



Savanta:

Open Business Banking – Hit or Flop

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What was the rationale behind Open Banking?

In 2016, the Competition and Markets Authority (CMA) completed a major investigation of the UK retail banking market and one of the overall conclusions was that older, larger banks do not have to compete hard enough to gain or retain customers.

Open Banking was launched in 2018 to help tackle this issue, as a direct result of the CMA's recommendations. It enables customers to share their current account information securely with other banks and third parties, allowing them to compare banking products on the basis of their own requirements and to manage their accounts without having to use their bank.

Since then, however, the jury has been out re whether the huge investment in the API infrastructure has been a success or failure and last year, Starling Bank's CEO, Anne Boden branded Open Banking a flop, a view seemingly shared by Monzo founder Tom Blomfield and Tide's Oliver Prill.

Savanta's MarketVue Business Banking data certainly shows that Open Banking has not had any impact on account switching behaviour.

Switching levels are very low and have remained stable over the past decade, with only 3% having switched their main business bank account in the last year (based on year ending Q3 2022 data for start-up and established businesses with a turnover of £0-1bn).

In the second quarter of 2017, Savanta investigated the appeal of 4 potential Open Banking features (amongst start-up and established businesses with a turnover of £0-1bn) and we have now carried out follow-up research in 2022 to see how opinions have changed. In addition, in 2022 we measured both awareness and usage.

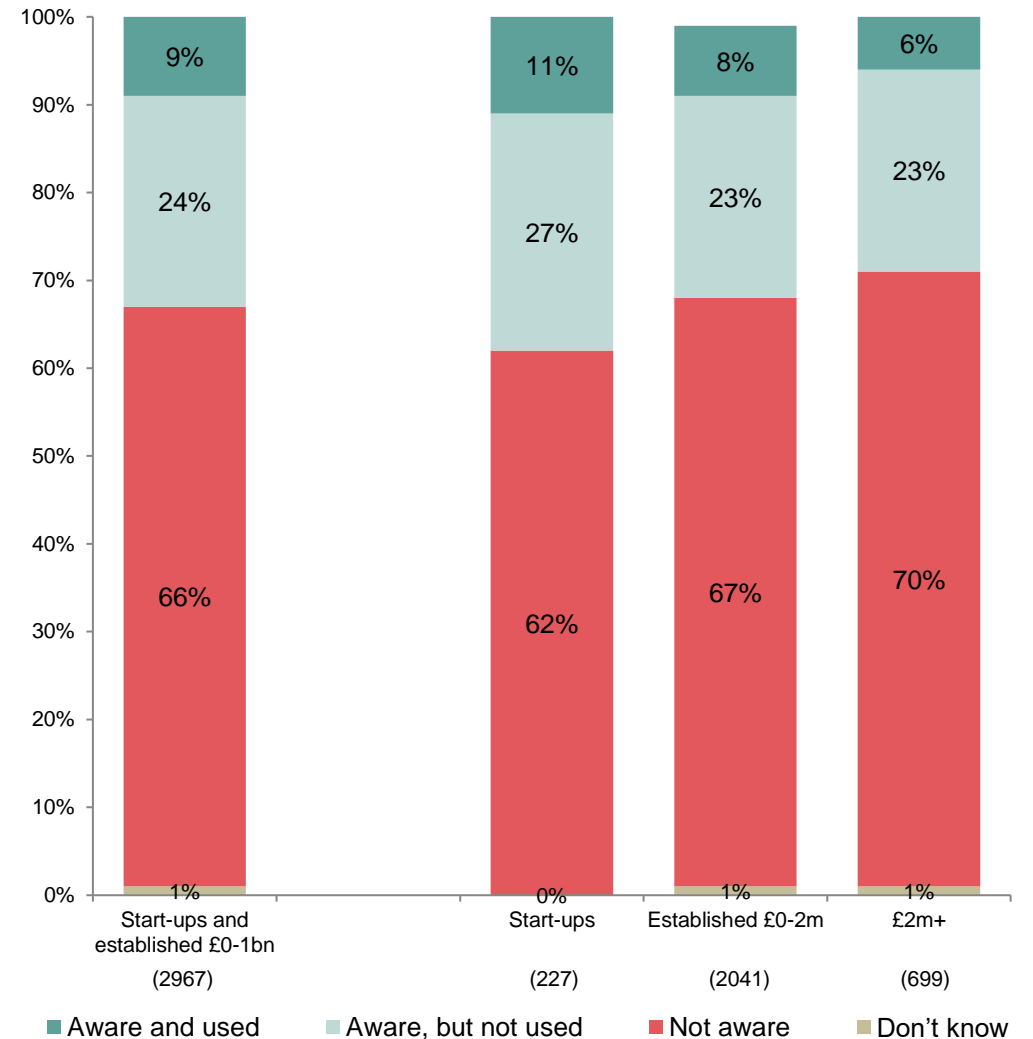
Two-thirds of businesses are not aware of Open Banking, but 9% are using

