

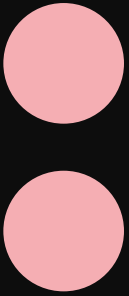
Savanta:

Is the branch dead for **business banking?**

2021

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make better decisions.



You only have to google ‘bank branch closures’ to see how the banking industry is changing. Branch closures are not a new thing. The government reports that between 2012 and 2020 the total number of bank and building society branches in the UK fell by 28%. But what is the small business experience and do they expect to use digital channels more in the future?

Savanta has been tracking channel usage amongst businesses for over 10 years now and wanted to understand small business intention around branch usage going forward, after a year of Covid and business change.



Branch and in-branch self-service machine still a key channel but usage falling, mobile growing

We asked small businesses (Start-ups and Established businesses with up to £2m turnover) which methods they had used to carry out their business banking over the past year. Online banking was the mainstay with 9 in 10 having used this method, and stable.

6 in 10 had used the branch counter, even during a year of Covid. But whilst 57% did so, this marks a 14pp decrease on the Q2 2019 reading with a wave on wave fall over 8 quarters. The proportion using the self-service machines in branch also fell 6pp (from 55% to 49%).

Usage of mobile banking, once the poor relative, has increased as technology has advanced and has no doubt been affected by the virtual world Covid has moved us all into. Now 56% have used mobile banking in the past year vs only 43% some two years ago.

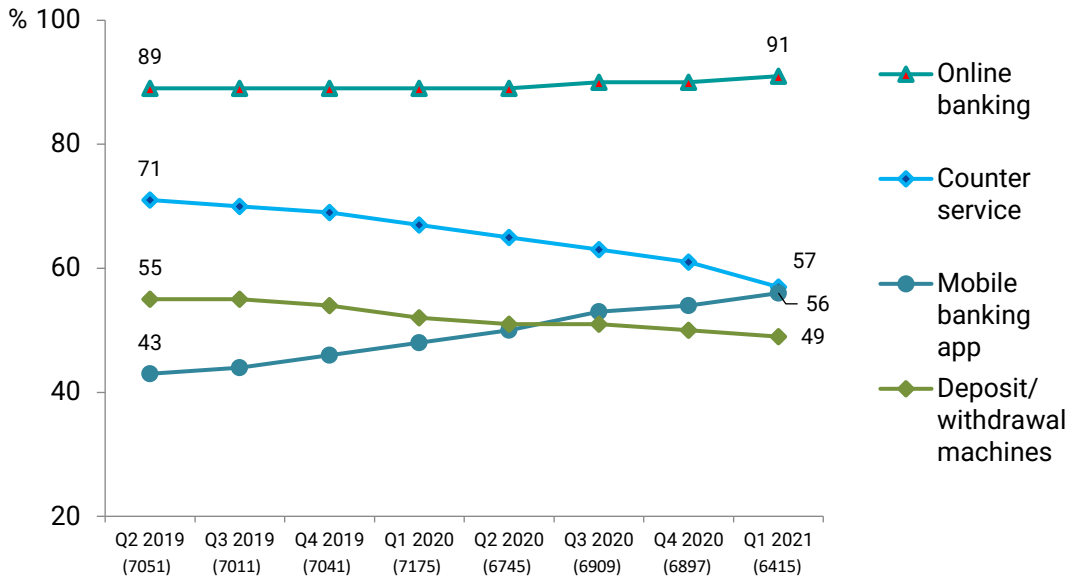


6 in 10

had used the branch counter, even during a year of Covid.

Channels used over the past year

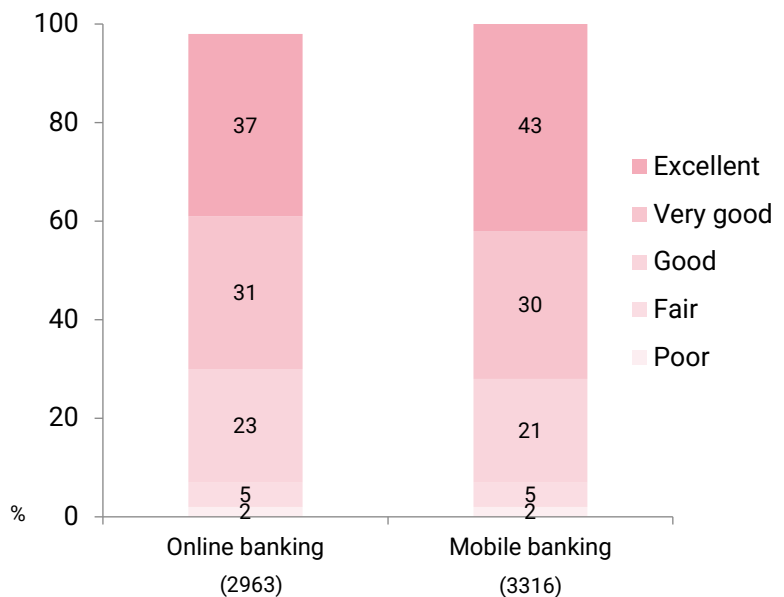
We asked businesses: Which of the following methods have you personally used to carry out your business banking over the past year with your main bank?



