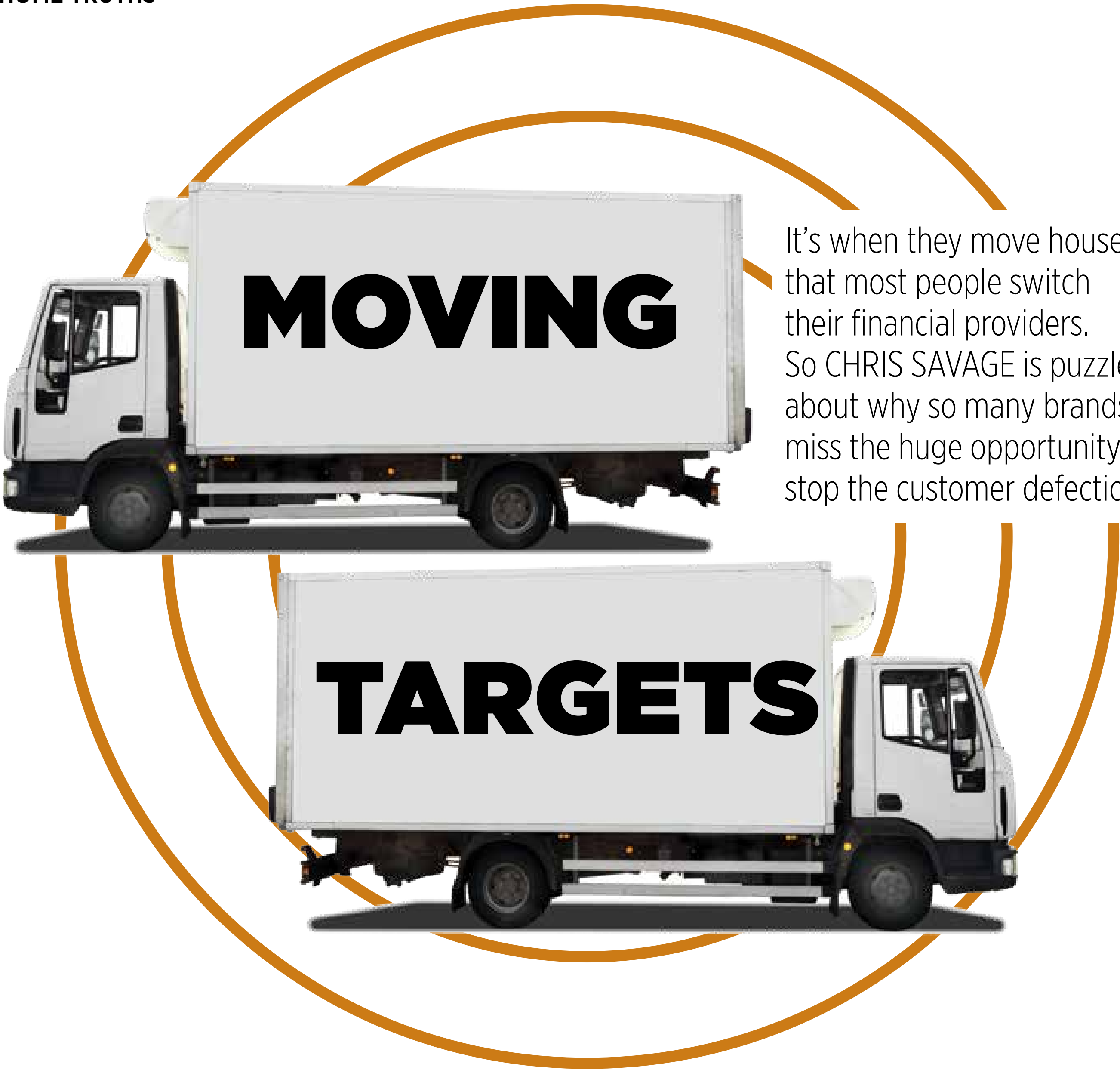

MOVING TARGETS

It's when they move house that most people switch their financial providers. So CHRIS SAVAGE is puzzled about why so many brands miss the huge opportunity to stop the customer defections.

The days of sticking with the same financial services provider for the long haul are long gone. This is not just because of the wider use of comparison sites and aggregators, but also the rapid rise of peer-to-peer networking. The 'new norm' sees a more empowered consumer investigating alternative options to locate the best deals. This is especially so in the case of a major life-changing event such as moving home.

For many, the practicalities associated with moving home create their own stresses. The process is costly, with movers faced with a barrage of decisions and problems. In fact, 39% of all pre-movers said that financial issues were their main worry. The cost of moving for a non-first-time buyer can exceed 25% of average annual earnings before tax. The average cost of moving house has more than tripled over the last 10 years to nearly £9,500, not including the additional figure for stamp duty – and that's not the end of it. The Royal Mail suggests that movers spend on average £5,000 on move-related goods and services in the pre- and post-move period and, in most cases, spend more on home improvement and furnishings in the first six months of moving than in the next five years. In addition to selecting a mortgage and setting up appropriate insurance products, there are household-related services such as utilities, telecoms and TV to be juggled. Decisions may need to be made regarding additional financing via loan or credit card, and also whether to maintain the same current account or move everything to one provider. At a time when so many additional costs need to be budgeted for, the process of moving home is seen by many consumers as a great time to review many of their long-standing financial arrangements.