Overall, in Q3 2022, only 33% of businesses said they were aware of Open Banking. Awareness was highest amongst start-up businesses (38%), who tend to be younger and are likely to be more tech-savvy.

Awareness was lower amongst larger businesses with turnovers of over £2m (29%) but is actually far higher for £25m+ with awareness of 41%.

About 1 in 11 (9%) have used Open Banking and again this is higher amongst start-ups (11%), whilst for £2m+ usage is lower (6%). Usage is also 6% for the £25m+ group indicating that higher awareness hasn't converted into higher usage.

Open Banking awareness and usage 2022





In 2017, Open Banking appeal was generally positive

Businesses gave a positive response overall, with more than 60% of businesses rating the appeal of all four features as either 3, 4 or 5 out of 5.

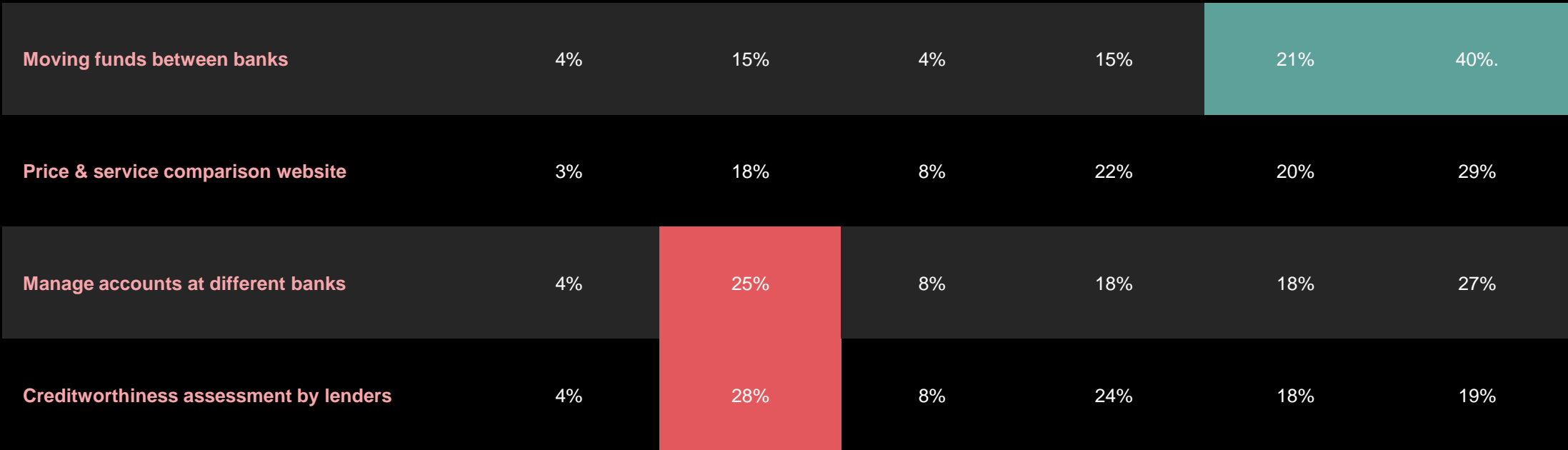
The most appealing feature was the ability to move funds between banks to either reduce charges or increase interest received on deposits. Over three quarters (76%) of businesses rated this feature's appeal as either 3, 4 or 5 out of 5, with 61% rating it as highly as 4 or 5.