Whether these changes are driven by bank design or customer demand, 9 in 10 users rate their bank’s online (91%) and/or mobile (94%) service as good, very good, or excellent. Approximately 4 in 10 rate the service as ‘excellent’.

Overall quality of service

How would you rate the online banking system/mobile banking overall? Would you say:

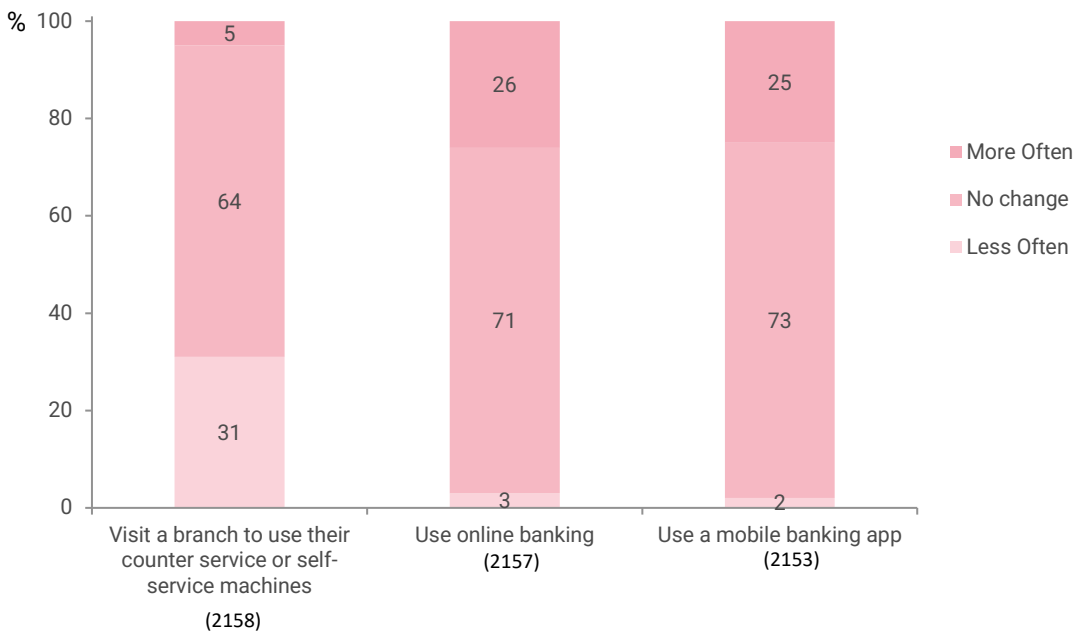


So what of the future?



We asked businesses: Thinking about your main business bank, during the next year, do you think you will do each of the following things more often, less often or the same as before the pandemic?

Pre/post-Covid channel use expectations



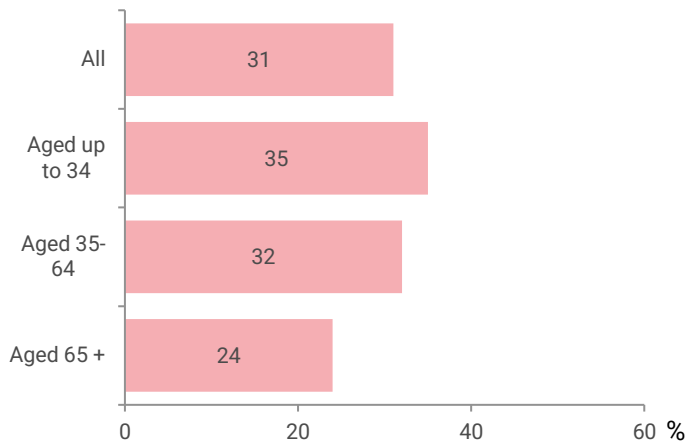
Businesses were clear in their expectations – a net decrease in branch usage but a net increase in online and mobile utilisation compared to pre-pandemic.

