

For the attention of Alasdair Smith and the Retail Banking Market Investigation Group

Submission following *Provision decision on remedies*
7 June 2016

EMOTIVE INTELLIGENCE & STIMULATING ACCOUNT SWITCHING

Dear Sirs

Having read your recent report *Provisional Decision on Remedies* with interest, I wanted to bring our recent study of the retail banking sector to your attention, and whose findings are only just beginning to go public.

Our study is particularly notable for the groundbreaking technique that we applied, one that is capable of capturing the inner feelings and perceptions of consumers that are often deeply hidden. The findings throw new light on many core issues and challenges within the sector, including account switching.

These emotional and psychological factors currently exert a major influence on consumer decisions, engagement and customer behaviour in the retail banking sector. We fully concur with your central theme of customer engagement as there appears to be little doubt that the current lack of customer engagement creates a level of market inertia that does not encourage a healthy and well-functioning market place.

To give you a flavour of our findings to date:

- Overall, consumers reveal a deep inner dissatisfaction with leading providers, quality of choice and service levels – these findings taken together with the work of CASS and increased financial incentives raise some big questions about why switching levels remain so low (i.e. is the consumer acting irrationally?)
- Applying the psychological technique already mentioned we were able to look deeper into the mind of the consumer and begin to develop a better understanding of the dynamics in play
- Within our wide-ranging investigation, consumers revealed their inner feelings and perceptions about a host of specific concepts – these included ‘changing banks’ and ‘easier switching’
- At a subconscious level we can now see that whilst consumers attribute considerable value to the idea of ‘easier switching’ the vast majority are not motivated to take action.
- This can be explained by consumer’s high ‘resistance’ score (a psychological measure that we can quantify), and helps explain why CASS and promotional campaigns find it challenging to stimulate switching rates - we can go much further...
- This high resistance comes from two groups of inhibitors:
 - One group consists of functional, process-related (rational) inhibitors
 - The second group consists of psychological, behavioural (emotional) inhibitors
- It is particularly interesting to note that on the concept of ‘changing banks’ these inhibitors are weighted towards ‘emotional’ factors (we can quantify this), meaning that a high proportion of engagement drivers are yet to be harnessed and leveraged
- These emotional drivers can now be identified, quantified and unpacked, as well as the means to develop, test and refine the ways in which to incorporate them in future policy initiatives, remedies and promotional campaigns to motivate action and promote greater customer engagement

- Further, it is also possible to see how these factors differ within the overall population, perhaps by the special target groups that you cite in the report, which has the potential to substantially increase impact

In short, there are significant potential gains by adding emotional and behaviour intelligence into the mix, with significant implications for the future effectiveness of CASS and other related remedies. The methodology also has a potentially valuable role to play in RCTs and can not only be used to test options to optimise the effectiveness of a process or campaign (and therefore ROI), but also offers a very cost-effective way to do so.

I would be pleased to discuss how our current findings might be of assistance to you in completing your final report. I am also happy to forward an executive summary of our report, although you should note that this only touches on top level findings and insights and does not go into any detail on issues such as account switching.

I would also be particularly interested to have your views on the specific organisations and people who will be taking your recommendations forward. We would like to apprise them of any of our findings to date that, as well as the capabilities and potential contribution of this particular methodology and emotive intelligence to their specific objectives.

Yours sincerely

JOHN GREENHOUGH
Director