Conversely, the ability of potential lenders, other than a business's own bank, to use the banking transaction history of the business to assess its creditworthiness and offer better lending deals, was the least appealing feature. This may have been due in part to some businesses not considering themselves to have a current or future need for borrowing, while some may not consider themselves to be a particularly good credit risk and would therefore prefer less transparency rather than more.

Appeal of Open Banking features 2017

Not at all appealing ← → Extremely appealing

Don't know 1 2 3 4 5

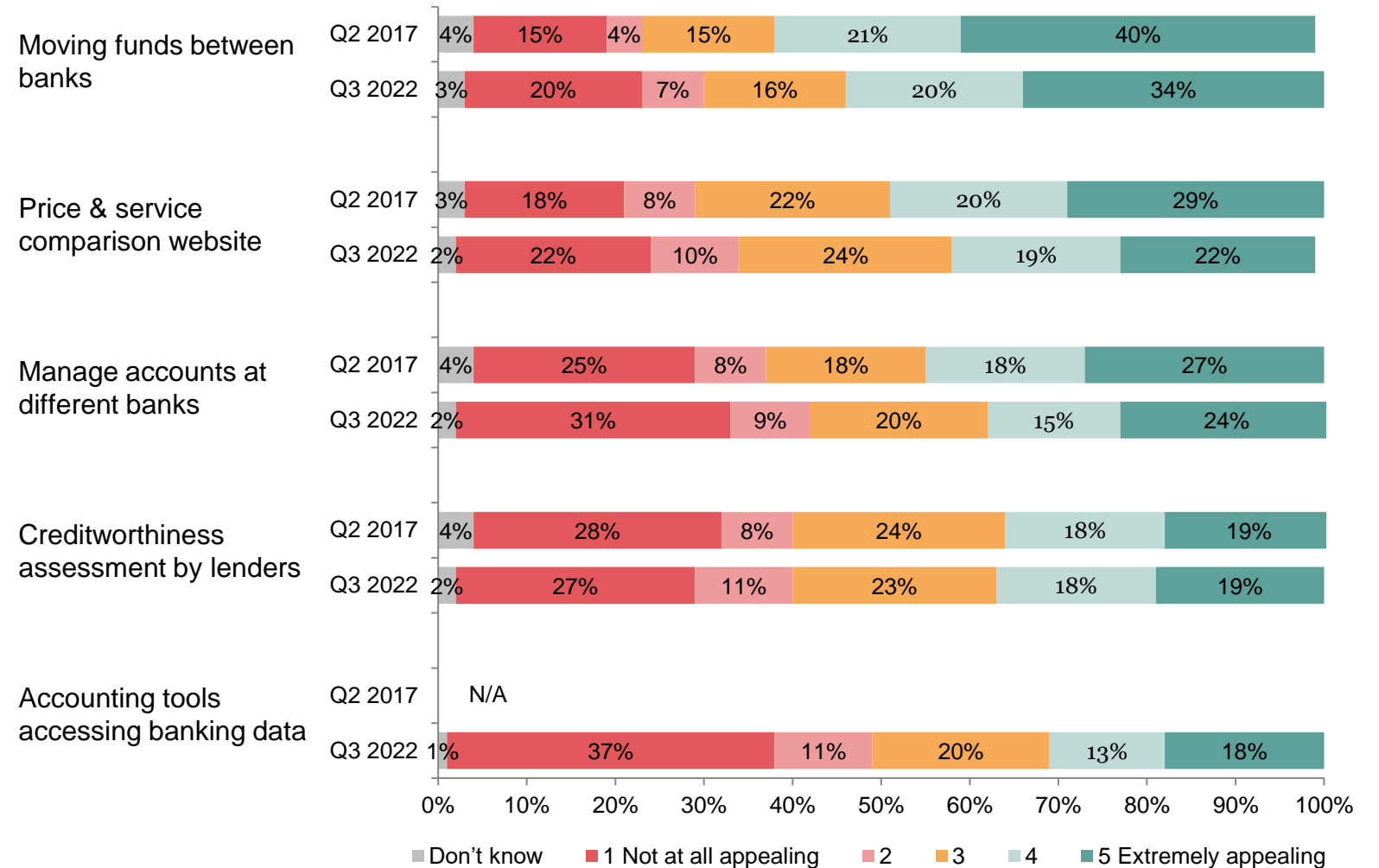


Reality not living up to expectations?

