

## The Mind Share-Market Share Correlation

### Mapping marketing spend to mind share performance

The old adage “out of sight, out of mind” is as true in business banking as it is in other areas of life. To compete in the current hyper competitive business banking markets in Australia, banks and other financial services providers need to not only retain and acquire business customers with compelling propositions, but they also need to be visible in the markets, reinforcing and extending those customer relationships.

East & Partners’ analytics over many years have conclusively displayed that what we term ‘Mind Share’ (also known as First Name Recall) is a leading indicator of market share growth and loss – second only to customer satisfaction. Whilst customer satisfaction and advocacy are the key predictive metrics, mind share plays a vital role in “supporting” relationships between banks and their business customers. Mind share reveals the extent to which an incumbent service provider has successfully embedded itself within its customer base. In theory, customers should think of their own bank first. But it is not unusual for a bank to have greater share of mind among businesses than it has actual share of relationships, supporting a pipeline of potential new business to be converted. Conversely, mind share which is significantly below a bank’s market share needs to be addressed before it translates into customer attrition.

In all of our research programs customers are asked “who springs to mind first” when they think of a transaction banking provider, lender, trade financier, foreign exchange provider and so on. Interviewees are unprompted and respond with whichever bank is top of their mind at that particular moment. There are undoubtedly many factors underpinning responses: A business customer may simply think of their incumbent provider first; they may have recently received a pitch from a rival provider; a bank’s advertising or marketing campaign may have caught their eye; or a business associate may have recommended a certain provider. Extrapolating to what extent each of these contributes to the share of a customer’s “mind” is difficult but worth further examination.

#### Marketing must be targeted

What is indisputable, however, is that businesses are increasingly aware of banks’ advertising and marketing campaigns. East’s monthly Business Banking Sentiment Index asks businesses whether they registered any bank advertising specifically targeting business customers over the past month, and if so from which providers. When we first asked this question in June 2006, 32.4 percent of businesses said they hadn’t noticed any. In the most recent May Index, less than one percent of businesses said they had not seen any advertising over the previous month. Much of the heightened awareness of business customers over the past 12 months has been directed towards advertising by Westpac, National Australia Bank and ANZ. Importantly, this awareness is spread across

businesses of all sizes and also geography. Further, businesses like to see visibility and activity on the part of their providers in the wider markets, as it reinforces the choice they made to do business with a particular provider. But it is important that the visibility and activity connects with the nature of the relationship between a customer and their provider. For example, a trade finance customer feels a sense of reinforcement when they see their trade provider demonstrating trade expertise in the wider markets and maintaining a high profile in trade. They may not care or acknowledge the relationship in the same way if they see their trade financier advertising mortgages; indeed we know they don’t.

Other analysis conducted by East reveals that there can often be a “noise” factor involved in advertising and marketing awareness. A classic example of this was business customers’ inability to name which banks had won awards for best business bank in 2006 (this was not helped by the fact that there are several such awards) notwithstanding the large marketing campaigns launched by the various winners off the back of these awards.

East has carried out significant reanalysis of mind share and market share metrics across key product groups in each of our core six-monthly research programs. In most cases, these reveal a clear correlation over time between a provider’s mind share performance in any given product area and its market share gains or losses. On a product by product basis, it is possible to trace the correlation between mind share movement and market share movement. A valuable exercise is to map sales and marketing efforts, both general business banking and specific product and service campaigns, against East’s mind share metrics in the relevant product areas to help providers understand where they are achieving greatest returns for the growing millions of marketing dollars being spent by banks each year.

Bank X - Market Share vs Mind Share in Merchant Acquiring

