



# Are you Missing Revenue Opportunities with Your Existing Customers? Use Current Account Offers to Gain Customers and Deepen Relationships

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July 2022

## The Personal Current Account

Banks face stiff competition on many fronts – from challengers with nimble systems to innovative ideas. If banks are to remain relevant and competitive, they must act now, there isn't time to wait for a complete technology upgrade. In this Point of View, we will look at an example of how major banks can respond today to the competition and constraints that threaten their business.

In retail banking in the UK, the Personal Current Account (PCA) is the gateway to expanding customer relationships. While it would seem that new challenger banks, who now hold 8% of the PCA market are winning the battle, it may not be all doom and gloom for large banks. A typical PCA account can generate £104 annually for a large bank. While this number has fallen from £177 in recent years due to changes in overdraft charging, the pandemic and low rates, it remains a substantial benefit for larger banks. The total number of PCA accounts in the UK has increased by approximately 15% in the past four years as most adults now have two PCA accounts at different financial institutions. This is good news for the traditional banks as it would indicate that the 8% of accounts held by the challenger banks do not (yet) represent as much an account switching phenomenon as one of diversification. For most customers, who now have two PCA accounts, only one of those accounts is their primary account. While many customers jumped at the chance to open a second PCA at a challenger due to the significant incentives offered, few actually “switched” from their relationship with their primary bank.

A survey conducted in 2021 indicated that only 25% of the PCA accounts opened at challenger banks were the customer's “primary” account. These second PCA accounts are far less efficient, as they typically carry lower balances, use fewer transactions, and have lower overdraft usage. Even with the advent of Current Account Switching Service (CASS), the large banks are still well positioned to maintain and perhaps even increase the number of PCA accounts on their books. More than half of the revenues of PCA accounts come from the funding benefits of the PCA deposits. These relatively low-cost balances provide greater value to a large bank over challengers as few challengers have fully developed lending businesses and large banks can operate a more efficient loan book. As rates increase, large banks must see this benefit increase.

For decades, large banks have been able to count on, and to a certain extent ignore their hold on PCA accounts. These accounts provide low-cost capital and deserve a renewed attention. While market disruptors seem to have the advantage, with proper attention, large banks could have the opportunity to increase their hold on these key accounts. Even with systems like CASS in place, customers have not shown great interest in switching their primary accounts to different providers. This gives the large banks several great opportunities. If banks want to remain competitive, they need to be able to gain visibility into the entire relationship they have across all product lines with a focus on identifying those customers that use one or more ancillary products and converting them into PCA account holders. The bank that holds a customer's “primary” PCA is far more likely to see higher balances and fees as well as opportunities to cross-sell additional products. Not surprisingly, in the UK, many large banks offer incentives of up to £125 to attract new PCA customers.



## Add £71M in Annual Revenue with PCA Offers to Card Customers

Through an acquisition, a major bank acquired a credit card issuer that brought them 2.8 million new customers. Unfortunately, like many business lines within the bank, these credit card customers existed in a silo, completely cut off from the other business lines. There was no way to get visibility into the totality of a customer's relationship to know what customers were shared across the lines of business or the true value of each customer across the enterprise. Each line of business, including the new (acquired) credit card business operated on its own core and some of those platforms were very old.


A core modernization effort would take five years to complete and was risk prone. With seemingly no

option other than waiting for the core upgrades, by which time the bank would have lost significant market share and cross-selling opportunity, they needed a solution that could be implemented immediately to make compelling offers to these clients.

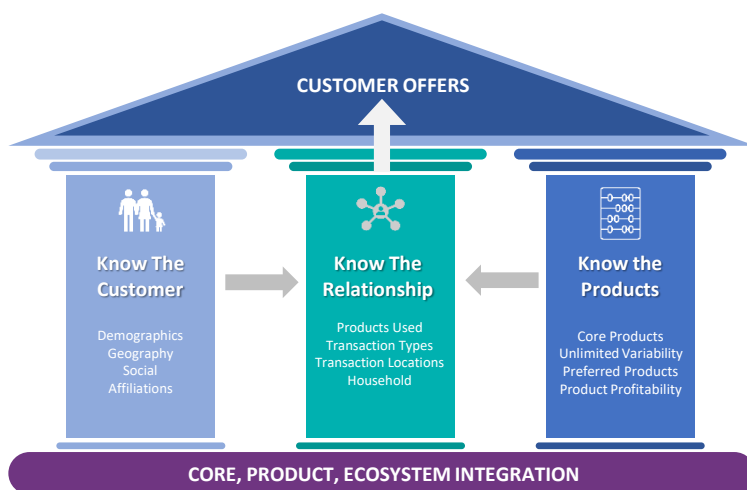
Leveraging SunTec Xelerate can provide the bank visibility into all their clients and the products used by each of them. SunTec Xelerate is being implemented to get a full view of their customers, including the newly acquired card customers. This customer-centric view will give the bank the power to see the entirety of a customer's relationship and segment them in any way they want, to deliver compelling offers to the newly acquired card customers.

