Customer Satisfaction versus Market Share

When happy customers don't equal more business

East & Partners has consistently said that customer satisfaction performance is the key lead indicator of which direction a service provider's market share is going to head. The evidence for this is apparent throughout our research over many years. And it makes common sense. A customer is unlikely to maintain their relationship with a bank if they are unhappy with the service they are receiving – and this applies equally to the core transaction banking relationship as it does to specialist product areas, such as Trade Finance, Spot Foreign Exchange and Merchant Acquiring.

SMEs and Micro Businesses may have grudgingly put up with indifferent service until relatively recently but in this hypercompetitive era even smaller businesses are starting to cherry pick best of breed products (or providers), an indication of a more proactive approach to their banking relationships, and the beginning of increased product disaggregation. East's metrics show the level of competitive pitching taking place is accelerating across all market segments and that customers are responding to what they view as more compelling product/service propositions by churning their relationships in whole or part.

But there are instances where the correlation between customer satisfaction and market share appears counter intuitive; where the apparent happiness of customers with their bank is not being translated into improved market share. This could be product specific or part of a wider, possibly cultural issue within an institution. For example, Bank X may have a very strong customer satisfaction performance in Product Y, being ranked second best bank overall; but it has managed to capture only 10 percent market share in Product Y, which makes it the fifth best bank by some distance; and has just five percent mind share in this product category, ranked sixth overall.

If you don't offer the product, someone else will

Right upfront, there's an obvious disconnect between the number of customers Bank X has engaging Product Y and the number who recall it first when considering this product – as almost half the Bank's customers are thinking of another provider. So if its customers are pleased with Bank X's performance, why are they looking elsewhere and why is the Bank not improving its market share for Product Y? This could be attributed quite simply to the Bank not reminding its customers of how happy they are with the service they're getting in Product Y, or even that they provide it in the first place. But there are a plethora of service providers, be they rival banks or niche product specialists, which are more than happy to do so – and which are evidently getting shelf space in the minds of customers, and quite likely their eventual business.

Product Y	Share of Primary Relationships	Mind Share	Own Customer Awareness Ratio
Bank X	10% (5th)	5% (6th)	-50%

	Satisfaction Performance Average Rating Reported 1 —— 2 — 3 — 4 —— 5 (satisfied) (dissatisfied)
Bank X	1.75 (2nd)

Are RMs taking the whole product portfolio to town?

In terms of stagnant market share growth in a particular product category, this could come down to the challenge for product specialists within banks of getting shelf space in the minds of business bankers and relationship managers (RM) who are the ones in the field communicating with customers.

An issue for certain banks is that many of their RMs are still essentially lending driven and are not maximising opportunities to educate their customers about the bank's complete product portfolio. Not only is lending the least sticky banking component, but in the absence of any product specific information, customers are turning elsewhere for advice.

Of course, marketing collateral and advertising have their place, but research East conducted two years ago on where CFOs and Treasurers source their information showed that 70 percent of them rely on word of mouth referrals from business associates and colleagues. Unfortunately, many of these associates and colleagues undoubtedly bank with other institutions, and could well recommend them. But if Bank X is already engaged with a customer seeking Product Y, why isn't it selling the product to them?

And if a bank's customers are happy with the service they are getting, why doesn't it facilitate the means for those customers to tell their business associates how happy they are with Bank X's performance in Product Y? This is, of course, occurring to some extent but given the huge investment being made in refreshing product/service/go-to-market propositions, banks need to examine why high customer satisfaction levels aren't improving market share.