

Banking for today's women –
'because they're worth it'

Opportunities for UK Banks in
Providing Retail Financial Services to Women

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Introduction: the female marketplace - UK banks' untapped opportunity

Thirty million women live in the UK, accounting for 52% of the population¹ and 55% of the country's university undergraduates². They are increasingly financially independent, owning 48% of the nation's personal wealth, a share expected to rise to 60% by 2025³. This increasingly affluent female population regard banks as the best provider of professional advice, and most women - especially those with higher incomes and more senior occupations - are ready and willing to switch banking providers to get the products they want. However, what they want changes radically over time, because women's financial needs are generally shaped and influenced to a greater extent than men's by a series of 'life stages'.

Accenture has recently completed a major UK-wide study into banking for women. The results highlight a major opportunity for UK banks to design, develop, launch and target products and services specifically tailored to the needs of the female marketplace. Women are potentially the largest and most profitable target market for the UK's retail banks. Banks overseas have already started to focus their retail banking and asset management offering on women, but to date UK banks have been slow to capitalise on this opportunity. It is true that several UK insurance providers - primarily in areas such as motor insurance - have leapt on a marketing bandwagon aimed at attracting female customers. However, our research suggests the offering to women needs to go beyond marketing by reflecting their distinctive financial needs.

The Accenture research study (see information panel) set out to reveal the specific characteristics of the female financial services market, identify the drivers of loyalty and demand, and assess the opportunities that this market presents to banks in the UK. Our conclusion is that banks are not yet paying women the attention they warrant, given their spending power, the ease of targeting them, and their potential for generating sustainable and profitable banking relationships. In our view, a bank that successfully differentiates itself on its ability to understand and meet the needs of women stands to benefit significantly in terms of market share, revenues and long-term customer loyalty.

About the research

The Accenture research study into banking for women was conducted in two phases. The first involved concentrated desk research and analysis into existing sources of data, examining demographic trends, the demand for banking services among women, and the efforts made to date to target women by UK and overseas banks and insurers. This research concluded that the current services to women are failing to fulfil their requirements and represent a 'burning platform' that will prove unsustainable over time. These findings formed the basis for the second phase of the research, involving online questionnaire-led interviews conducted in December 2006 with 1,011 female consumers in the UK. The sample was designed to be nationally representative of the UK's female population across age groups, regions, socio-economic groups and occupations. The interviews were conducted via an online survey panel hosted by Novatris, part of Harris Interactive.



1 Office for National Statistics
2 Equal Opportunities Commission
3 Centre for Economics and Business Research - research commissioned by the Liverpool Victoria Friendly Society, 2005

New lifestyles - new needs

Women in the UK are experiencing dramatic ongoing change in their lifestyles and financial needs, driven by wider social, demographic and economic trends. Compared with thirty years ago far fewer women are married (see Figure 1), and in general the female population are having children later, becoming more successful as entrepreneurs, and gaining greater financial independence both inside and outside marriage. Women also now have access to a wider range of options in terms of flexible working, and are more likely to return to work after having children. Legal changes in areas such as divorce, discrimination and inheritance have also boosted women's wealth and earning power.

The financial impact of such sweeping change is clear. One third of women are now financially independent, up from less than a quarter in 1985, and 25% of single women now have a mortgage, compared to 10% in 1983⁵. There are now more female millionaires aged 18-44 than male⁶, partly because more inherited wealth is being passed on to daughters as well as sons. While women still earn an average of 17%

less per hour than men for full-time work⁷, around 25% are now earning more or the same as their partner, up from 7% in 1985⁸. And the fact that women continue to outlive their spouses by five years - their current life expectancy is 81, against 76 for men⁹ - means many are likely to double-inherit from parents and husband.

The social and economic changes seen over recent decades have not only led to greater financial independence for women, but have made their lives more complex than ever before - in turn requiring new approaches to financial management. While there is no legislation in the UK that would prevent a bank from targeting women, UK banks have not made concerted moves to capitalise on the opportunities in the female marketplace. Experience among overseas banks that have done this, particularly the US, indicates strong demand for female-focused offerings. Our primary research has investigated the nature and scale of this demand in the UK.

Picture the scene: a tale of two eras

1977....