## GROW - DEEPEN - DEFEND - MAINTAIN

### Use Case X



This unique approach to data management entails interfacing with data sources and the ability to serve the use cases banks have today and those that haven't even been thought of.



With SunTec Xelerate, they can quickly identify those customers whose only product was their credit card. They can launch targeted offers to these customers to entice them to open a PCA account at the bank. Offers such as crediting the Credit Card Account with £35 each month for four months if they comply with condition to credit at least £500pm into the new PCA can be launched. These offers include highly competitive rates and appealing fee structures, as well as incentives to the bank's ecosystem of third-party partners.

Additionally, the offers include well designed conditions to help ensure that these new PCA accounts become the customer's primary account. The result will be an astounding increase in new PCA accounts that help cement the customers into the bank for the long term. It really is all about access to the data, without needing to alter the core systems. SunTec Xelerate gives visibility and actionability into the information about each customer as well as the products they are using. This information combined with the consolidated product catalog gives them the ability to develop and execute compelling offers that they thought would take years to deliver.

## A LOOK AT NUMBERS

- **2.8 million new customers through card issuer acquisition**
- **30% of those already have a relationship with the bank**
- **That leaves 1.96 million potential untapped customers for PCA**
- **Let's say just one in three take the offer to open a PCA**
- **At the industry average of £104 in annual revenue per account, we have added £70M in new annual revenue**

## Will Customers Switch PCA Providers?

In 2021, SunTec completed a survey of Credit Card holders and non-customers of a particular UK based bank (Bank A). Participants were categorized by their customer status and how they use their credit card each month. The survey explored how willing customers would be to accept an offer of opening a Personal Current Account with the bank. The survey yielded some interesting results:

**Customer Profile 1:** You use your (Bank A) credit card regularly and often carry forward balances on your card. (Bank A) reaches out to you with an offer that IF you were to switch your current account to them and credit at least £500 per month, they will credit £35 to your Credit Card Account every month for 4 months.

How likely are you to take up the offer?

Positive Response in Survey: **100%**

**Customer Profile 2:** You use your (Bank A) credit card regularly and barring a one-off occasion, you pay your balances in full. (Bank A) reaches out to you with an offer that IF you were to switch your current account to them and credit at least £500 per month, they will credit £35 to your Credit Card Account every month for 4 months.

How likely are you to take up the offer?

Positive Response in Survey: **73%**

## References

Financial Conduct Authority. (2018). *Strategic Review of Retail Banking Business Models*.

Financial Conduct Authority. (2022). *Strategic Review of Retail Banking Business Models - Final Report*.

**Customer Profile 3:** You use your (Bank A) credit card infrequently and you always pay your balances in full. (Bank A) reaches out to you with an offer that IF you were to switch your current account to them and credit at least £500 per month, they will credit £35 to your Credit Card Account every month for 4 months.

How likely are you to take up the offer?

Positive Response in Survey: **47%**

**Customer Profile 4:** You do not bank with (Bank A) today. (Bank A) reaches out to you with an offer that IF you were to switch your current account to them and credit at least £500 per month, they will credit your current account with £125 at the end of 4 months.

How likely are you to take up the offer?

Positive Response in Survey: **14%**

## Conclusion

While what has been presented in this PoV is a specific case in point, significant benefits can be achieved by any financial institution, which is a large credit card issuer.

SunTec Xelerate gives banks the ability to gain visibility into all aspects of their customers combined with their current products and product usage to design and execute compelling offers that will result in substantial revenue opportunities, while cementing the customer relationship with the bank.

## About SunTec

SunTec is the world's No. 1 pricing and billing company that creates value for enterprises through its Cloud-based products. More than 130 clients in 45+ countries rely on SunTec to provide hyper-personalized products, offers, pricing, loyalty programs, tax compliance, and billing for over 400 million end-customers. SunTec products are based on our cloud-native and cloud-agnostic, API first, micro-services-based proprietary platform, Xelerate and are delivered on-premise, on private cloud and as SaaS. SunTec has global operations including the USA, UK, Germany, UAE, Singapore, Canada, Australia, and India. For more information, please visit us at [www.suntecgroupp.com](http://www.suntecgroupp.com) or email us at [marketing@suntecgroupp.com](mailto:marketing@suntecgroupp.com)

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