

IMPROVING SHARE OF WALLET OF THE AFFLUENT SEGMENT IN WE

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The mass affluent segment is a key and growing priority for Western European banks. Finalta analysis highlights the importance of relationship managers in increasing share of wallet. This Viewpoint examines the specific drivers that improve performance, whilst also challenging conventional models.

Introduction

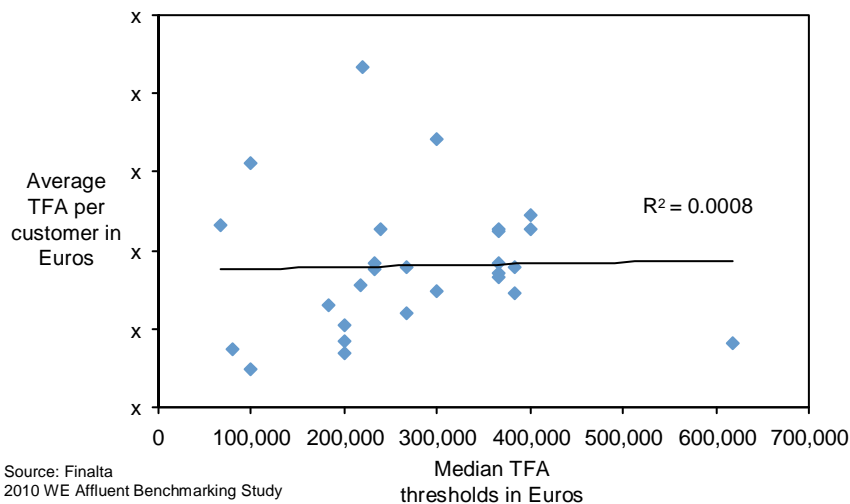
In 2010, Finalta completed its fourth Western European (WE) Affluent Banking Benchmarking Study. In total, 47 banks took part in the research, representing 12 countries. The Report analysed segment performance and their impact on financial metrics such as Total Financial Assets (TFA) and income per customer.

Finalta defines the mass affluent segment as where customers are offered a superior service, which typically includes a nominated relationship manager. For the majority of banks, these customers are managed within the retail banking division. They are positioned as the next level up from the “mass market” segment and below private or high net worth banking.

Across WE, TFA thresholds are the most common criteria used by banks to segment mass affluent customers. However, thresholds vary considerably, with upper thresholds ranging from €100,000 to €3,000,000. Interestingly, investigation indicates that segmentation levels do not drive financial performance. Figure 1 illustrates the relationship between the median of the threshold range and TFA per customer. Regression analysis suggests that TFA thresholds have no impact on actual levels of TFA per customer.

Figure 1

The relationship between median TFA thresholds and actual TFA per customer



Source: Finalta
2010 WE Affluent Benchmarking Study

As retail banks seek growth in deposits and profitability, the mass affluent segment is key. According to the EFMA-Finalta Affluent Segment in Europe Report 2010, 67% of banks have increased the importance of this segment in their strategic priorities. What is driving performance in this strategically important segment? This Viewpoint specifically examines how to improve mass affluent share of wallet in WE banks.

Drivers of share of wallet

Improving share of wallet is a key measure of success in the mass affluent segment for many WE banks, and it proves to be difficult to shift. Finalta analysed possible variables impacting product penetration. Correlations identified that three are the most relevant: tenure, portfolio coverage, and sales and meeting activities.....

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We would be happy to provide this initial material at no cost, in return for the opportunity to explain how over 850 retail banking executives across Europe benefit from our Retail Banking Excellence Programme.