Until she got married in her early 20s, Patricia Brown - she uses her husband's surname - worked for the General Post Office as a telephone operator. She left work in July 1972, a few months after her wedding, on the expectation of having children. Twins Michael and Marianne duly arrived a year later. Patricia's husband Robert has a foreman's job at the local steelworks, and Patricia has no intention of returning to work, dedicating herself to looking after the children. She hopes to have another child once Robert has saved up enough money. Robert handles the financial decisions, and gives Patricia £20 of housekeeping money in cash every week for food and other necessities. They have a joint bank account, but Robert usually carries the chequebook.

2007...

Elizabeth Osbourne, a qualified accountant, moved in with her boyfriend Tom Stevens in her early 30s. At the time she owned a two-bedroom flat, so she rented that property out while she saw how things worked out with Tom. Elizabeth's career was going well, and she was in no hurry to settle down, but after three years of cohabiting she and Tom decided to tie the knot. Elizabeth is now 41 with three-year-old twins called Oliver and Jessica, and is back at work full-time. Tom is a freelance graphic designer and works mainly from home, meaning he can handle a lot of the childcare. While the couple have a joint bank account for paying the mortgage and household bills, they have also kept their own bank accounts for personal expenditure. Since she got married Elizabeth has built up a healthy portfolio of investments, and enjoys the feeling of financial independence that this gives her.

The Decline of Marriage

Marital status of Women

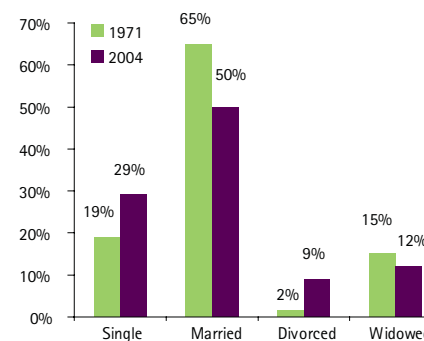


Figure 1: UK women's changing marital status, 1971-2004

Source: Office for National Statistics (England and Wales only, Aged 16+)

4 M&S Money Financial Decision Makers Report/MSN Money
5 M&S Money Financial Decision Makers Report/MSN Money
6 Centre for Economics and Business Research - research commissioned by the Liverpool Victoria Friendly Society, 2005
7 Office for National Statistics
8 M&S Money Financial Decision Makers Report/MSN Money
9 Office for National Statistics

Triggers for buying - throughout the female lifecycle

Our interview-led research with more than 1,000 women across the UK asked the respondents about issues ranging from current perceptions of banking providers through to product preferences, loyalty drivers and the dynamics of financial decision-making within couples. Taken together, the findings indicate pent-up demand for banking products, services and advice geared to the female population. More importantly, most respondents say they would switch to another bank if it proposed tailored products to the needs of women.

Women's loyalty to their banks: ready to switch - and cross-buy

One of the clearest findings from our research is that women are more diverse in their choice of banks, establishing banking relationships with a wider range of

providers. 55% of our respondents say their primary bank - the one that receives their salary - is one of the big four banks, a lower proportion than in the population as a whole. We also found that 55% of women have accounts with two or more banks, indicating that they are not loyal to one provider and are accustomed to switching between them.

This propensity to switch is underlined by the fact that one fifth of women have opened an account with a completely new bank during the last 12 months (see Figure 2), a finding that represents a fluid marketplace for switching. Significantly, this behaviour is more characteristic of women with more senior managerial roles and higher incomes - who are also likely to be among the more profitable customers and the most receptive to cross-selling. The potential for cross-selling to women is

underlined by our findings on their current ownership of products. While 87% of women have a current account and debit card, the level of ownership falls sharply in savings products, pensions, mortgages and consumer loans.

Key demand points: life stages

The sharpest differentiating factor of the female marketplace that emerges from our research is that - compared to men - women's critical life-stages are more clearly-defined and have a greater impact on their financial needs. This means banks could pick up more custom from women by targeting them at these points. Asked whether they would switch to a bank if it proposed tailored products to meet the needs of their life-stage events, 52% of our respondents say they would do so (see Figure 3). This outcome is driven by younger

women who have many of their major life events (and therefore buying triggers) still ahead of them.

Among the life-stage triggers for women to buy banking products and services, marriage/cohabitation is one of the most powerful. Many women take an interest in their finances, and this increases as they get married or start to cohabit, with 65% of women with a partner regarding it as 'important' to ensure their financial independence from their partner. Almost a third of women (32%) become more interested in personal finances once married or co-habiting, as a result of the additional responsibilities and debt (mortgages, pension, children) that couples face (see Figure 4).