> 'THE AVERAGE COST OF MOVING HOUSE HAS MORE THAN TRIPLED IN THE LAST 10 YEARS.'

TIME TO ENGAGE

Analysis by a major UK mortgage company reveals that over 66% of their customers switched to a competitor product during the home move. To make matters worse, the existing provider usually does not have the opportunity to engage with their customers to retain the business until it's too late. And while the loss of an unprofitable customer may not

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SPEED READ

- Take advantage of homemover market
- £5K – average spend on move-related goods
- £9.5K – the average cost of moving house
- 66% – home movers who switch mortgages

be lamented, it is likely to be the most profitable, high-worth customers and those who enjoy higher levels of equity who are most incentivised to move.

The latest data from the Office for National Statistics indicates that about two million households have moved to their current home within the previous 12 months. This represents almost 10% of households across the UK. In growth terms, banks are seeing an above-average increase in uptake of mortgage products. Data from the British Banking Association indicates that the annual growth of 1.3% in banks' net mortgage lending continues to outstrip annual growth of 0.8% across the whole lending market.

LOST OPPORTUNITIES

It's a market that's growing steadily, but what is it worth in actual terms? Looking just at the retention aspect of the mover segment, Callcredit estimates that mortgage providers lose around £367m a year to churn, while five other product areas – utilities, telecoms, TV, insurance and life assurance – lose a further £230 million between them. Combined, this represents a lost profit opportunity of about £115m – all retainable by using services such as Callcredit's Home Mover Alerts file. The typical number of households Callcredit can track in the move process across the year is over 1.7 million, either through sale or rental.

In such a competitive market, when marketing budgets are being continually stretched, it's clear that adding a home move element to existing marketing programmes can help marketers to identify potential movers and deliver significant returns across the piece – from retention and acquisition through to cross-sell and up-sell.

So why do many brands overlook the opportunity to identify those customers who may be looking to switch?

Callcredit's recent experience indicates that the most common reasons for ignoring this opportunity include lack of 'bandwidth' or internal resources; lack of an infrastructure to undertake such marketing, particularly in relation to the speed at which such a campaign needs to be turned around; and lack of awareness of the true statistics and a cost benefit analysis of the opportunities potentially lost.

Many marketing departments are typically set up to recruit new customers and therefore have all of the right tracking in place for monitoring the best performing advertisements, direct mail and even the profitability of customers – generated from their recruitment activity broken down by the initial marketing communication.

Retention strategies seem to be slightly different, with organisations tending to work reactively when customers have informed them that they want to leave. Perhaps the reason for this is because these marketers struggle to get enough resources for proactive retention strategies and the associated metrics required for the return on investment as budgets are primarily focused on obtaining new customers.

> **'IT'S THE MOST PROFITABLE HIGH-WORTH CUSTOMERS WHO ARE MOST INCENTIVISED TO MOVE.'**

TESTING TRIGGERS

It is a difficult conundrum for marketers to deal with, so many choose the simple option and focus on new customer acquisition, hoping the resulting tenure and loyalty of the new customers will outweigh the value of defecting customers at the other end of the spectrum. However, it is actually more cost-effective to retain rather than recruit, so marketing budgets could be more effectively used for testing and evaluating how triggers like Callcredit's Home Mover product can help them maximise return on investment.

KEY MESSAGES

By creating a pool of over 2.5 million householders who have moved within the last two years, Callcredit now has over 300,000 triggers per month at different stages in the moving process. We are trusted by a significant number of banks and lenders to look after their databases and, by working closely with them, we are able to match to their databases and identify the most effective triggers. We can also highlight the best time to contact customers to optimise retention, cross-sell to their base and even help in the recruitment of new customers.

Moving home represents a great and actionable communication trigger for marketers to proactively engage one-to-one with pre-movers and new movers through their preferred channel, promoting a product offer that's most appealing to them. With home moves at a peak over the coming months, the important message to remember is that the price for acting may be significant but the penalty for inaction is far higher.

THE KNOWLEDGE CENTRE

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The mortgage minefield - what consumers really want: With so many different mortgages on offer it is little surprise that homebuyers are confused. Yet few product providers manage to get their message across effectively. Maureen Duffy analyses the problems.

Bring on the gymnasts: Financial services organisations and third party servicers need agility and flexibility of gymnastic proportions, argues Geraint Chamberlain, if they're to retain their competitive edge in today's dynamic marketplace.

The mortgage market outlook for 2012: George Higginson discusses the mortgage market review and the RDR review and other aspects affecting the outlook for 2012's mortgage market.