In 2022, businesses found three out of four Open Banking features less appealing than in 2017. This suggests that the original concept sounded more interesting than the services that are currently available.

Three of the four features measured in 2017 now have a higher proportion of businesses rating as not appealing at all, and at least a fifth of businesses now hold this view (including nearly a third who feel this way about managing accounts at different banks).

Appeal of Open Banking features 2017 vs 2022



The appeal of a price and service comparison website, using your actual banking usage patterns to make simple and reliable price and service quality comparisons, has fallen the furthest and only 22% find it extremely appealing compared to 29% in 2017. As a result, this feature now has the third highest proportion of businesses rating as extremely appealing, rather than the second highest as per 2017. The feature is still in 2nd place based on combining those rating as either 4 or 5 together (41%).

The proportion of businesses who find the option to authorise the movement of funds between different banks extremely appealing has fallen 6 percentage points to 34%. Nevertheless, this feature remains the most appealing.

The proportion who think being able to manage accounts at different banks via a single app is extremely appealing has also fallen 3 percentage points to 24%. This feature also has the highest level of rejection, with 31% saying it was not appealing at all.

Allowing potential lenders to be able to use a business's banking transaction history to assess their creditworthiness was the least appealing feature in 2017 and 2022 ratings are virtually unchanged, with only 19% finding this extremely appealing.



The least appealing feature is giving accounting tools secure access to data

In 2022 we also asked businesses to rate the appeal of allowing banks and third-party financial service providers (such as budgeting apps, cashflow management tools and accounting software for businesses) secure access to banking and other financial data. Overall, this feature had the lowest appeal with over one third rejecting outright.



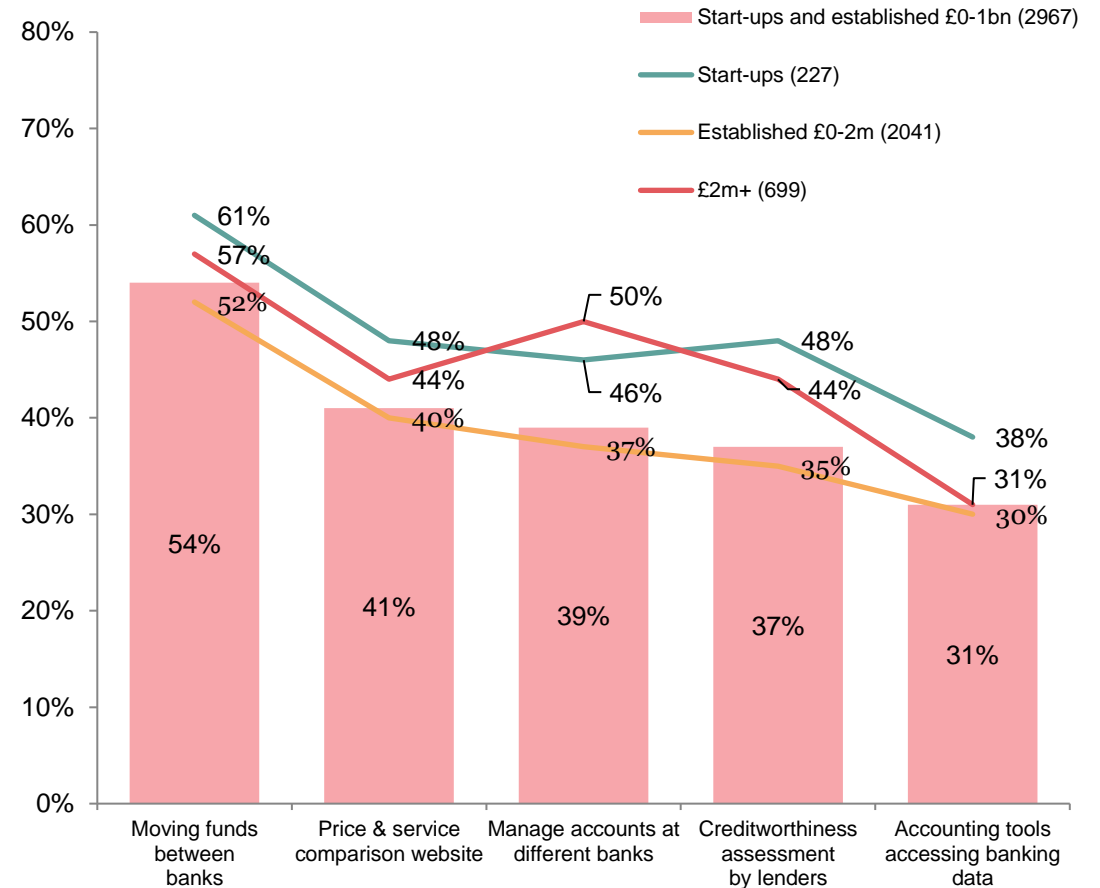
Appeal is generally higher amongst start-up businesses