This heightened interest leads to ownership of products. Fifty per cent of married/co-habiting women own financial products

personally because they enjoy managing their own finances, and 47% do so to maintain their financial independence. The majority (65%) that own financial products have retained at least some of them from before marriage/co-habitation (see Figure 5) - while a resounding 79% have bought products since then, underlining the fact that finding a partner is a trigger for buying. Our research also confounds the traditional image of a married/cohabiting woman leaving financial decisions to her partner. The responses show that women dominate decision-making over day-to-day financial transactions, and that investments and borrowings are usually decided jointly. This makes women with partners both an important market in their own right, and also a strong route for banks to sell higher-value products such as mortgages and pensions to couples.

Other life stages also trigger demand. Motherhood may lead to career breaks combined with lower income and extra costs, creating a need for financial advice and clear follow-on opportunities around accounts, investments and child trust funds. Divorce also requires financial advice - it often puts women in a poorer financial position, with lower household income plus the time and cost of looking after the children as a single parent. And bereavement/inheritance means many women become wealthy later in life, often 'double-inheriting' from their parents and subsequently their husbands.

A fluid marketplace

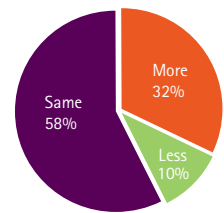


Figure 2: Have you opened an account or bought a product from a bank that you have never used before during the previous 12 months? (Base: all respondents)

Demand for female-tailored products

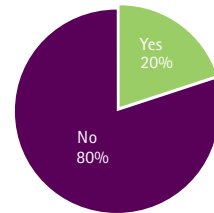


Figure 3: If a bank was proposing tailored financial products for a woman's different life stages (e.g. get married, have children, take a career break, get divorced, become widowed, etc), what is the likelihood that you would become a client of this bank? (Base: all respondents)

Greater interest in finances post-marriage

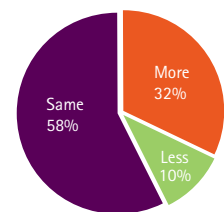


Figure 4: Do you take more or less active interest in your personal finances now that you are married / lived with a partner? (Base: all married/co-habiting respondents)

Marriage or co-habiting triggers demand for products

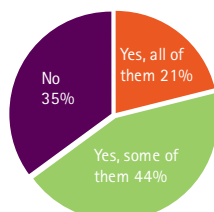


Figure 5: Did you already own these products before you met your husband / partner? (Base: all married/co-habiting respondents)



What do women want from their bank?

A high degree of trust in banks...but little delivery

All these findings underline the scale of the opportunities available to financial services providers to the female marketplace. And our research goes on to indicate that banks - of all the potential sources of financial advice and products - are especially well-placed to capitalise on those opportunities. As Figure 6 shows, a woman's primary banking provider comes out ahead of husband/partner as first choice when financial advice is required, and second only to all family and friends combined. So in terms of professional financial advice, banks have a clear lead.

However, if women are looking for tailored female-focused advice from their bank, they are disappointed. Banks may be more trusted by women than other financial services providers, but Figure 7 shows they are failing to capitalise on this strong position. Most women do not know what key life events their bank can help with - and mortgage lending is the only area where more than a fifth of respondents are aware of suitable products. Even if banks are already addressing the needs of the female marketplace, their customers do not know it. This leaves a huge gap for banks to fill both in terms of offerings and communication.