Younger business owners less likely to use the branch going forward

1 in 3 under 35s (35%) and 35-64 years olds (32%) said they were less likely to use the branch during the next year but only 1 in 4 of the over 65s expected this to be the case.

Expect to use branch less often than pre-pandemic

Thinking about your main business bank, during the next year, do you think you will do each of the following things more often, less often or the same as before the pandemic?



Of the 1 in 20 (5%) who expected to use the branch more, the key reason was to pay in cash and cheques (61%) but there was also preference for a face-to-face model with other reasons for increased usage being: preferring human interaction generally (16%), easier/quicker to deal with complicated issues face-to-face (7%), prefer to get advice face-to-face (6%) and meeting with relationship manager (5%).



Start-ups and young business owners more likely to use online and mobile compared to pre-pandemic levels



Overall some 1 in 4 (26%) said they expected to use online banking more going forward than they used to before the pandemic and 3 in 10 (31%) said the same of mobile banking.

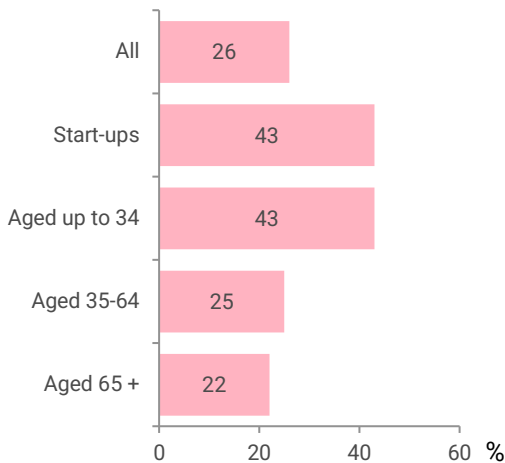
Start-ups were more likely than average to embrace these technologies with 4 in 10 expecting to use online banking (43%) and/or mobile banking (42%) more than they did pre-pandemic.

Over 4 in 10 of those aged up to 34 (46%) predicted using mobile more, higher than their older counterparts (26% of those aged 35-64 and 17% of those aged 65+).

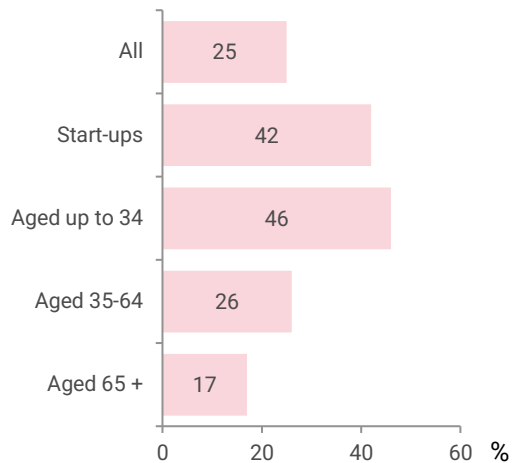
Expect to use online and/or mobile banking more often than pre-pandemic

Thinking about your main business bank, during the next year, do you think you will do each of the following things more often, less often or the same as before the pandemic?

Online Banking



Mobile Banking



Not dead, but dying

Although branch usage is falling, and by all accounts set to fall further, some 6 in 10 have used the branch in the past twelve months and the majority say they don't expect pre-pandemic usage to change going forward. So the branch may not be dead... yet, but it is most definitely on a slow and steady decline and likely to escalate as older businesses owners retire or pass on their business to a younger generation. Banks themselves may well speed this along as they strive for more and more cost savings and efficiencies.

How far could this go?

Over the past few years Neobanks have challenged the traditional banking model by offering innovative solutions to customers via digital channels.

Savanta's MarketVue: Business Banking survey shows that Neobanks have, indeed, started to make a significant impact in the business banking market. The market remains dominated by the Big 4 but now 7% of small businesses have their main business current account with a Neobank, and data shows us that 1 in 3 Start-ups have taken out their main business bank account with a Neobank (35%).