Start-ups find most Open Banking features more appealing than established businesses do, which may again be linked to their average age and attitudes towards technology and data sharing.

The exception is the ability to manage accounts at different banks, which is more appealing to £2m+ businesses, who are more likely to hold accounts with multiple banks.

Established small businesses (£0-2m) find all the services less appealing than the other two business types.

% rating appeal as 4 or 5 out of 5 by business size



Has Open Banking delivered?

The introduction of Open Banking in 2018 was hailed as one of the biggest shake-ups in the banking world in recent times. However, five years on, industry opinion is divided as to whether it has been a hit or a flop.

Awareness is low (33%) and the features have lost some of their appeal over time, with at least one-fifth of businesses saying each feature is not appealing at all. More importantly, the introduction of Open Banking has not led to any shift in switching behaviour and whilst the last two years has seen a rapid growth in new digital banks such as Starling and Tide, there is no evidence that their appeal has been linked to any specific Open Banking features.

Nevertheless, it is important to remember that Open Banking is still evolving. Appeal may have fallen, but adoption levels have increased over time, with 9% of businesses currently using. With appeal currently outstripping awareness by a considerable margin, perhaps all that is needed to boost usage is better communication to make sure businesses understand what's on offer and what they are missing out on.



Savanta's MarketVue Business Banking

Based on a continuous survey of 15,000 financial decision makers in UK businesses and 10 years of historical data, MarketVue Business Banking is a highly **reliable and detailed monitor of how banks are perceived by business customers.**

It is designed as a **complete market overview** covering market share, trends, brand health and customer experience to inform business strategy and provide tactical feedback for action planning. Interviewing is conducted continuously among a UK representative sample from start-ups, SMEs up to major corporates throughout the year and data/insight is delivered to clients on a quarterly basis.

Data attribution:

Source: Savanta MVBC Start-ups and Established £0-1bn GB
Q2 2017 base: 3514, survey period: 3rd Apr – 20th Jun 2017
Q3 2022 base: 2952, survey period: 17th Jun – 16th Sep 2022

Source: Savanta MVBB Start-ups and Established £0-1bn GB
YE Q3 2022 base: 11376, survey period: 17th Jun – 16th Sep 2022

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Research and Insight – tailored solutions built using specialists from Savanta's Industry and Methodology Practices

Proprietary tech & products – instantly access digital intelligence about markets, brands and customers. It's our own technology. And it's fast and flexible.

Meet the team



Stephen Palmer

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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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Craig Tandy

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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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Philippa Whitham

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Philippa has more than 20 years' research experience gained agency side and has worked in the MarketVue Business Banking team for the past 6 years. Philippa has considerable experience in managing large, complex continuous research programmes, with particular expertise in customer satisfaction.

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Rima Aryandani

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Rima joined Savanta when Wealth-X Custom Research was acquired in 2019. She has worked predominantly on quantitative projects in the finance and wealth space and has particular expertise in project logistics. Rima has a Master's degree in International Tourism from the University of Lugano, Switzerland and a Bachelor's degree in Economics from the University of Indonesia.

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