Report review

Customer Loyalty in European Banking

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A short review for an adequate exposition. That is, 'Customer Loyalty in European Banking' is one of the most recent reports from Datamonitor and, like all their reports, is professional, well put together and comprehensive in its coverage of issues within the area it set out to look at.

In this instance, 96 bank executives across Europe have been surveyed to generate an analysis of changing patterns of bank loyalty in each of their markets. 'Across Europe' is, perhaps, slightly misleading: the countries surveyed are UK, France, Germany, Italy, Benelux, Spain and a Nordic group. So the emerging markets of, say, Eastern Europe are omitted.

The report looks at declining loyalty, which it concludes is present and declining further wherever there are not structural factors preventing customer disloyalty. It also takes pains to separate what it defines as the drivers of disloyalty into two factors — promiscuity (customers using multiple routes to obtain banking services) and outright switching. This is an intelligent approach, as too many writers in this area seem to ignore this distinction and bring the two together as though they were one factor.

This is followed by some consideration of how to replace loyalty: that is, analysis

of what can make customers loyal. Finally, it concludes with tactics and strategy — a section on how to make customers loyal once more, as well as how to use disloyalty to rival organisations as a weapon on their own behalf.

It is not, I think, too much of a giveaway to note that their conclusion focuses fairly strongly on service and associated values. In passing, the report notes the irony that usually banks discover this particular secret too late. The message has disturbingly New Testament echoes to it: while they still have large and loyal customer bases, and a chance to mend their ways, they fail to; only later, when customers are deserting in droves, do they realise the error of their ways and — too late — start to spend large amounts on CRM and service initiatives.

There is little to disagree with in this report. It is, perhaps, a little disconcerting to find the level of critique of the banking industry within it coming, as it does, from its own executives. Not that I disbelieve them. Rather, I am concerned, as I always am, at any such piece of industry navel gazing.

By the sound of it, the executives surveyed have a good collective

understanding of what is wrong in their industry and what they need to do to put it right. In which case, why are they not putting it right? And having asked that question, one is forced to wonder whether there are other things that they may be overlooking.

Beyond that, buyers and potential buyers should think twice before buying it. In essence, is your purchase really necessary? Yes, probably, if you feel you need to monitor the sort of trends documented in this report and keep them available in your library. But no if you are looking for startling insights into customer loyalty.

The message of this report is not wrong, but on reading it, I was reminded of a recent dumbed-down documentary it was my misfortune to watch.

‘To find the answer to this question’, the presenter explained, ‘we need to visit Australia’.

‘No you don’t’, I muttered to myself ‘you just need to go down to your local library’. But then, I guess, the programme would have been a lot shorter — and they would have had nothing on which to spend their lavish travel budget.

A similar feeling creeps over me with reports of this form. We all know that customer loyalty is a problem. We know that industry executives know. And most of us are pretty aware that the beginnings of a solution lie in service and CRM. Do we really need a report costing us thousands to tell us this?

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