



EUROPE'S RETAIL BANKS REFOCUS ON AFFLUENT CUSTOMER GROWTH

FOR IMMEDIATE RELEASE

London, 12 January 2011 – The third annual Efma–Finalta Affluent Segment in Europe Report published today reveals that following a two to three year period of internal focus and cost management across Europe's retail banks, attention is returning to growth – particularly within the affluent segment. With appropriate focus, a minority of leaders are already proving that it is possible for large, retail banks to increase their affluent base by more than 10% per annum.

The report shows that in 2010, banks increased their affluent customer base by an average of just 1% to 2%. Results were similar for banks in both Central and Eastern Europe (CEE) and Western Europe (WE). Despite this, a minority of banks have managed to achieve high growth, achieving new-to-bank acquisition rates of 15% per year or more. These are primarily the smaller, more nimble “challenger” banks targeting larger banks for their wealthiest customers.

In addition to the challengers, incumbents are also under pressure from the deposit price “war” waged by banks struggling for liquidity. This problem is particularly acute in countries such as Spain. For large retail banks, effective “upgrading” of mass market customers will be critical to defend their position as this process can account for 80% or more of all affluent acquisition. Further, there is a need for incumbents to enhance their approach to capturing “emerging” affluent customers. Only 24% of WE and 4% of CEE banks have a specific proposition or service model for these customers.

Overall, Finalta's research shows the three most effective affluent acquisition methods to be: relationship manager (RM) targets and incentive systems; RM training and development and an effective mass market upgrade process.

Remus Brett, Finalta Director commented:

“Despite the threats that larger banks face it is common to find senior management using the economics of customer acquisition as a barrier to change. New-to-bank and emerging affluent customers typically generate lower short-term revenues, and given the cost of relationship management and acquisition, can dilute short term profitability. However, it is critical that management takes a longer term view. To enable this, marketing departments and segment heads need to build a compelling business case. This requires a focus on quality customer acquisition and the targeted use of acquisition techniques.”

Patrick Desmarès, Secretary General of Efma added:

“The last few years have seen an essential change in focus for retail banks with efforts concentrating on cost savings and efficiencies but it is encouraging now to see the focus returning to growth. The future affluent customers are less loyal than previous generations and as such have higher expectations of quality of service and a competitive product offering and as such retail banks looking to grow in this area need to ensure the proposition is competitive.”

Over 80 respondents from 32 countries participated in the 2010 survey. Respondents were typically Affluent Segment Heads or equivalent.

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A copy of the **Efma-Finalta Affluent Segment in Europe** report is available on request. Graphics also available.

For further information, please contact:

Finalta
Clare Lucey
Marketing Manager



+44 (0) 7789 886 250
clucey@finalta.eu

FWD PR on behalf of Efma

Victoria Sisson
PR Director

+44 (0)7941 294872

Victoria.sission@fwdpr.co.uk

Alexandra Thompson
PR Consultant

+44 (0)7798 898 277

Alexandra.thompson@fwdpr.co.uk

About Finalta

Finalta is an independent advisory company that specialises in providing benchmarking and best practice consulting to financial institutions. Finalta provides retail banks with fact-based analysis and practical recommendations designed to support rapid performance improvement.

For further information, please visit www.finalta.eu

About Efma

Efma promotes innovation in retail finance in Europe by fostering debate and discussion among the main players involved in change. Formed in 1971, Efma comprises 2,960 different brands in financial services worldwide today, including 80% of the largest European banking groups.

Through regular events, publications, and its comprehensive website, the association provides retail financial service professionals with answers to their questions about the main issues at stake in their business: multiple distribution strategies, customer approach, CRM, product and service marketing and improving profitability.

Efma is above all a dynamic association, providing a great opportunity for discussion and exchanges without any commercial constraints. It provides its members with a wide range of exclusive services as well as discount rates on non-gratuitous activities. The loyalty of its members as well as their permanent financial support are the best proof of its efficiency. www.efma.com