A high degree of trust in banks...but little delivery

Banks are first choice for professional advice

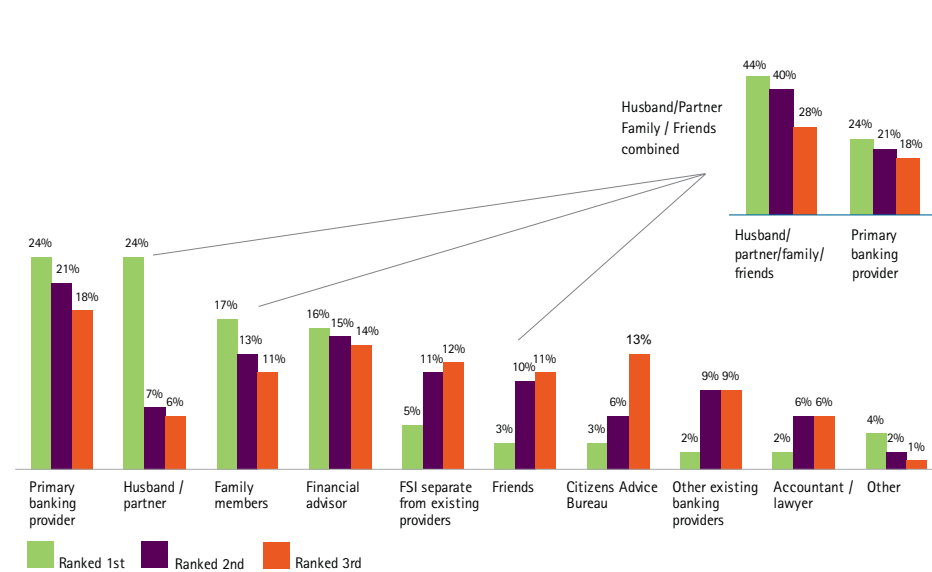


Figure 6: If you needed to get advice on your own financial situation / management, who would you turn to for guidance? (Rank top 3) (Base: all respondents)

A gap in product offerings - and customer awareness

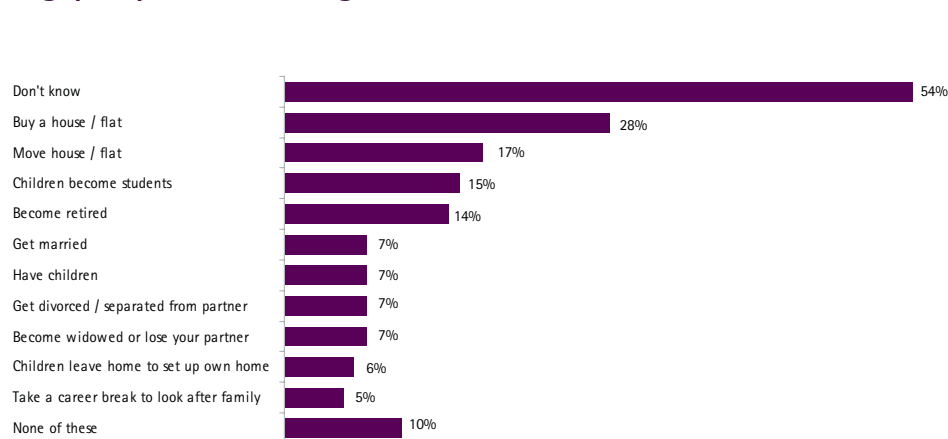


Figure 7: Do you think that your bank provides suitable financial products with each of the following situations? % of respondents that said "Yes", respondents could choose more than one answer (Base: all respondents)

We have established that women represent a huge, growing and substantially unaddressed market for financial products and services. But what are they looking for from providers- And what attributes will drive demand from this group in the long term?

A key characteristic that emerges from our research is that women tend to be relatively risk-averse, and take a balanced and considered approach to investment as a result. As Figure 8 shows, only a tiny proportion would opt for products bringing high-risk and high-performance, and more than a third will accept lower performance in return for low risk - a factor banks should bear in mind when designing products for the female market.

In terms of product references - aside from the obvious attributes of good performance and competitive prices - women ultimately want products and advice that match their own individual needs (see Figure 9), a requirement that is probably not very different from men. However, perhaps more interesting than those attributes near the top of the wish-list are those that rank lower down. Attractive branding and marketing - the basis of several efforts to target women to date - are well down the list, as is being an existing customer of the provider. Conversely, the responses to other questions underline the attractiveness of products that help women save on a regular basis and maintain their financial independence.

A measured approach to risk

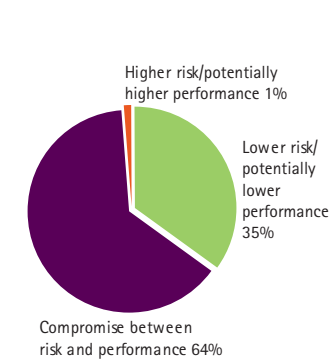


Figure 8: What kind of savings/investment products do you prefer?