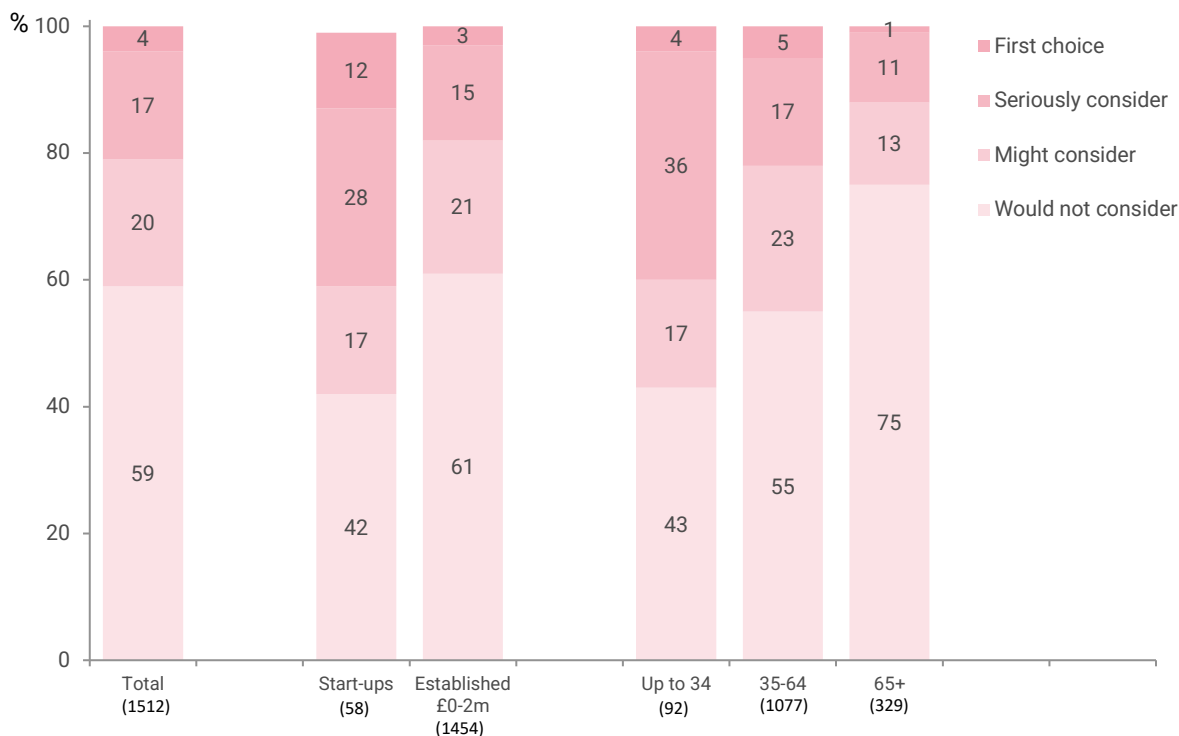
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But not all businesses are ready for such evolution

When we asked small businesses how likely they would be to consider a digital only bank for their future business banking needs given a free choice, the majority would still not consider a digital-only bank. Start-ups were more positive as were the younger business owners.

Future choice of digital-only bank

Please tell me how likely you'd be to consider the following banks for your future business banking needs, given a free choice. For each bank, please say whether it would be your first choice, one you'd seriously consider, one you might consider, or one you wouldn't consider at all.



Clearly, a digital-only offering is not just about removal of branch access, but if banks push on removing their branch offering and Start-ups and younger business owners start using digital mediums more, traditional banks will need to ensure they are able to compete at a digital level with their Neobank competitors.

Data attribution

Sources:
 Savanta MVBC Q1 2021 SU EST £0-2m GB. Base: 2,158, Survey Period: 4th January 2021 - 29th March 2021.
 Savanta MVBB YE Q1 2021 SU EST £0-2m GB. Base: 6,415, Survey Period: 23rd March 2020 - 29th March 2021.

Meet the team

Our senior team has experience working on research projects for a wide range of financial services clients across the banking, insurance, investment, pension and protection sectors.



Stephen Palmer

EVP,
Financial Services

Stephen has 25 years' research experience across financial services and tech and leads the financial services team at Savanta. Prior to Savanta, Stephen was Head of Insight at Kantar Financial Services & Technology and responsible for delivering customer experience, brand and segmentation research. Stephen is a certified member of the MRS and has sat on the standards board.

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Sue Lewis

Director,
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Sue has more than 25 years' financial research experience having worked both agency and clientside on continuous and adhoc, qualitative and quantitative research. Sue has worked in the MarketVue Business Banking team since the inception of the study, 10 years ago. Sue is a certified member of the MRS.
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Helen Davey

Associate Director,
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Helen has more than 20 years' research experience gained agency side and has worked in the MarketVue Business Banking team for the past 5 years. Helen has considerable experience in managing large scale complicated syndicated research.

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Craig Tandy

Account Director

Craig has worked in a variety of roles across the financial services sector, including working directly with SMEs at Close Brothers Bank. More recently Craig worked for IBISWorld supporting banks across their credit approval process and relationship management capabilities, before moving to Savanta to support the wider financial services research team.

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