be a vital part of this. Whether it’s existing or prospective customers, 2006 is not the year for banks to hide their marketing light under a bushel.

Derivatives at Risk

	Average Primary Relationship Share Across All Derivatives	Average Wallet Share Held by Primary Bank	Average Mind Share Held by Primary Bank	Mind to Relationship Share Ratio
Top 500	58.4	52.3	23.4	40.1
Commercial	70.6	56.7	46.1	65.3
SME	88.2	80.4	69.9	79.3

Note: Derivatives have been mapped as Swaps, Futures and Options