

Financial Services Analyst Note

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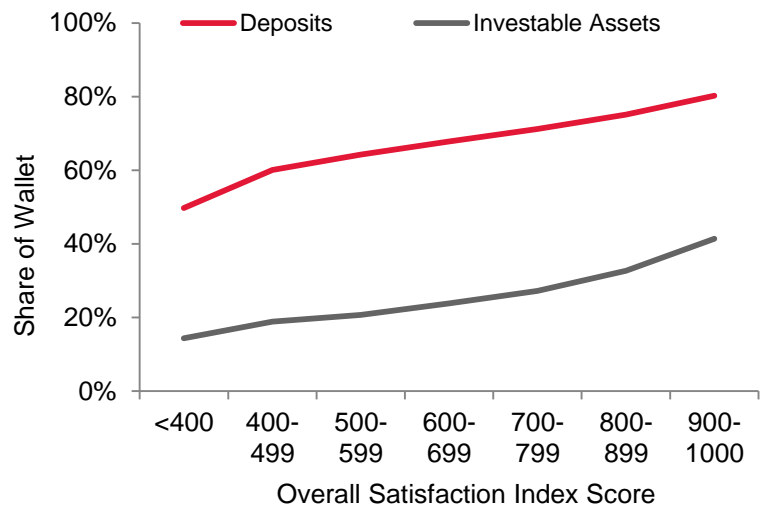
Deepening Share of Wallet among Retail Banking Customers

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Fewer customers have switched financial institutions in the past 12 months, compared with 2012 (8% vs. 10%, respectively), and intended future attrition has also declined (11% vs. 13%, respectively).

Because the decline in market churn limits banks' ability to acquire new customers, deepening share of wallet among existing customers is an important mechanism for increasing revenue and improving overall financial performance. Banks that are able to increase their share of deposits by 2 percentage points stand to gain \$40.7 million in deposits per 100,000 customers.

RELATIONSHIP BETWEEN SATISFACTION AND SHARE OF WALLET



Source: J.D. Power & Associates 2013 U.S. Retail Banking Satisfaction StudySM

Behind the Numbers

- It is important to understand that a strong relationship exists between satisfaction and share of wallet. For example, retail banking customers that are highly satisfied with their primary bank hold 77% of their deposits with that institution, while customers with low satisfaction hold 57% of their deposits with their primary bank.
- While there are some common drivers of increasing deposit and investment share, the magnitude of impact differs by the type of account(s). For example, communication has the most significant impact on increasing share of investable assets, while courtesy, reliability, branch appearance and account initiation have the greatest impact on increasing share of deposits.
- Banks should ensure that representatives fully identify customer needs, provide products/solutions that meet those needs, and thoroughly explain account features and fees. Representatives also need to be flexible in their communications and modify their message and level of explanation to address the specific needs of customers.
- Reducing the number of problems associated with fees helps preserve customer satisfaction, and therefore has a positive impact on share of wallet. Fee-related problems may be reduced by implementing the following practices:
 - Fully disclose all fees, especially during on-boarding, using easily understood terminology.
 - Schedule timely notification of fee changes.
 - When it is necessary to adjust pricing strategies regarding fees, customers must be made aware in advance of implementation.
 - Use multiple and effective channels to communicate fee-related information.
- Reviews of account holdings and informing customers of new products or services that may better align with their financial situation may have a positive impact on investment share. However, in order for this to be successful, it is imperative that bank representatives conduct reviews and deliver product and service information while also being respectful of customers' time.