Seeking price and performance - not marketing spiel

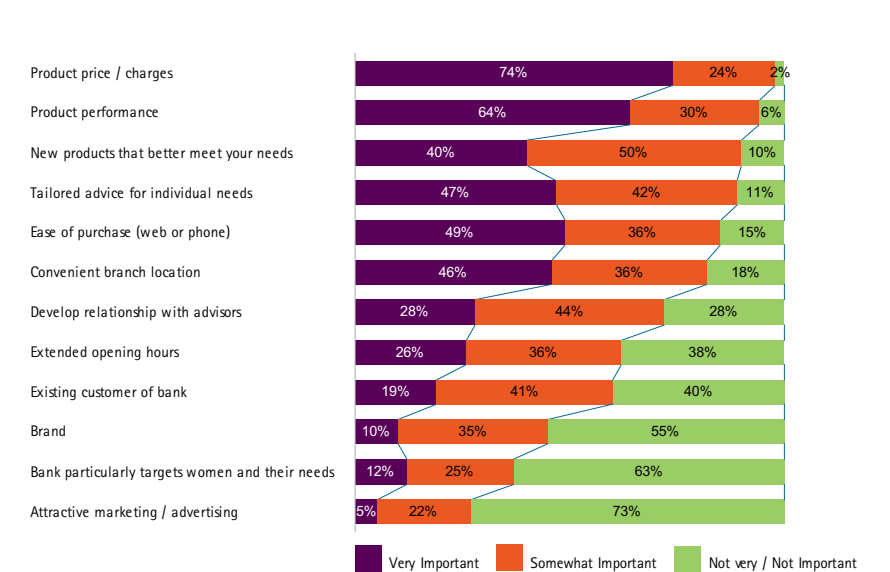


Figure 9: What kind of savings/investment products do you prefer?

Building a life-long relationship with women

Our findings on women's usage of various channels for their banking shows they have taken readily to remote channels such as phone and internet, but still value personal contact at the branch. Most women use their bank's website and ATMs more frequently than once a month, and its branches and telephone banking monthly or less. When they visit a bank branch, women do not want to be kept waiting, but they do value human contact. As Figure 10 shows, they want to interact with a 'fast person' rather than a 'fast machine' – since they value both speed and personalised service.

Speedy service – with a personal touch

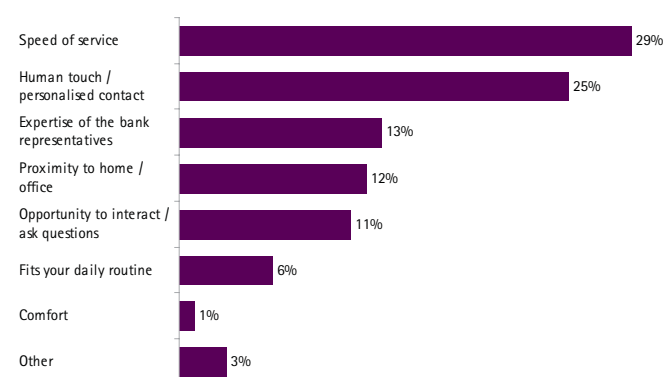


Figure 10: When you go to a bank's branch, what do you value most?

Targeting women: the international experience to date

The UK

In the UK, early efforts to target women included the flexible 'baby-break' mortgages launched by a number of lenders in the late 1990s, allowing new mothers to take a break in repayments. More recent initiatives have largely focused on the high-end wealth management sector. For example, Coutts and a handful of other private banks have recently started offering 'divorce loans' for women, initially interest-only with the capital repaid from the settlement. Coutts has also launched an account card designed by Stella McCartney and has a separate website aimed at the interests of its women customers (www.couttswoman.com).

Mainland Europe

Europe (including the UK) generally lags behind the US and Asia in terms of offering tailored products and services to women, but there have been a few isolated efforts to target female customers. Raiffeisen in Austria has worked with Emotion Banking to launch a dedicated bank for female customers, complete with female staff. And BBVA in Spain is offering special loans to new mothers.

Japan

2006 saw an explosion of interest and product launches from Japan's banks, mortgage lenders and asset managers, as they moved to develop offerings catering for women's needs and requirements. The players involved included Société Générale Asset management (Japan), with funds investing in female-friendly businesses and a range of female-focused investment products and seminars. Others targeting this market include Sumitomo Mitsui Banking Corp with an all-female financial advisory operation, and Akita Bank with longer-term mortgages for women living alone.

The US

The US is without doubt the clear global leader in offering products and services to women. A wide array of offerings are available, with various banks offering separate services, marketing material, internet areas, and even women-only advisers. Examples of female-focused offerings include Citigroup's 'Women & Co' offering tailored financial planning and products, Prudential Financial's 'Women and Finance' website, and Legacy bank's designated female bankers for women clients, especially the recently-divorced or widowed.

The key conclusion that emerges from this study is that women are not being targeted effectively or catered for imaginatively by banks. Our findings do not imply that banks are targeting men effectively – several of the conclusions could equally apply to the male population, and to various smaller customer groups such as workers from Eastern Europe or those seeking Islamic financial services. Nevertheless, what seems clear is that women as a whole, and particularly the profitable groups within this category, are not getting the attention they deserve.

As our information panel on the global experience of targeting women shows, the UK and Europe are lagging the US and Japan in this regard. And we believe it is vital that UK banks move to close the gap. As we pointed out at the start of this paper, women already control 48% of personal wealth – and will soon control well over half. They are becoming increasingly financially independent, whether within or outside settled relationships. And they have more distinct life stages than men, meaning their financial needs and buying triggers vary more widely over time. These factors alone confirm that a failure to address the female marketplace with specific products and services means a bank risks missing out on a major opportunity.

Targeting: the critical differentiator

So, how can UK banks address this valuable and growing market more effectively? The way forward must be more sophisticated than simply slapping some pink branding onto existing products. What is needed is an ability to deliver carefully-crafted, female-orientated products supported by targeted, clear and timely advice, using a combination of well-informed advisers and the internet. This is what our respondents tell us they want – and delivering it should be well within the capabilities of today's banks.

The ability to target women as a customer group in this way also has much wider

relevance across banks' business as a whole. In today's mature UK banking market, the keys to growing profits are controlling costs while identifying profitable groups for careful targeting. So banks could create major sales opportunities with women simply by targeting them with the right products and advice at the right time. The same is true of other distinct customer groups with shared needs.

Making the most of customer information

For many banks, achieving this degree of focus is not easy. This is because their existing IT systems are too rigid to allow effective tailoring and targeting of financial products. When it comes to female customers' critical life stages, many banks struggle to identify which of their customers have just got married or divorced, or to spot the growing number of women who are becoming wealthier in their retirement through inheritance from their parents, their husband, or both.

In some cases it is impossible for a bank to spot these events, because it does not have the relevant information. But even when banks do possess the necessary data, they are often unable to access it in a way that allows them to create and offer appropriate propositions. Long-standing mainframe-based IT systems have had all sorts of extra capabilities bolted on over the years, but there is only so much you can get from 40-year-old technology, no matter how you add to it.

The message is clear. To ensure their long-term success, banks need to address the needs of the female marketplace more fully and accurately. In order to do this, they need to be able to store, process and apply customer information more intelligently and responsively. Only then they will be in a position to target women effectively – as well as gaining the ability to build deeper and more durable relationships with other customer groups that are currently under-served.

Accenture's experience

Accenture's experience with clients across the banking industry highlights a number of key capabilities and assets that will be critical in enabling banks to meet the needs of female customers more effectively.

The first requirement for realising the opportunity in the female marketplace will be accurate information on your customers. Secondly, you will need to be able to look at this data and divide it into specific groups that can be treated and/or targeted differently. Thirdly, you will require the ability to create a specific proposition for each of the groups you identify. And last but not least, you will have to be able to execute that proposition in the eyes of customer, building demand and loyalty.

In other words...banks need to have more information about their customers, understand it better, and then use it in a fashion that is distinctive and differentiated to suit the particular target group.

Accenture has already worked with several major UK banks to develop, create and implement each of these various capabilities, transforming their ability to target particular types of customers. Having done this, we have then gone on to help these clients create greater value by offering tailored treatment strategies through the appropriate channel to the specific customer group, based on a product proposition closely tailored to the needs shared by the people in it. The segmentation techniques and analytical tools we have used to achieve this with other types of customer are ideally suited to the female marketplace. In other words, we have proven capabilities to help you serve women more effectively - enabling your offering to give women what they really want, both today and throughout their lives.

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